

COMMUNITY INFRASTRUCTURE LEVY – ECONOMIC VIABILITY STUDY

**PREPARED ON BEHALF OF
SEFTON COUNCIL**

By



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TIMELINE

This report has regard to the evidence base that was prepared for the Local Plan and Community Infrastructure Levy Economic Viability Study December 2014 (LPEVS). We prepared an update of this evidence base during the preparation of this report in September and October 2015. The report also has regard to 'A Local Plan for Sefton' Publication Version (dated January 2015) as the most up to date version of the Local Plan.

The data and information used in this report will be updated as appropriate prior to the publication of any draft charging schedule. This will enable the report to take into account any significant changes in the property market that impact on viability (both cost and value), the modifications to the Local Plan and any relevant comments made during to the consultation on the Preliminary Draft Charging Schedule.

1.0 INTRODUCTION

- 1.1 The Sefton Local Plan was submitted to the Secretary of State for independent examination on 3 August 2015 and the examination took place over a 5 week period through November 2015 to January 2016. The Local Plan will shape the future of Sefton for years to come. It will set out how new development will be managed in the period from 2015 to 2030, it encourages sustainable development and economic growth and contains site allocations and planning policies which provide the framework within which Sefton will develop over the plan period.
- 1.2 The Local Plan at Chapter 9 considers how additional and improved infrastructure will be provided in the Borough through the development process. It concludes that this may be provided on site by the developer, and will be required by planning agreement or through the Community Infrastructure Levy (CIL).
- 1.3 The planning requirements in this respect are then contained in Policy **IN1 – Infrastructure and Developer Contributions**¹. The policy states that:
1. The Infrastructure Delivery Plan lists the essential infrastructure required for the implementation of the Local Plan strategy.
 2. Social, environmental and physical infrastructure will be protected, enhanced and provided where there is an identified need to support sustainable communities.
 3. Developer contributions may also be sought in appropriate locations to assist with regeneration objectives set out elsewhere in the plan.
 4. Where appropriate, contributions will be sought to enhance and provide infrastructure to support new development. This may be secured as a planning obligation through a legal agreement, through the Community Infrastructure Levy or through other agreements.
 5. Where appropriate, the Council may require developers to provide the necessary infrastructure themselves as part of their development proposals, rather than making financial contributions.
 6. Planning conditions or phased legal agreements may be used to ensure essential infrastructure is provided within appropriate timescales.
 7. The Council will work with a range of partners to make sure that infrastructure is provided in the right location when required.
 8. The impact of providing or contributing to infrastructure on the viability of development proposals will be considered.

¹ Note – this policy is subject to proposed modifications

1.4 The explanation to the policy notes amongst other matters that:

An Infrastructure Delivery Plan supports the Local Plan. This sets out the types of infrastructure that will be needed during the plan period, the priorities for infrastructural improvements, how much this will cost and the expected source of funding. It is envisaged that this delivery plan will be updated regularly. The infrastructure types that are likely to be required in Sefton to support the Local Plan strategy include, but are not restricted to:

- *Transport improvements (see policy IN2 - Transport)*
- *Additional school places*
- *Water supply and sewers*
- *Reduction of flood risk*
- *Public open space and other green infrastructure (including trees)*
- *Community facilities*
- *Improvement of heritage assets*

1.5 In addition the explanation recognises that Section 106 agreements can only be used to secure improvements that relate directly to a site, which make the application acceptable in planning terms and which fairly and reasonably relate in scale and kind to the development. It goes on to acknowledge that the Community Infrastructure Levy should be used to pool funds to secure infrastructure in the wider area and that a Section 123 list will be maintained which will clearly set out what infrastructure the Council would like to be funded [or part funded] through the Community Infrastructure Levy.

1.6 In order to fund future infrastructure delivery in Sefton the Council is therefore considering the introduction of a CIL. Building on the work previously undertaken in the Sefton Local Plan and Community Infrastructure Levy Economic Viability Study (December 2014) (LPEVS), this report considers the extent to which a CIL could be introduced in Sefton to ensure that the necessary infrastructure is in place to support future new development without prejudicing the economic viability of such development. This report should be read alongside the December 2014 LPEVS.

2.0 CIL GUIDANCE

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

- 2.9 The charging authority will also need to provide information about the amount of funding collected through S106 agreements and the extent to which their affordable housing and other targets have been met.
- 2.10 The Guidance recommends the use by Charging Authorities of an “area-based approach, involving a broad test of viability across their area, as the evidence base to underpin their charge.” It is also suggested that Charging Authorities should directly sample an appropriate range of site types with a focus on strategic sites on which the plan relies and also those sites where the impact of the levy is likely to be most significant ie. brownfield sites. Fine grained sampling is also likely to be necessary where an authority wishes to set differential rates.
- 2.11 A charging authority must use ‘appropriate available evidence’ to inform their draft charging schedule. The guidance recognises that the available data is unlikely to be fully comprehensive. However charging authorities need to demonstrate that their proposed levy rate or rates are informed by ‘appropriate available’ evidence and consistent with that evidence across their area as a whole.
- 2.12 A charging authority’s proposed rate or rates should be reasonable, given the available evidence, but there is no requirement for a proposed rate to exactly mirror the evidence. For example, this might not be appropriate if the evidence pointed to setting a charge right at the margins of viability. There is room for some pragmatism. It would be appropriate to ensure that a ‘buffer’ or margin is included, so that the levy rate is able to support development when economic circumstances adjust. In all cases, the charging authority should be able to explain its approach clearly.
- 2.13 The regulations allow for the setting of differential rates justified by reference to the economic viability of development. Such differential rates may be appropriate to in relation to:
- Geographical Zones
 - Types of Development
 - Scales of Development
- 2.14 It is recommended that in setting differential rates that Charging Authorities seek to avoid undue complexity, and must not set rates in such a way that they constitute state aid².
- 2.15 **Review of the Charging Schedule**
- 2.16 There is no set term for the review of a Charging Schedule, however in order to fully capture changing economic circumstances, it is expected that a Charging Schedule would be under constant review. A change in the Charging Schedule will require further public consultation and be subject to examination by an independent examiner. The legislation does allow for an annual inflationary increase in accordance with the national Tender Price Index of Construction Costs, which is published by the Building Cost Information Service (BCIS) of the Royal Institution of Chartered Surveyors (RICS).

² <http://planningguidance.communities.gov.uk/blog/guidance/community-infrastructure-levy/relief/state-aid/>

2.17 The Charging Schedule therefore needs to be sufficiently considered and robust to ensure that it remains relevant and appropriate to the Borough without the need for fundamental review. We have been mindful of this in our methodology and approach, albeit it is not possible to anticipate significant changes in the property market in future years, and inevitably periodic review of the tariff is likely to be necessary. It is therefore anticipated that, once the Charging Schedule is implemented, the property and construction market will need to be closely monitored with reference to indicators such as House Price Indices or BCIS TPI index.

3.0 LOCAL PLAN AND COMMUNITY INFRASTRUCTURE LEVY ECONOMIC VIABILITY STUDY (DECEMBER 2014)

- 3.1 Keppie Massie, in conjunction with the White Young Green Group ('WYG') was commissioned by the Council in 2014 to prepare an Economic Viability Assessment of the emerging Local Plan. The study considered the sites and scale of development together with the cumulative impact of the proposed Local Plan Policy requirements on viability and deliverability. Based on the outcome of the viability testing that was undertaken, the Study drew conclusions concerning the overall viability and deliverability of the Local Plan and its policies. The aim of the study was to satisfy the tests of viability and deliverability laid down in the NPPF. The Study was completed in December 2014 and forms part of the Local Plan Evidence Base.
- 3.2 In addition, with reference to the results of the viability testing, the study assessed the extent to which a CIL could be introduced in Sefton without prejudicing future development. Based on this analysis the study drew conclusions about the types of development that could support a CIL charge and any variations in viability that arose due to the location or scale of development.
- 3.3 **Overview of CIL Recommendations**
- 3.4 The study concluded that the evidence of the research and the results of the viability appraisals identified significant differences in the values, costs and hence viability, between residential and non-residential developments.
- 3.5 It recommend that Sefton as Charging Authority should consider introducing CIL on the basis of varying its charge by use, as a minimum between the broad categories of residential and non-residential development.
- 3.6 The study research identified differences in value by location for residential development meaning that Sefton might wish to consider a variable charging schedule with respect to location for residential development.
- 3.7 The conclusions went on to consider the options for charging in relation to residential and non-residential development.
- 3.8 Residential
- 3.9 Based on the Study evidence, it was noted that there was a justification for introducing a Charging Schedule which varied on a spatial basis, broadly according with the geographical areas of:
1. Bootle/Seaforth
 2. Litherland/Orrell/Netherton/Waterloo
 3. Aintree/Rural Hinterland/Thornton
 4. Southport/Ainsdale/Hightown/Crosby/Maghull
 5. Birkdale/Formby/Blundellsands

- 3.10 Values being lowest in Bootle and Seaforth and highest in Birkdale, Formby and Blundellsands.
- 3.11 The viability testing results also indicated differences in viability between development within the existing urban settlement boundary, and on Greenfield sites beyond the main settlement boundaries. This was something that needed to be considered in preparing any charging schedule.
- 3.12 The study noted the impact on viability of requirements such as the Code for Sustainable Homes or the policy target of 30% affordable housing and suggested that it may not be possible in certain instances to achieve the 30% affordable housing target and CIL, and that flexibility may be required.
- 3.13 The study conclusions in particular considered the results from viability testing at 30 dwellings per hectare as being the least viable set of results on which to base an assessment of the charge. On this basis the results suggested that there were prospects to introduce a CIL charge on Greenfield sites. Viability on Brownfield sites was poorer and when incorporating planning policy requirements in relation to affordable housing at 30% and building standards equivalent to Code for Sustainable Homes it generally became unviable.
- 3.14 For a CIL charge to be introduced on brownfield sites in many parts of the borough the Study suggested that there would need to be a relaxation in the Council's policy requirements to ensure that the introduction of a CIL charge did not put future development at risk.
- 3.15 Notwithstanding this, many of the proposed housing allocations within the Local Plan are Green Belt release sites, and therefore a significant proportion of new development is likely to be located on Greenfield sites where development viability is greater and sufficient to support a CIL tariff without prejudicing the delivery of either new market houses or affordable dwellings.
- 3.16 Overall the Study concluded that in the highest value area (zone 5) a CIL charge could be supported. In zones 3 and 4 a CIL charge could also be introduced although the addition of policy requirements such as higher levels of code or affordable housing could limit the charge on brownfield sites. For zones 1 and 2 viability was more marginal and it was concluded that it would be difficult to support a CIL charge in combination with 30% affordable housing (where it applied) and higher building standards.
- 3.17 The study also considered the prospects for introducing CIL for developments comprising entirely apartments and also in respect of 'Independent Living Accommodation' type developments for the over 55s. The results for the apartment developments tested reflected the difficulties of securing sales of new apartments due to lack of availability of mortgage finance for new apartments and were unviable based on an affordable housing policy compliant position. The results for the 'Independent Living Accommodation' style developments were similar with limited viability in all but the highest value locations in the Borough. It concluded that for these two forms of development the introduction of a CIL charge may prejudice future development in all but the higher value areas.

3.18 Non-Residential

3.19 In terms of the prospects for introducing CIL for non-residential forms of development, the study reached a number of conclusions. In relation to B1 [business], B2 [general industry] and B8 [storage or distribution] uses it did not recommend introducing a charge. For retail development it suggested that in the majority of cases convenience retail was viable and based on the viability evidence prospects existed for implementing a differential rate based on size and location. The results for comparison retail were less viable and it was concluded that for comparison retail a variable CIL charge could be introduced based on location.

3.20 The study also identified that a CIL charge could be introduced for food and drink uses. For all of the other forms of non-residential development tested on a speculative basis (ie. including a developer's profit return) the results of the Study demonstrated that the form of development was either marginal or unviable and hence was unable to support a CIL charge.

3.21 Summary

3.22 Based on the results of the viability testing the December 2014 Study concluded that prospects do exist in Sefton to introduce a CIL tariff for new residential and certain forms of commercial development. Prior to the introduction of a CIL charging schedule it was recommended that further scenario testing be undertaken to demonstrate the effects of a CIL charge on development viability and also to consider the effect of an instalments policy on viability. It was also suggested that the Authority would in addition need to undertake further work to allow an informed decision to be made about the benefits of the introduction of a CIL charging schedule in the Borough.

3.23 Following on from the recommendations of the December 2014 Study this report builds on this body of evidence to allow fully informed decisions to be made about the introduction of CIL in Sefton and a possible Preliminary Draft Charging Schedule (PDCS).

4.0 CHANGES SINCE THE PUBLICATION OF THE LOCAL PLAN VIABILITY STUDY

- 4.1 The Local Plan Economic Viability Study (LPEVS) was completed in December 2014. We have considered the changes that have taken place since this time that may impact on development viability. This includes changes to National Planning Policy and also Local Plan policies. In addition we have considered whether there have been any significant changes to the property and construction markets that may result in changes to the appraisal assumptions that we have adopted. This exercise allows us to bring the evidence base up to date based on appropriate available evidence, and make any changes to the viability testing that are required as a result.
- 4.2 **Housing Standards Review**
- 4.3 Since the publication of the LPEVS the Government has created a new approach for the setting of technical standards for new housing. This is intended to rationalise the many differing standards such as Code and Lifetime Homes into a simpler streamlined system, which will reduce burdens and help bring forward new housing.
- 4.4 The Housing Standards review was launched in October 2012 and culminated in the publication of the outcome on 27 March 2015. A ministerial statement was also published which outlined the government's policy on the application of the technical standards for plan making and decision taking.
- 4.5 The new system comprises new additional optional Building Regulations on water and access and a new national space standard. The measures are named the National Technical Standards and complement the existing set of Building Regulations that are mandatory.
- 4.6 The Government has now also withdrawn the Code for Sustainable Homes aside from the management of Legacy Cases. The initial Ministerial Statement also indicated that a Zero Carbon Homes Policy would be introduced in late 2016 and from then the energy performance requirements in Building Regulations would be set at a level equivalent to the outgoing Code for Sustainable Homes Level 4.
- 4.7 On 10 July however the Government announced that it doesn't intend to proceed with the Allowable Solutions carbon offsetting scheme, or the proposed 2016 increase in on-site energy efficiency standards. In addition to the above 'Fixing the Foundations: Creating a More Prosperous Nation' notes that the Government will *"keep energy efficiency standards under review, recognising that existing measures to increase energy efficiency of new dwellings should be allowed time to become established."*
- 4.8 The new National Technical Standards can only be required through any new Local Plan policies if they address a clearly evidenced need, and where their impact on viability has been considered in accordance with the NPPF and Planning Practice Guidance. At the present time it is understood that the Council is not seeking to introduce a modification to the Local Plan to require new development to comply with the National Technical Standards.

4.9 **Local Plan Policies**

- 4.10 The Publication Draft of the Local Plan incorporated a number of changes to the policies contained in the preferred options version on which the LPEVS was based. For completeness Chapter 11 of the Study considered the changes to the policies that might impact on viability and as necessary further viability testing was undertaken and the conclusions updated accordingly.
- 4.11 The key policy changes that did have further implications for viability and required additional viability testing are listed below:-
- 4.12 ***Policy HC1 - Affordable and Special Needs Housing***
The policy does not fundamentally differ from Policy PC2 contained within the Preferred Option version of the plan. It still requires that Affordable Housing should comprise 30% of all new bed spaces provided within new developments of 15 dwellings or more, with the Affordable Housing element split 80% social rented and 20% intermediate.
- 4.13 There is one change to the policy however as in respect of Bootle and Netherton. Policy HC1 now requires that in developments of 15 units or more an Affordable Housing provision of 15% will be sought by the Council split 50% social rented 50% intermediate. This differs to Policy PC2, which sought a full 30% provision (split 80% social rented 20% intermediate) in Netherton, and 0% in Bootle. Further viability testing was undertaken to reflect this change in the policy.
- 4.14 The revised policy retains a test of viability.
- 4.15 ***Policy MN2 – Housing, Employment and Mixed Use Allocations***
Policy SR4 of the Preferred Options version of the Local Plan dealt with Housing Allocations and the phasing of these allocations. In the context of this policy and in accordance with good practice the Study contained viability testing in relation to a number of the key strategic sites on which the plan relies. These were generally all of the sites with capacity for in excess of 100 dwellings. The viability of sites smaller than this was addressed in the generic typologies testing that was undertaken.
- 4.16 The Publication Draft Plan introduced an amended policy MN2 Housing, Employment and Mixed Use Allocations. This policy included amendments to the size and capacity of some of the allocations and some additional new allocations. These amendments and new allocations increased the indicative capacity from 6,956 dwellings to 7,315 dwellings on allocated housing sites. The Study considered the changes made by this policy to the strategic sites that had previously been tested and updated viability assessments were prepared as appropriate. Similarly we also prepared viability assessments for the new allocations and safeguarded sites. The results of this additional testing were contained in Chapter 11 of the LPEVS.
- 4.17 ***Policy MN3 Strategic Mixed Use Allocation – Land East of Maghull***
Due to the adjustments to this policy in respect of the housing capacity on the site, and also to the proposed phasing we also prepared a further viability appraisal of the site as part of the Study.

4.18 **Policy MN5 – Land South of Formby Industrial Estate**

This site was not contained in the Preferred Options Version of the Local Plan however within the publication draft of the Plan it is allocated for a 'Strategic Employment Location'. Chapter 11 of the Study contained a viability test of this site.

4.19 **Property Market**

4.20 **Residential**

4.21 House Prices

4.22 We have considered whether any changes have occurred in house prices since the LPEVS was published in December 2014. Table 4.1 contains Land Registry Index data for Sefton over the period from December 2014 until July 2015 which is the most recently published data.

	Dec 2014	July 2015	% Change
House Price Index	197.85	202.91	2.6%
Average Price (all)	£119,478	£122,530	2.6%

Table 4.1: Land Registry House Price Data Dec 2014 -July 2015

4.23 Land Registry data shows that over the period since the LPEVS was published average house prices in Sefton have increased overall by 2.6%.

4.24 We have also considered house price changes over the period since December 2014 by postcode area. The data is taken from Rightmove and has been produced from Land Registry data. Table 4.2 shows the overall average house price in each postcode area in December 2014 and then the average at May 2015 (the most recent data available). The number of sales is shown in brackets. We have then considered the change in house price that has taken place over this period.

Postcode Area	Dec 2014	May 2015	Price Change	% Change
PR8 (North Southport)	£182,031 (86)	£188,146 (71)	£6,115	3.36%
PR9 (South Southport)	£153,362 (48)	£157,825 (56)	£4,463	2.91%
L38 (Hightown)	£154,400 (1)	£234,500 (4)	£80,100	51.88%
L37 (Formby)	£244,076 (36)	£257,105 (19)	£13,029	5.34%
L31 (Maghull)	£154,701 (28)	£167,129 (38)	£12,428	8.03%
L30 (Netherton)	£91,510 (15)	£90,736 (14)	-£774	-0.85%
L23 (Crosby)	£218,570 (57)	£262,041 (36)	£43,471	19.89%
L22 (Waterloo)	£151,778 (16)	£165,318 (14)	£13,540	8.92%
L21 (Seaforth)	£101,131 (19)	£105,847 (17)	£4,716	4.66%
L20 (Bootle)	£80,864 (38)	£87,898 (25)	£7,034	8.70%
L9 (Orrell)	£94,888 (27)	£106,227 (24)	£11,339	11.95%

Table 4.2: Change in House Price by Postcode Area (Rightmove)

4.25 It should be noted that the data from L38 is based on a small sample size. The data from the remaining areas, except for L30 shows a pattern of increasing house prices with a range of 2.91% in PR9 to 19.89% in L23. Based on sales in May 2015 the data shows that the highest prices have been achieved in Postcode Area L23 (Crosby and Thornton) followed by L37 (Formby). The lowest prices are in L20 (Bootle) and L30 (Netherton). L30 (Netherton) is the only area that has shown a decrease in average house prices in this period.

- 4.26 This sales price data relates to the sale of all houses both new and re-sales and obviously reflects the character and condition of the housing stock in the respective areas as well as the relative value trends.
- 4.27 To inform the LPEVS we also considered evidence of the prices paid for houses on new residential developments in Sefton. Details of the developments considered are contained in the LPEVS report. In a number of cases the developments had recently been completed and all new dwellings sold. In certain instances construction was still on-going and hence to bring matters up to date we have reviewed the sales that have taken place on these developments since the LPEVS. We have also undertaken research in relation to several new developments that have commenced since the earlier study.
- 4.28 Details of the respective developments are listed below and in each case the relevant table contains details of the sales that have taken place since November 2014.
- 4.29 Links View, Ainsdale
- 4.30 In the LPEVS it was noted that recent sales at Links View had been at prices of between £249,995 and £379,995. Based on the floor areas of the dwellings the prices paid equated to between £1,851 per sq.m (£172 per sq.ft) and £2,335 per sq.m (£217 per sq.ft). Table 4.3 shows that the most recent sales have tended to be of the smaller detached house types and have been at an overall average price of £2,390 per sq.m (£222 per sq.ft) before any allowance for sales incentives. This suggests a slight increase in prices over the period since the LPEVS.

Address	Price Paid	Date of Sale	Size (sq.ft)*	Price (per sq.ft)	House Type
73 St Thomas More Drive	£205,635	28/11/2014	926	£222	Detached
81 St Thomas More Drive	£226,995	12/12/2014	1001	£227	Detached
83 St Thomas More Drive	£211,995	20/02/2015	926	£229	Detached
10 Under Hill Close	£216,595	15/08/2014	1001	£216	Detached
12 Under Hill Close	£224,995	26/09/2014	1001	£225	Detached
2 White Otter Close	£209,995	13/03/2015	969	£217	Detached
9 White Otter Close	£205,195	29/01/2015	926	£222	Detached
			Ave	£222	

* Dwelling Size Taken from EPC

Table 4.3: Sales - Links View, Ainsdale (PR8)

4.31 Current availability at Links View is contained in table 4.4.

	Type	Beds	Size (sq.ft)	Price from	Price (per sq.ft)
Regent	Semi	3	1016	£200,995	£198
Regent	Det	3	1016	£227,995	£224
Oakwood	Det	4	1152	£253,995	£220
Prestley	Det	4	1559	£337,995	£217
Tarleton	Det	5	1663	£364,995	£219

Table 4.4: Current Availability Links View, Ainsdale

4.32 Hawthorn Park, Crosby (L23)

4.33 In the LPEVS it was noted that recent sales had been at between £194,000 and £335,995 equating to between £2,045 per sq.m (£190 per sq.ft) and £2,561 per sq.m (£238 per sq.ft). The overall average price paid was £2,314 per sq.m (£215 per sq.ft). Table 4.5 shows that the most recent sales have tended to be of the larger, 4 bed detached house types and have been at an overall average price of £2,325 per sq.m (£216 per sq.ft) before any allowance for sales incentives.

Address	Price Paid	Date of Sale	Size (sq.ft)	Price (per sq.ft)	House Type
31 Braid Crescent	£299,995	06/11/2014	1311	£229	4 bed detached
45 Haddington Road	£206,995	06/11/2014	943	£220	3 bed detached
43 Haddington Road	£249,995	19/11/2014	1151	£217	4 bed detached
33 Haddington Road	£335,995	11/12/2014	1558	£216	4 bed detached
27 Haddington Road	£310,000	11/12/2014	1466	£211	4 bed detached
25 Haddington Road	£320,000	18/12/2014	1558	£205	4 bed detached
			Ave	£216	

Table 4.5: Sales Hawthorne Park, Crosby (L23)

4.34 There is one remaining Keats house type available on the development at an asking price of £274,995 which equates to £2,260 per sq.m (£210 per sq.ft).

4.35 Church Fields, Litherland (L21)

4.36 In the LPEVS it was noted that sales had ranged from between £1,689 per sq.m (£157 per sq.ft) and £2,142 per sq.m (£199 per sq.ft). The average sales price was around £1,884 per sq.m (£175 per sq.ft). Table 4.6 shows that the most recent sales have tended to be a mix of both semi-detached and detached house types and have been at an overall average price of £2,109 per sq.m (£196 per sq.ft) before any allowance for sales incentives.

Address	Price Paid	Date of Sale	Size (sq.ft)*	Price (per sq.ft)	House Type
24 Ashford Close	£185,000	30/01/2015	915	£202	Detached
25 Ashford Close	£185,000	30/01/2015	915	£202	Detached
26 Ashford Close	£202,395	12/02/2015	1130	£179	Detached
27 Ashford Close	£194,745	18/02/2015	1130	£172	Detached
12 Ashford Close	£139,995	20/02/2015	721	£194	Semi
11 Ashford Close	£135,000	27/02/2015	721	£187	Semi
28 Ashford Close	£161,995	27/03/2015	786	£206	Semi
29 Ashford Close	£156,000	30/03/2015	786	£199	Semi
30 Ashford Close	£165,295	10/04/2015	786	£210	Detached
31 Ashford Close	£165,995	23/04/2015	786	£211	Semi
19 Ashford Close	£154,995	30/04/2015	786	£197	Semi
32 Ashford Close	£156,000	14/05/2015	786	£199	Semi
34 Ashford Close	£162,000	14/05/2015	786	£206	Semi
17 Ashford Close	£147,246	15/05/2015	786	£187	Semi
37 Ashford Close	£185,000	09/06/2015	915	£202	Detached
22 Dartford Drive	£139,995	19/02/2015	786	£178	Semi
			Ave	£196	

* Dwelling Size Taken from EPC

Table 4.6: Sales Church Fields, Litherland

4.37 Current availability at Church Fields is contained in table 4.7.

	Type	Beds	Size (sq.ft)	Price from	Price (per sq.ft)
Rufford	Semi	3	809	£154,995	£192
Pilkington	Semi	3	780	£153,995	£197

Table 4.7: Current Availability Church Fields, Litherland

4.38 *Bootle (HMRI) (L20)*

4.39 The LPEVS considered sales that had taken place as part of the HMR Programme along Hawthorne Road at around £1,722 per sq.m (£160 per sq.ft). We have considered sales since December 2014 in this location. These sales have been at an average of around £1,679 per sq.m (£156 per sq.ft).

4.40 In relation to the development at Regency Park the LPEVS noted sales prices at an average of £1,399 per sq.m (£130 per sq.ft). Sales that have taken place since December in this location have been at an average price of £1,346 per sq.m (£125 per sq.ft).

4.41 New Developments

4.42 Two new housing developments have commenced recently in Sefton, one in Formby the other in Bootle. In relation to the Formby development known as Orchid Meadows, a small number of sales have been reported at Land Registry. We have provided details of these sales in Table 4.8 together with current availability in 4.9.

Address	Price Paid	Date of Sale	Size (sq.ft)*	Price (per sq.ft)	House Type
Tesla Way	£289,995	30/04/2015	1141	£254	Detached
Wheatstone Road	£249,995	12/03/2015	1001	£250	Detached
Wheatstone Road	£191,995	06/03/2015	797	£241	Semi

* Dwelling Size Taken from EPC

Table 4.8: Sales at Orchid Meadow, Formby (L37)

	Type	Beds	Size (sq.ft)	Price from	Price (per sq.ft)
Rufford	Semi	3	809	£200,995	£248
Lansdown	Det	3	943	£250,995	£266
Oakwood	Det	4	1151	£292,995	£255
Fairhaven	Det	4	1232	£309,995	£252
Rowan	Det	4	1228	£314,995	£257
Keats	Det	4	1311	£330,995	£252
Huxley	Det (2.5S)	4	1684	£399,995	£238
Fielding	Det	4	1842	£446,995	£243

Table 4.9: Current Availability Orchid Meadow, Formby (L37)

4.43 The sales prices at Orchid Meadow do not take account of the sales incentives that may have been offered to secure a sale. Typically these are in the region of 0% up to 3% at the present time. Even making an allowance of 3% for incentives the available evidence from Orchid Meadows would suggest house prices in excess of £2,476 per sq.m (£230 per sq.ft) are achievable on new residential developments in Formby.

4.44 The other recently commenced development in Sefton is at Peel Court in Bootle (L20). No sales prices have yet been report at Land Registry however current asking prices range from £98,995 for a 2 bed house up to £161,995 for a 4 bed house. The asking prices range from £1,582 to £1,894 per sq.m (£147 to £176 per sq.ft).

4.45 Summary

4.46 Table 4.10 below is taken from the LPEVS and shows the sales values adopted for the various zones for the purpose of the viability testing.

Zone	Wards	Sales Value per sq.m	Sales Value per sq.ft
1	Bootle, Seaforth	£1,615	£150
2	Litherland, Orrell, Netherton, Waterloo	£1,830	£170
3	Aintree, Rural Hinterland, Thornton	£2,045	£190
4	Southport, Ainsdale, Hightown, Crosby, Maghull	£2,155	£200
5	Birkdale, Formby, Blundellsands	£2,370	£220

Table 4.10: House Price Zones LPEVS

- 4.47 Based on the evidence of recent sales we have made some adjustments to the wards included in the value zones that we have previously tested. As a result of prices increases identified over the period since the LPEVS was published in December 2014 Crosby has the highest average house prices in Sefton and we have therefore proposed to include Crosby and Hightown in Zone 5.
- 4.48 The evidence from Orchid Meadows would suggest that new housing development in Formby is likely to achieve sales value in excess of £2,370 per sq.m (£220 per sq.ft) that has been used for the purpose of our original testing. This has been very limited new development in Formby in recent years. The development at Orchid Meadows will set a benchmark as to the values for new houses in the town. The early indications are that the level of pricing may be higher than that included in the LPEVS, although a number of new developments are planned for the town which will increase supply and stabilise prices. For the purpose of assessing CIL we have retained the assumption of values at £2,370 per sq.m (£220 per sq.ft). In our view this is a robust position in the circumstances and indeed it is arguable that higher prices could be supported.
- 4.49 **Construction Cost**
- 4.50 We have also considered whether there has been any significant changes to construction costs over the period since the December 2014 study. The BCIS All-In Tender Price Index (TPI) was 256 in Q4 2014. The forecast figure for Q2 2015 is 264 and for Q3 2015 267. Based on the Q2 figure this is an increase in construction costs over the period of 3.1% or 4.3% based on the Q3 2015 figure. In the context of house price increases that have occurred in Sefton over this period the increase in construction costs is diminimus and the cost assessments prepared by WYG in the original LPEVS remain relevant for the purpose of this assessment.
- 4.51 **Consistency with LPEVS and Amendments Required**
- 4.52 The other appraisal assumptions contained in the LPEVS in relation to matters such as input land cost, developers profit, finance, sales and marketing costs and programme remain relevant for the purpose of viability testing in Sefton. Available evidence does not suggest that any changes are required to these inputs and hence they have been adopted for the purpose of this assessment.
- 4.53 For new residential developments in Sefton we have therefore carried forward the viability testing results from the LPEVS in order to assess the level of CIL that new housing development in Sefton could support. We have made some slight adjustments to the wards contained in the different value zones namely the inclusion of Crosby and Hightown in the highest value zone.
- 4.54 **Non-Residential**
- 4.55 There have been notable signs of improvement in the industrial market sector over the past few months. Rental levels in the area have increased slightly and yields have improved for industrial premises due to relative shortages in supply. However we consider that these improvements are not sufficiently significant to affect the conclusions of the LPEVS. The speculative development of industrial accommodation remains challenging. Smaller forms of development may come forward with the benefit of a pre-let or a pre-sale agreement or via grant funding. Implementing a CIL change would prejudice the delivery of speculative and non-grant assisted development. Increased revenues will not fill the viability gap which we observed in the LPEVS. We are aware of very few schemes coming forward without grant assistance and consider that the development of smaller forms of speculative industrial units remain unviable.

- 4.56 In respect of larger logistical premises, this sector will need to be kept under review. At present, there are relatively few larger logistical units in Sefton, reflecting the location of the Borough away from the strategically important motorway connections along the M6 and M62. Speculative development of larger units is currently taking place at Heywood near Bury, Wigan, Knowsley, Chorley and at Trafford Park. This indicates that at present such forms of development are viable in these locations. Larger logistical accommodation could be built close to the M58/M57 in the event of the success of the new Liverpool2 Super Port facility at the Port of Liverpool. Demand will therefore need to be carefully reviewed to assess the likelihood of such development coming forward in the future, to ensure that the Council are able to collect CIL in the event that such forms of development are viable and can afford to pay potential charges.
- 4.57 In the period since the publication of the LPEVS, the 'Big Four' UK supermarkets chains (Asda, Morrisons, Sainsbury's and Tesco) have performed badly, and each have reported losses. There is also uncertainty regarding new store formats with increased online sales, the success of smaller convenience units, and increased pressure from budget (Aldi and Lidl) and premium (Booths and Waitrose) retailers. In recent years, both Tesco and Sainsbury's appear to have been moving away from larger store formats above 4,654 sq.m (50,000 sq.ft) and focusing on their Express and Local store ranges which are generally between 186 and 465 sq.m (2,000 and 5,000 sq.ft). More recently, in the last 6 months, Tesco have issued a moratorium in respect of all new store development across the UK including smaller stores and Morrison's have moved out of the sector entirely, selling off their 'M Local' brand.
- 4.58 Many of the recent new supermarkets development in the northwest have been for the budget operators such as Aldi. The rents payable on such medium sized new supermarkets in the North West have been at between £97 and £150 per sq.m (£9 and £14 per sq.ft) for units of around 1,394 sq.m (15,000 sq.ft). Rents of between £108 and £162 per sq.m (£10 and £15 per sq.ft) have been achieved based on the samples of units which have come forward to auction over the course of the past 2 years.
- 4.59 There have been relatively few lettings involving newly built stores due to the reduction in new supply. Of the transactions that have taken place Tesco have recently opened a new 2,741 sq.m (29,500 sq.ft) unit at Little Lever in Crossley in Bolton. According to CoStar this store is let at a rent of £413,000 per annum, which equates to £151 per sq.m (£14 per sq.ft).
- 4.60 Sales transactions involving Tesco units have typically been at net initial yields of between 4.5% and 6%, whilst a number of historic transactions involving Sainsbury's stores are between 4.5% and 5%. Sales of Aldi stores units have transacted at yields of between 5.4% and 7.6%.
- 4.61 In terms of the performance of office and leisure sectors, we have observed little revenue change over the past 9 months. Overall for the non-residential forms of development considered in the LPEVS we conclude the original viability testing undertaken remains appropriate for the purpose of considering CIL however we have made some adjustments to the retail testing undertaken which is considered in more detail in Section 5.

5.0 VIABILITY TESTING RESULTS

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

5.2 Residential Results

5.3 We have combined the results of the baseline testing assuming current building regulation standards with the locally set requirements for affordable housing. Based on these results, we have then provided a commentary about the levels of surplus and possible CIL charges which could be introduced as a result.

5.4 To ensure our conclusions are robust we have also considered the impact that future, higher energy efficiency standards may have on the ability of development to fund CIL. At the present time, following the announcement by Government in July, no timescale has been set for the introduction of higher standards, however the consideration of the results in so far as they relate to achieving standards equivalent to Code Levels 3 and 4 provide a useful indicator of when it may be appropriate to consider a future review of any CIL charge.

5.5 *Interpretation of Generic Testing Results*

5.6 The hypothetical development schemes tested in the LPEVS are as follows:

- Scheme 1 – 5 units
- Scheme 2 – 10 units
- Scheme 3 – 15 units
- Scheme 4 – 20 units
- Scheme 5 – 50 units
- Scheme 6 – 100 units

5.7 Tables 5.1 to 5.3 contain the testing results assuming the policy compliant Affordable Housing requirement at 15% measured by bed spaces in Bootle and Netherton, and 30% by bed spaces in the rest of the Borough. The figures within the tables are the maximum CIL rates per sq.m that could be supported based on the floor area of the market housing only as affordable housing is subject to relief from the charge.

5.8 Table 5.1 contains the results for sites in Zone 1 (Bootle) and Zone 2 (Netherton) tested at 15% affordable housing provision. Having regard to the characteristics of the area, we have only tested development on Brownfield sites.

5.9 Tables 5.2 and 5.3 contain the results from the brownfield and greenfield development scenarios respectively in the rest of the Borough. In the case of the brownfield sites, table 5.2 also shows the results based on differing amounts of affordable provision at nil, 10%, 20% and 30%. The greenfield results which are generally more viable simply adopt the policy requirement of 30%.

5.10 CIL guidance advises that Charging Authorities should not set their CIL tariffs at the margins of viability. Typically Charging Authorities that have already implemented a CIL charge have implemented a buffer of between 30% and 50% to account for site specific circumstances. In considering an appropriate buffer for Sefton we need to be mindful not only of property market changes and site specific characteristics but also future requirements for higher energy efficiency standards or aspirational and higher design requirements.

Scheme	% Affordable Housing	Zone 1	Zone 2 (Netherton)
1	0%	£0	£2
2	0%	£0	£108
3	0%	£0	£155
	15%	£0	£39
4	0%	£2	£174
	15%	£0	£68
5	0%	£0	£123
	15%	£0	£40
6	0%	£0	£148
	15%	£0	£61

Table 5.1: Zone 1 and 2 (Netherton) Max CIL Charge (per sq.m) Market Housing

- 5.11 The results contained within Table 5.1 show that housing development on brownfield sites in Zone 1 are unlikely to be viable even without affordable housing provision at 15%. The results show that even development comprising entirely market housing is unlikely to be able to support a CIL charge.
- 5.12 The results for Zone 2 (Netherton) show an improvement in viability due to higher house prices in this area. The larger schemes (3-6) which assume 15 dwellings or more have maximum surpluses of £39 to £68 per sq.m. Although the results suggest a more marginal form of development, the level of surplus suggests a limited CIL charge could be supported. The result for the small scheme of 5 dwellings does indicate that the smallest developments in this location may struggle to support a CIL charge.

Scheme	% Affordable Housing	Zone 2 (Ex Netherton)	Zone 3	Zone 4	Zone 5
1	0%	£2	£0	£0	£154
2	0%	£108	£59	£91	£261
3	0%	£155	£115	£144	£318
	10%	£105	£54	£82	£261
	20%	£0	£0	£0	£136
	30%	£0	£0	£0	£9
4	0%	£174	£129	£161	£331
	10%	£106	£47	£77	£254
	20%	£52	£0	£2	£190
	30%	£0	£0	£0	£54
5	0%	£123	£66	£92	£248
	10%	£58	£0	£8	£174
	20%	£0	£0	£0	£62
	30%	£0	£0	£0	£0
6	0%	£148	£89	£113	£267
	10%	£81	£5	£27	£189
	20%	£3	£0	£0	£100
	30%	£0	£0	£0	£0

Table 5.2: Zones 2 (ex Netherton), 3, 4 and 5 Max CIL Charge (per sq.m) Market Housing Brownfield Sites

5.13 The results of our viability testing of hypothetical developments on brownfield sites in the rest of the Borough suggest that, based on the policy requirement of 30% affordable housing, development is not sufficiently viable to support a CIL charge in all areas. To introduce a CIL charge in these cases the Council may need to balance the requirements for affordable housing and consider a reduced amount of affordable housing provision if CIL is taken forward. For the smallest development tested of 5 dwellings the results for zones 2-4 suggest that this size of development may struggle to support a CIL charge. As a result the Council may also be minded to consider setting a charge for residential development in these locations with reference to scale.

Scheme	% Affordable Housing	Zone 3	Zone 4	Zone 5
1	0%	£292	£269	£440
2	0%	£395	£374	£543
3	30%	£236	£187	£385
4	30%	£299	£247	£454
5	30%	£209	£150	£339
6	30%	£278	£209	£420

Table 5.3: Zones 3, 4 and 5 Max CIL Charge (per sq.m) Market Housing Greenfield Sites

5.14 The results in Table 5.3 show that the development of Greenfield sites is more viable than the brownfield development scenarios. Given the location of the Greenfield sites that are likely to come forward in the future our testing has been based on developments in Zones 3, 4 and 5 only.

5.15 Assuming 30% affordable housing provision there are development surpluses available for CIL on Greenfield Sites. The surpluses range from a minimum of £150 per sq.m for a 50 unit scheme in Zone 4 up to £543 per sq.m for a 10 unit scheme in Zone 5.

- 5.16 Development on Greenfield sites assuming a 30% affordable provision is therefore viable, and can afford CIL payments of up to £150 per sq.m based the minimum surplus without prejudicing development. If a buffer of 50% is applied to this figure, then a CIL tariff of £75 per sq.m could be afforded.
- 5.17 The greatest development surpluses are achieved in Zone 5. The lowest development surplus in Zone 5 is £339 per sq.m based on scheme 5 (50 units). Adopting a buffer at 50% would mean a potential chargeable amount of £170 per sq.m.
- 5.18 *Apartment Developments*
- 5.19 In the LPEVS it was acknowledged that significant proposals for apartment schemes were unlikely in the immediate term, however we considered it was appropriate to undertake some testing of both a small (10 units) and medium (50 units) apartment development on both Brownfield and Greenfield sites.
- 5.20 The results contained at table 6.17 of the study reflect the remaining difficulties in securing sales of new apartments due to a lack of mortgage finance. Overall the results show that for the hypothetical developments tested, based on an affordable housing policy compliant position, apartment development is unviable in all locations.
- 5.21 Overall at the present time the results suggest limited viability for developments comprising entirely apartments, and it is likely that the introduction of a CIL tariff may prejudice development in these cases.
- 5.22 The results in respect of Over 55s 'Independent Living' style developments are similar to the results of the apartment schemes tested, and show limited viability and hence are unlikely to be able to support a CIL charge.
- 5.23 **Site Specific Residential Testing**
- 5.24 Based on the results of the viability testing undertaken in the LPEVS in relation to the strategic sites we have considered the maximum CIL payments that could be supported by these sites. It should be noted in relation to the site specific testing that has been undertaken that we have had regard to available evidence for each particular site in relation to matters such as ground conditions and highways and infrastructure requirements. As a result the testing has regard to the specific characteristics of the site and based on the available evidence is fully reflective of the likely development costs. In the circumstances we would not expect the need for the same level of 'buffer' as required for the hypothetical development scenarios that have been tested.
- 5.25 Table 5.4 contains the results of our testing based on 30% affordable housing provision. To model the possible impact on viability should higher energy efficiency standards be introduced by the Government at some point in the future we have taken the testing from the LPEVS relating to Code Levels 3 and 4 as an indicator of the costs of such standards. For consistency with the Generic Testing above, the results are presented to accord with the relevant zones.

Location	Policy Ref	Site Address	Current Building Regulations	Code Level 3	Code Level 4
Formby (Zone 5)	MN2.16	Land at Liverpool Road, Formby	£222	£194	£119
	MN2.12	Land north of Brackenway, Formby	£206	£178	£103
	MN2.19	Land at Andrew's Close, Formby	£351	£322	£248
Southport (Zone 4)	MN2.4	Land at Moss Lane – Churchtown South	£148	£120	£45
	MN2.2	Land at Bankfield Lane – Churchtown North	£150	£121	£46
	MN2.6	Land at Broome Road, Southport	£95	£70	£4
	MN2.8	Former Ainsdale Hope School, Ainsdale	£188	£163	£96
	MN2.11	Land south of Moor Lane, Ainsdale	£60	£32	£0
	MN2.5	Land At Crowland Street, Southport	£66	£38	£0
	MN2.3	Former Phillips Factory, Balmoral Drive, Southport	£11	£0	£0
Maghull/Aintree (Zone 3/4)	MN2.31	Wadacre Farm, Melling	£88	£62	£0
	MN2.30	Land east of Waddicar Lane, Melling	£89	£63	£0
	MN2.28	Land North of Kenyons Lane, Lydiate	£148	£121	£52
	MN8.1	Land North of Lambshear Lane, Lydiate	£256	£227	£152
	MN8.2	Land Adj Ashworth Hospital, Maghull	£178	£149	£74
Thornton (Zone 3)	MN2.25	Land at Lydiate Lane, Thornton	£110	£85	£18
	MN2.24	Land west of Holgate, Thornton	£179	£154	£87
	MN2.26	Land south of Runnells Lane, Thornton	£86	£59	£0
Bootle (Zone 1)	MN2.41	Former St Wilfrid's School, Bootle	£0	£0	£0

Table 5.4: Strategic Sites Max CIL Charge (per sq.m) Market Housing

5.26 The only Strategic Site tested in Zone 1 is the Former St Wilfrid's School in Bootle. The site has capacity for 160 dwellings. Assuming the inclusion of 15% affordable housing the site is not viable and unable to support a CIL tariff.

- 5.27 Based on the results of the viability testing for this site undertaken for the LPEVS then assuming a reduced level of affordable housing at 10% the site could support a maximum CIL payment of £39 per sq.m and assuming a development of entirely market housing this sum increases to £97 per sq.m.
- 5.28 A total of 15 of the 19 Strategic Sites tested (including reserve sites) are located in Zones 3 and 4, and typically comprise Green Belt sites adjacent to the current settlement boundaries. Zones 3 and 4 are similar value areas, and have been tested at net sales prices of between £2,045 per sq.m (£190 per sq.ft) and £2,260 per sq.m (£210 per sq.ft) dependant on the location and characteristics of the site. The sales prices adopted in respect of the particular site represent our opinion as to the level of value that could be achieved on that site, having regard to the location and specific characteristics of each site.
- 5.29 The sites in Zones 3 and 4 do however differ in terms of the capacity of development, and the levels of infrastructure required to bring forward development. In addition, a number of the Strategic Sites in Southport are in locations that are known to have the potential for poor ground conditions and as a result piling and dynamic compaction may be required, alongside any further opening up costs which may be incurred.
- 5.30 Only one of the strategic sites tested in these areas is a brownfield site, and this comprises a former factory in Southport with capacity for 158 dwellings.
- 5.31 Table 5.4 shows that in respect of the Greenfield Strategic Sites in Southport, there development surpluses of between £60 and £188 per sq.m assuming 30% affordable housing provision. On the basis of the above, and assuming a buffer of around 30% a CIL rate of £40 per sq.m could be afforded based on the least viable result at £60 per sq.m. In relation to the brownfield site tested, the maximum surplus available for CIL assuming 30% affordable housing provision is £11 per sq.m. With a relaxation in affordable provision to 20% this increases to £104 per sq.m, suggesting that with a limited reduction in affordable provision the site is capable of supporting a CIL charge. Based on our testing of this site this is reduction in affordable provision from 55 to 37 units, albeit based on a surplus of £104 per sq.m at 20% affordable provision not all of the 18 units would be lost to support a CIL charge of £40 per sq.m.
- 5.32 The development surpluses in respect of the Strategic Sites in Maghull, Thornton and Melling on the same basis range from £86 to £256 per sq.m. Adopting a similar approach to the testing in Southport and assuming a buffer of 30%, a CIL rate of around £60 per sq.m could be afforded without prejudicing future development based on the least viable development surplus at £86 per sq.m. It is possible that a CIL charge of at least £60 per sq.m could be supported across the strategic sites tested in Maghull, Thornton and Melling.
- 5.33 As outlined within the results of our Generic Testing earlier within this section of the report, viability improves within Zone 5 as revenues increase. Table 5.4 contains the results of our testing allowing for a 30% affordable housing provision in Zone 5.
- 5.34 The Strategic Sites assessed around Formby provide development surpluses of between £206 and £351 per sq.m. On the basis of our testing, development in the Green Belt around Formby could support CIL payments based on the least viable result of £125 per sq.m based on a 40% buffer and remain viable. Assuming a 30% buffer this would rise to around £140 per sq.m.

5.35 **Energy Efficiency Measures**

5.36 Table 5.4 shows the revised maximum sum available for CIL once the costs associated with achieving development to Code Levels 3 and 4 are included. The results from the testing of the strategic sites show that the inclusion of the costs to achieve the former Code Level 3, does have an impact on viability although this is fairly limited. In Southport in the context of the greenfield sites tested a £40 per sq.m CIL charge and Code Level 3 costs would mean that for 2 of the sites tested the development surpluses at £32 and £38 per sq.m would be absorbed and there may be a requirement for a small reduction in affordable provision. The remaining sites have sufficient surpluses to support CIL and Code Level 3 costs. In relation to the brownfield site, then the development surplus at £104 per sq.m would be sufficient to support CIL and Code Level 3 costs and still provide a minimum of 20% affordable housing.

5.37 In terms of the greenfield sites tested in Maghull, Thornton and Melling a £60 per sq.m CIL charge and Code Level 3 costs would mean that for 3 of the sites tested the development surpluses at £59, £62 and £63 per sq.m would be almost entirely absorbed and there may be a requirement for a small reduction in affordable provision. The remaining sites have sufficient surpluses to support CIL and Code Level 3 costs.

5.38 The greenfield development sites around Formby have sufficient surplus allowing for Code Level 3 costs to support a CIL charge at either £125 or £140 per sq.m.

5.39 The results that model the impact on viability of achieving Code Level 4 suggest that in several cases development including 30% affordable housing provision would become unviable before any costs associated with CIL, although in many instances for example in Formby development could support such higher costs but the level of viability would be such that a review of the CIL charge may become appropriate.

5.40 **MN3 – Land East of Maghull**

5.41 This site is identified as a strategic mixed use allocation which will provide a minimum of 1,400 dwellings and a 20 hectare net serviced business park. The policy also requires significant infrastructure and S106 contributions associated with its development, including contributions to M58 junction improvements, a new Railway Station, bus service and an extension to the local primary school. Our viability appraisals in the LPEVS contained over £5m of site specific S106 contributions in addition to the provision of public open space and a new local centre. Having regard to the specific nature of the development required on this site and the associated policy and planning obligations it is not reflective of typical development in this location and based on the current policy requirements may not be able to support a CIL levy. With any modifications to the policy or the package of S106 contributions, then viability may improve

5.42 The CIL Guidance allows charging authorities to treat major strategic sites as a separate geographical zone where it is supported by robust evidence on economic viability. Given the circumstances here and the prospect of delivering infrastructure requirements through a S106 Agreement then it may be appropriate to create a separate charging zone for the Land East of Maghull.

5.43 Residential Summary

- 5.44 We have considered the viability results taken from the generic testing at 30 dph as being the least viable most pessimistic position. The results on this basis suggest that there are prospects to introduce a CIL charge on Greenfield sites. Viability on Brownfield sites is however poorer and when incorporating planning policy requirements in relation to affordable housing at 30% is less viable. The results for Brownfield development sites demonstrate that for a CIL charge to be introduced on these sites there may need to be a relaxation in the Council's policy requirements in relation to affordable housing to ensure that the introduction of a CIL charge does not put future development at risk.
- 5.45 The proposed housing allocations within the Local Plan are predominantly Green Belt release sites, and therefore a significant proportion of new development is likely to be located on Greenfield sites where development viability is greater and sufficient to support a CIL tariff without prejudicing the delivery of either new market houses or affordable dwellings.
- 5.46 Assuming residential development based on a policy compliant position of 30% affordable housing Table 5.5 below contains our recommendations as to appropriate Preliminary Draft Charging Schedule (PDCS) for residential development. In preparing the suggested PDCS, we have had regard to the likely form of development that will be provided within the Local Plan period, and in particular the extent of new development that will be provided on a small number of large Greenfield strategic sites.

Location	CIL Charge (£/sq.m)
Bootle/Seaforth	£0
Litherland/Orrell/Netherton/Waterloo	£0
Southport	£40
Lydiate/Maghull/Melling/Thornton/Aintree	£60
Formby/Crosby/Hightown	£125
Apartments All Locations	£0

Table 5.5: Recommended CIL Tariffs, Residential Development

- 5.47 The results of our viability testing for generic brownfield sites identify that in relation to the development of these sites, viability may not be sufficient to support a policy requirement for affordable housing at 30%. The introduction of CIL would therefore lead to a further reduction in viability.
- 5.48 Aside from those already considered in our viably testing we have reviewed the number of brownfield sites that are allocated in the Publication Version Local Plan and are located in the areas identified for a CIL charge. Table 5.6 below identifies these brownfield sites and the total capacity. We have also included a column showing the potential number of affordable units at 30% which has simply been calculated with reference to the number of units in the absence of a specific scheme on which to assess bed spaces.

Site Ref	Location	Capacity	Affordable Units at 30%
MN2.9	Former St John Stone School Meadow Lane, Ainsdale	40	12
MN2.10	Land at Sandbrook Road, Ainsdale	49	15
MN2.13	Land at West Lane, Formby	40	12
MN2.15	Formby PDC, Park Lane, Formby	15	5
MN2.22	Land at Hall Road, West, Crosby	14	0
MN2.32	Land South of Spencers Lane, Melling	18	5
	Total	176	49

Table 5.6: Local Plan Allocations on Brownfield Sites in Locations Identified for CIL

- 5.49 Based on the allocations comprising brownfield sites the introduction of CIL may put at risk the delivery of up to 49 affordable units. In relation to the Formby allocations the results of our viability testing indicated that with a reduction in affordable provision to 20% in the case of Park Lane and between 10 and 20% at West Lane the development would be viable and able to support CIL. It should also be noted in relation to the Formby and Ainsdale sites the allocations are former schools or homes with associated playing fields/grounds. As a result we would not expect the costs of developing this form of brownfield site to be at the same level as the costs adopting in the generic testing, with a resultant improvement in viability as a result.
- 5.50 We have also undertaken a review of the 2015 SHLAA to understand the number of brownfield sites within the SHLAA that are above the 15 unit threshold for affordable provision and are located in areas potentially subject to a charge. Table 5.7 provides details of these sites.

Site	Capacity	30% Affordable Provision	Comments
Lancaster Road, Birkdale	35	11	Former school, Listed Building, currently subject to an appeal
Back Forest Road Depot, Southport	24	7	
Toad Hall, Ainsdale	23	7	
R/O 91-97b Eastbank Street, Southport	20	6	
1-7 Bridge Grove, Southport	18		Application submitted pending decision
Musker Street, Crosby	29		Planning permission granted
3TC House, Crosby	28		Application submitted pending decision

Table 5.7: Brownfield SHLAA sites above 15 unit threshold in charging areas

- 5.51 Excluding the 3 sites where applications have been submitted and either approved or a decision is pending a maximum of up to 31 affordable units are at risk of non-delivery. However the generic results for these areas suggest that at the level of CIL proposed on these sites affordable housing of between 10 and 20% could be delivered.

5.52 Non-Residential Recommendations

- 5.53 Having regard to the results of the appraisals which have been undertaken across all forms of commercial development in Sefton, it is clear that most forms of development within the Borough are not economically viable at the current time based on a speculative form of development. From the results (contained within Section 6 of the LPEVS) the only forms of development which are demonstrated to be viable include retail and to a lesser extent some leisure uses.
- 5.54 At Section 4 we have acknowledged that the convenience retail market in particular has changed significantly over the course of the past 12 months. We have therefore undertaken some further viability testing of convenience retail at current rental levels. Details of the changes to the testing parameters are outlined at Table 5.8 below. The results for the testing of the smaller 279 sq.m (3,000 sq.ft) units remain unchanged.

Scheme	Rental Level in LPEVS		Revised Rental Level	
	Rent per sq.m	Rent per sq.ft	Rent per sq.m	Rent per sq.ft
279 sq.m (3,000 sq.ft) Town Centre	£161.46	£15	£161.46	£15
279 sq.m (3,000 sq.ft) District Centre	£129.17	£12	£129.17	£12
279 sq.m (3,000 sq.ft) Local Centre	£129.17	£12	£129.17	£12
929 sq.m (10,000 sq.ft)	£161.46	£15	£139.94	£13
2,787 sq.m (30,000 sq.ft)	£215.29	£20	£150.70	£14
4,645 sq.m (50,000 sq.ft)	£215.29	£20	£150.70	£14

Table 5.8: Adjustments to Convenience Rental Values in the Borough

- 5.55 Table 5.9 shows the development surpluses available for CIL based on the testing undertaken in the LPEVS excluding convenience retail. Table 5.10 contains the updated viability testing for convenience retail with the resultant development surpluses.

Unit Type	Location	Area (sq.m)	Area (sq.ft)	Brownfield Sites Surplus (per sq.m)	Greenfield Sites Baseline Surplus (per sq.m)
Offices	All areas	465	5,000	-£223	-£166
Offices	All areas	929	10,000	-£265	-£208
Offices	All areas	1,858	20,000	-£224	-£168
Offices	All areas	4,645	50,000	-£213	-£156
Trade Counter	All areas	465	5,000	-£295	-£243
Industrial B1/B2	All areas	465	5,000	-£596	-£544
Industrial B1/B2	All areas	929	10,000	-£329	-£277
Industrial B1/B2	All areas	1,858	20,000	-£292	-£230
Industrial B8	All areas	4,645	50,000	-£225	-£176
Industrial B8	All areas	13,936	150,000	-£66	-£21
Retail (comparison)	High Value	279	3,000	£446	
	Low Value			-£27	
Retail (comparison)	District Centre			£133	£221
Retail (comparison)	Local Centre			-£134	-£63
Retail (comparison)	All areas	929	10,000	-£170	£231
Retail (comparison)	All areas	2,787	30,000	-£168	£381
Bingo	All areas	465	5,000	-£300	-£196
Bowling Alley	All areas	929	10,000	-£292	-£55
Hotel (50 bed)	All areas	1,858	20,000	-£480	-£393
Cinema (1140 seats)	All areas	1,858	20,000	-£347	-£209
Food and Drink	All areas	698	7,500	£211	£452
Gym	All areas	743	8,000	-£164	-£61
Gym	All areas	1,858	20,000	-£63	£36
Extra Care Facility	All areas	4,645	50,000	-£58	
Nursing Home	All areas	4,645	50,000	-£925	
Car Showroom	All areas	929	10,000	-£155	-£12
Stables	All areas	139	1,500		£229
Equestrian centre	All areas	465	5,000		-£135

Table 5.9: Non-residential Development Surpluses from LPEVS

Unit Type	Location	Area (sq.m)	Area (sq.ft)	Brownfield Sites Surplus (per sq.m)
Retail (Convenience)	Town Centre	279	3,000	£190
Retail (Convenience)	District Centre			-£8
Retail (Convenience)	Local Centre			£56
Retail (Convenience)	All areas	929	10,000	-£227
Retail (Convenience)	All areas	2,787	30,000	£240
Retail (Convenience)	All areas	4,645	50,000	£182

Table 5.10: Updated Testing Convenience Retail

5.56 **Summary**

- 5.57 In reviewing the viability of commercial development, we have had regard to the spatial variations observed within the Borough both in terms of rent and yields. The rents and yields adopted within both the industrial and office development appraisals are very much a Sefton 'prime' rate, and therefore we have tested a 'best case' scenario.
- 5.58 Notwithstanding the above, even the 'prime sites' tested with higher revenues were not financially viable (for either the office developments or industrial units tested) based on a speculative form of development. Given that the speculative development of industrial units and office accommodation is not viable, we would not recommend implementing any form of CIL charge for B1, B2 or B8 uses.
- 5.59 The testing of new retail development considered a range of options from small units in the existing town centres, to new mid-size supermarkets and retail warehousing. The results indicate that whilst some forms of convenience and comparison retail are viable, a number of forms of retail development are not.
- 5.60 Based on the updated viability testing for convenience retail assuming the most likely form of development on brownfield sites, the surpluses range from -£227 to £240 per sq.m. For comparison retail, based on the results of the LPEVS the surpluses are -£170 to £446 per sq.m also assuming the most typical form of development on brownfield sites. These results show a significant variance and at the present time, we do not recommend that a CIL charge is brought forward for retail development except possibly for the larger supermarket formats.
- 5.61 Smaller forms of brownfield convenience retail are either unviable or marginal unless they are built in a town centre location. The implementation of a CIL charge would prejudice the delivery of smaller units of 929 sq.m (10,000 sq.ft) or below.
- 5.62 The development of larger supermarkets at 2,787 sq.m (30,000 sq.ft) and 4,656 sq.m (50,000 sq.ft) are viable, although the degree of surplus has significantly reduced from the LPEVS as a result of falling rents. The respective surpluses are £182 and £240 per sq.m and hence this form of development could support a CIL charge. It remains to be seen however whether supermarkets will be seeking to develop such units in the immediate future. As detailed above, supermarket retailers have scaled back the provision of larger format stores, and in the current climate it is unclear as to whether any will be provided in the short to medium term. It is noted however that in the event that larger stores (i.e. above 2,787 sq.m) were developed, they could afford to pay a CIL charge of £91 per sq.m (based on a 50% buffer applied to the £182 surplus for a 2,787 sq.m development).
- 5.63 Both Southport and Bootle town centres are currently struggling, with decreasing rental levels and increasing vacancy rates due to changing consumer habits and increased competition from other centres, in particular Liverpool One. It is conceivable that surpluses of up to £446 per sq.m could be generated in respect of high value town centre accommodation in the best locations in the 'prime retail pitch'. However values quickly fall, away from prime locations due to decreasing footfall and prominence, at which point development will become unviable. At rental levels of £215 per sq.m (£20 per sq.ft) in higher value locations, the development of smaller forms of comparison retail development is viable with a surplus of £446 per sq.m. However at reduced rental levels of £161.46 (£15 per sq.ft) the development of smaller comparison retail development is unviable and provides a loss of -£27 per sq.m.

- 5.64 Given the rental changes a CIL boundary would need to be drawn on a micro level and would be extremely hard to implement. On this basis, we do not recommend that a CIL charge is implemented with respect to comparison retail forms of development.
- 5.65 All of the leisure accommodation tested, with the exception of food and drink, was not viable. The construction of a hotel, bowling alley and a bingo hall all resulted in losses when development was considered at Brownfield locations. It is therefore recommended that a CIL charge is not implemented for C1 or D2 Uses.
- 5.66 The results for food and drink uses show a development surplus of £211 per sq.m for Brownfield sites, and £452 per sq.m for Greenfield locations. These surpluses suggest that there is a prospect for the introduction of a tariff for food and drink uses. If a 50% buffer is allowed, a CIL tariff of up to £106 per sq.m could be afforded for food and drink uses without prejudicing future development.
- 5.67 In addition to the above, we considered a number of other forms of non - residential development. These included a car showroom, nursing home, stables, an equestrian centre and agricultural buildings. In all instances the results demonstrated that the particular form of development was not viable or marginal. As a result we would advise against the implementation of any CIL charge against these forms of development.
- 5.68 Table 5.11 provides our recommendations in relation to CIL charges for non-residential development. In addition the Council may also be minded to introduce a charge for convenience retail with respect to scale of development. Our testing shows that a charge of £91 per sq.m could be support by larger format stores greater than 2,787 sq.m.

Use	CIL Charge (£/sq.m)
Food and Drink (A3/A4/A5)	£106
Large Supermarkets [>2,787 sq.m]	£91

Table 5.11: Recommended CIL Tariffs Non Residential Development

6.0 TESTING OF THE PRELIMINARY DRAFT CHARGING SCHEDULE

- 6.1 The CIL guidance recommends that a charging authority should directly sample an appropriate range of sites across its area, focusing on strategic sites on which the plan relies, and those sites where the impact of the levy is likely to be most significant. The sampling should be consistent with the viability testing undertaken as part of plan making.
- 6.2 The viability testing undertaken as part LPEVS has been used to inform our consideration of preliminary charging rates that are identified in Section 5. To ensure the robustness of these proposed rates we have undertaken some additional viability testing. These additional appraisals have been prepared for the strategic sites that were tested for the LPEVS. The appraisals have again been prepared on a residual basis and assume the policy compliant affordable housing requirement at 30%. The methodology includes the specific CIL rate identified and also an explicit developer's profit. The residual sum that results is the land value which is available to pay the landowner for the purchase of the site. The residual land value is then compared with the base input or 'threshold' land cost. If the residual land value is greater than this amount then the development is viable based on the CIL rates proposed and the landowner is likely to release the land for development.
- 6.3 Table 6.1 below shows for each strategic site the residual land values both with and without the CIL charge, the reduction in land value as a result of CIL and the base input or 'threshold' land cost. As noted in Section 5 based on our testing the former Phillips Factory site at Balmoral Drive is not sufficiently viable to support 30% affordable housing, we have therefore prepared our residual appraisal for this site on the assumption of 20% affordable housing provision to understand the impact of the CIL charge. For completeness we have also prepared additional viability testing for the proposed allocations at Wango Lane in Aintree (25 units) and Elmcroft Lane, Hightown (120 units). The viability assessments for these sites assume a policy compliant affordable housing provision. The construction cost assessment and appraisal assumptions for these sites reflect those from the LPEVS and are contained at Appendix 1.
- 6.4 The results for each site are presented to show residual land value both with and without CIL on a pounds per hectare and per acre basis (based on the net developable area). This price per hectare is then benchmarked against the 'threshold' land cost. In all cases the development of the sites including the proposed CIL tariff, produces a residual land value per hectare that exceeds the threshold land value and indicates viable development.
- 6.5 The table also includes data regarding the impact of the proposed charge on the residual land value and in particular the percentage reduction in residual land value as a result of the CIL charge. Based on the results for the strategic sites tested this percentage reduction is between 18.28% and 22.92% for those sites in the highest value area, with a range of 7.64% - 16.95% for all other locations.
- 6.6 We have also considered the preliminary CIL rates as a proportion of both development costs and GDV for the strategic sites tested. The relevant data is contained on table 6.2.

Site Address	CIL (per sq.m)	Threshold Land Value per ha (per acre)	Residual Land Value No CIL	Residual Land Value No CIL per ha (per acre)	Residual Land Value with CIL	Residual Land Value with CIL per ha (per acre)	Reduction in Residual Land Value
Land at Liverpool Road, Formby	£125	£617,500 (£250,000)	£10,326,540	£969,628 (£392,5620)	£8,220,426	£771,871 (£312,498)	20.40%
Land north of Brackenway, Formby	£125	£617,500 (£250,000)	£9,537,233	£921,472 (£373,066)	£7,643,015	£738,456 (£298,970)	19.86%
Land at Andrew's Close, Formby	£125	£617,500 (£250,000)	£3,156,527	£1,272,793 (£515,301)	£2,579,378	£1,040,072 (£421,082)	18.28%
Land at Elmcroft, Hightown	£125	£617,500 (£250,000)	£3,452,629	£1,000,762 (£405,167)	£2,661,121	£771,339 (£312,283)	22.92%
Land at Moss Lane, Churchtown South	£40	£370,500 (£150,000)	£9,011,816	£609,730 (£246,854)	£8,063,519	£545,570 (£220,878)	10.52%
Land at Bankfield Lane, Churchtown North	£40	£617,500 (£250,000)	£4,253,155	£630,097 (255,100)	£3,789,317	£561,380 (£227,279)	10.91%
Land at Broome Road, Southport	£40	£617,500 (£250,000)	£3,488,355	£546,764 (£221,362)	£3,018,832	£473,171 (£191,567)	13.46%
Former Ainsdale Hope School, Ainsdale	£40	£617,500 (£250,000)	£6,000,956	£967,896 (£391,861)	£5,542,604	£893,968 (£361,931)	7.64%
Land south of Moor Lane, Ainsdale	£40	£617,500 (£250,000)	£1,574,293	£728,839 (£295,077)	£1,415,366	£655,262 (£265,288)	10.10%
Land at Crowland Street, Southport	£40	£617,500 (£250,000)	£9,562,698	£494,196 (£200,079)	£8,130,474	£420,180 (£170,113)	14.98%
Former Phillips Factory, Balmoral Drive, Southport	£40	£617,500 (£250,000)	£3,783,704	£840,823 (£340,414)	£3,400,151	£755,589 (£305,907)	10.14%
Wadacre Farm, Melling	£60	£494,000 (£200,000)	£2,708,927	£659,106 (£266,845)	£2,249,859	£547,411 (£221,624)	16.95%
Land east of Waddicar Lane, Melling	£60	£494,000 (£200,000)	£2,702,691	£670,643 (£271,515)	£2,253,833	£559,264 (£226,423)	16.61%
Land North of Kenyons Lane, Lydiate	£60	£494,000 (£200,000)	£5,869,174	£798,527 (£323,290)	£4,968,022	£675,921 (£273,652)	15.35%
Land North of Lambshear Lane, Lydiate	£60	£494,000 (£200,000)	£22,688,498	£969,594 (£392,548)	£20,095,857	£858,797 (£347,691)	11.43%
Land adj Ashworth Hospital, Maghull	£60	£494,000 (£200,000)	£9,060,161	£814,763 (£329,863)	£7,861,552	£706,974 (£286,224)	13.23%

Site Address	CIL (per sq.m)	Threshold Land Value per ha (per acre)	Residual Land Value No CIL	Residual Land Value No CIL per ha (per acre)	Residual Land Value with CIL	Residual Land Value with CIL per ha (per acre)	Reduction in Residual Land Value
Land at Lydiate Lane, Thornton	£60	£494,000 (£200,000)	£4,696,398	£698,869 (£282,943)	£3,949,130	£587,668 (£237,922)	15.91%
Land west of Holgate, Thornton	£60	£494,000 (£200,000)	£4,193,773	£828,809 (£335,550)	£3,630,516	£717,493 (£290,483)	13.43%
Land south of Runnells Lane, Thornton	£60	£494,000 (£200,000)	£2,556,002	£652,041 (£263,984)	£2,125,760	£542,286 (£219,549)	16.83%
Land at Wango Lane, Aintree	£60	£494,000 (£200,000)	£510,386	£708,868 (£286,991)	£430,485	£597,896 (£242,063)	15.65%

Table 6.1: Impact of CIL on Residual Land Value

Site Address	CIL % GDV	CIL % Cost
Land at Liverpool Road, Formby	4.38%	5.47%
Land north of Brackenway, Formby	4.39%	5.48%
Land at Andrew's Close, Formby	4.39%	5.49%
Land at Elmcroft, Hightown	4.39%	5.48%
Land at Moss Lane, Churchtown South	1.55%	1.93%
Land at Bankfield Lane, Churchtown North	1.54%	1.92%
Land at Broome Road, Southport	1.54%	3.80%
Former Ainsdale Hope School, Ainsdale	1.47%	1.84%
Land south of Moor Lane, Ainsdale	1.47%	1.84%
Land At Crowland Street, Southport	1.63%	2.04%
Former Phillips Factory, Balmoral Drive, Southport	1.66%	2.08%
Wadacre Farm, Melling	2.44%	3.05%
Land east of Waddicar Lane, Melling	2.43%	3.04%
Land North of Kenyons Lane, Lydiate	2.29%	2.87%
Land North of Lambshear Lane, Lydiate	2.32%	2.90%
Land Adj Ashworth Hospital, Maghull	2.32%	2.90%
Land at Lydiate Lane, Thornton	2.44%	3.05%
Land west of Holgate, Thornton	2.32%	2.90%
Land south of Runnells Lane, Thornton	2.43%	3.04%
Land at Wango Lane, Aintree	2.43%	2.85%

Table 6.2: CIL as a Percentage of GDV and Cost

6.7 Table 6.2 illustrates that the proposed CIL charges generally represent a charge which is equivalent to around 4.4% of GDV and just under 5.5% of cost for developments in the highest value areas, for the remaining locations the CIL charge equates to less than 2.5% of GDV and between 1.84% and 3.80% of cost. We believe it is unlikely; therefore, that a CIL charge set at the level proposed would be the 'tipping point' that makes these schemes unviable.

6.8 Instalments Policy and Phased Developments

6.9 Our results assume that all of the land required for the development is purchased on Day 1. For many of the strategic sites this is unrealistic and a developer will normally pay for the land either in instalments or on a phased basis, as the different phases of the development commences. The assumption that all of the land is purchased on day 1 means that the financial appraisals for the majority of the strategic sites carry an unrealistically high level of finance costs. To understand the extent of savings that can be made in finance costs by phasing the payments for the land, we have prepared further appraisals for the strategic greenfield sites of over 150 units. For these sites it is reasonable to assume that given their size payment for the land is likely to be on a phased basis. We have assumed that payment will be made in 3 equal instalments and based on the size of development have adopted the timetable in table 6.3.

Timetable	Phasing of Payment
A	Commencement, 18 months and 36 months
B	Commencement, 24 months and 48 months
C	Commencement, 30 months and 60 months

Table 6.3: Phasing of Land Payments

6.10 In our appraisals the CIL charge is also assumed to be payable at the commencement of the development. This is obviously the worst-case scenario for any developer as they would need to fund the CIL payment and associated interest payment from the outset of the development.

- 6.11 CIL Regulations 69B, 70, 71 and 72 deal with the payment of the tariff. Regulation 69B provides that where an authority wishes to allow payment by instalments they must also have published an instalments policy on their web site. The authority has freedom to decide the number of payments, the amount and the time due. It can revise or withdraw its policy as appropriate.
- 6.12 With this in mind, the Charging Authority may also wish to consider allowing phasing of larger developments and payments of the tariff at certain points in the development process. By introducing an instalments policy, or working with developers to allow larger developments to be delivered in phases, this would help to improve the cash flow position, and hence viability.
- 6.13 Any instalments policy or phasing is likely to be most relevant to and have the greatest effect on the largest developments undertaken, given the likely length of the development programme, and the implications of this for financing the CIL payment. To illustrate this point we have also considered the impact on viability of making CIL payments by phases of development or instalments. To illustrate this point we have prepared further appraisals for the strategic sites assuming the CIL payment is made in 3 instalments to coincide with the timetable contained in table 6.3.
- 6.14 Table 6.4 contains the results of this further viability testing and shows the residual land value per hectare and per acre based on the following assumptions:
1. Land is paid for on day 1 of development and the entire CIL payment is made at commencement of development (table 6.1).
 2. Payments for land are phased as detailed in table 6.3 and the entire CIL payment is made at commencement of development.
 3. Payment for land and CIL are both phased in accordance with the timetable in table 6.3.

Site	Timetable	Option 1 Residual Land Value per ha (per acre)	Option 2 Residual Land Value per ha (per acre)	Option 3 Residual Land Value per ha (per acre)
Land at Liverpool Road, Formby	A	£771,871 (£312,498)	£847,131 (£342,968)	£864,126 (£349,849)
Land north of Brackenway, Formby	A	£738,456 (£298,970)	£807,308 (£326,845)	£822,338 (£332,930)
Land at Moss Lane – Churchtown South	B	£545,570 (£220,878)	£611,871 (£247,721)	£618,821 (£250,535)
Land at Bankfield Lane – Churchtown North	A	£561,380 (£227,279)	£608,221 (£246,244)	£613,357 (£248,323)
Land at Broome Road, Southport	A	£473,171 (£191,567)	£515,727 (£208,796)	£521,660 (£211,198)
Former Ainsdale Hope School, Ainsdale	A	£893,968 (£361,931)	£970,757 (£393,019)	£976,429 (£395,315)

Site	Timetable	Option 1 Residual Land Value per ha (per acre)	Option 2 Residual Land Value per ha (per acre)	Option 3 Residual Land Value per ha (per acre)
Land at Crowland Street, Southport	C	£420,180 (£170,113)	£480,424 (£194,504)	£489,570 (£198,207)
Land North of Kenyons Lane, Lydiate	A	£675,921 (£273,652)	£737,875 (£298,735)	£747,876 (£302,784)
Land North of Lamshear Lane, Lydiate	C	£858,797 (£347,691)	£1,002,180 (£405,741)	£1,018,675 (£412,419)
Land Adj Ashworth Hospital, Maghull	B	£706,974 (£286,224)	£796,711 (£322,555)	£808,843 (£327,467)
Land at Lydiate Lane, Thornton	A	£587,668 (£237,922)	£638,863 (£258,649)	£647,502 (£262,147)
Land west of Holgate, Thornton	A	£717,493 (£290,483)	£779,094 (£315,423)	£787,624 (£318,876)

Table 6.4: Impact of Phased Land and CIL Payments

- 6.15 The results for option 2 show that for the larger sites a more typical phased payment for the land results in greater land values per hectare and improved viability even allowing for the CIL payment at the outset. When a phased payment in relation to CIL is also included the resultant residual land values increase further as shown by option 3. The results demonstrate that based on the larger development schemes, the introduction of an instalments policy/phasing does increase the residual land value that is available and hence by implication the level of CIL charge which could be set. However, this would need to be balanced against the increased resource and costs to the charging authority to administer an instalments policy. There are clearly a number of options in terms of the timing of the payments, although instalment policies that are weighted to taking payments later in the development programme will have a greater impact on the level of surplus that could be made available.
- 6.16 **Potential Triggers for a Review of CIL**
- 6.17 The residential property market is currently in a period of recovery, whilst demand and hence values for commercial schemes is low. The convenience retail market is also experiencing a period of fluctuation. In connection with the required annual monitoring of CIL, the Charging Authority may also wish to consider analysing the underlying residential sales values achieved, and demand for commercial development, in the Borough as this clearly has a distinct effect upon viability. Depending on the level of change in viability witnessed (if any), then the Charging Authority may wish to trigger a review of CIL.
- 6.18 Should any new planning documents be adopted within the timespan of the CIL, which introduce requirements that place further financial burdens on development significantly above that identified within this report, then this may trigger a review of CIL. In addition any future legislation requiring greater energy efficiency or indeed Zero Carbon Homes will increase costs and hence affect viability.

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

7.0 PRELIMINARY DRAFT CHARGING SCHEDULE

- 7.1 Based on our conclusions and recommendations we have provided below a summary of the Preliminary Draft Charging Schedule which we consider would be appropriate to Sefton. For completeness we have also provided at Figure 7.1 a map defining the boundaries of the charging zones which supports this Schedule. More detailed maps are contained at Appendix 2.

Preliminary Draft Charging Schedule

Location	CIL Charge (£/sq.m)
South (Bootle/Seaforth/Litherland/Orell/Netherton/Waterloo)	£0
North (Southport)	£40
East (Lydiate/Maghull/Melling/Thornton/Aintree)	£60
Central (Formby/Crosby/Hightown)	£125
Apartments All Locations	£0
Food and Drink (A3/A4/A5)	£106
Large Supermarkets [>2,787 sq.m]	£91

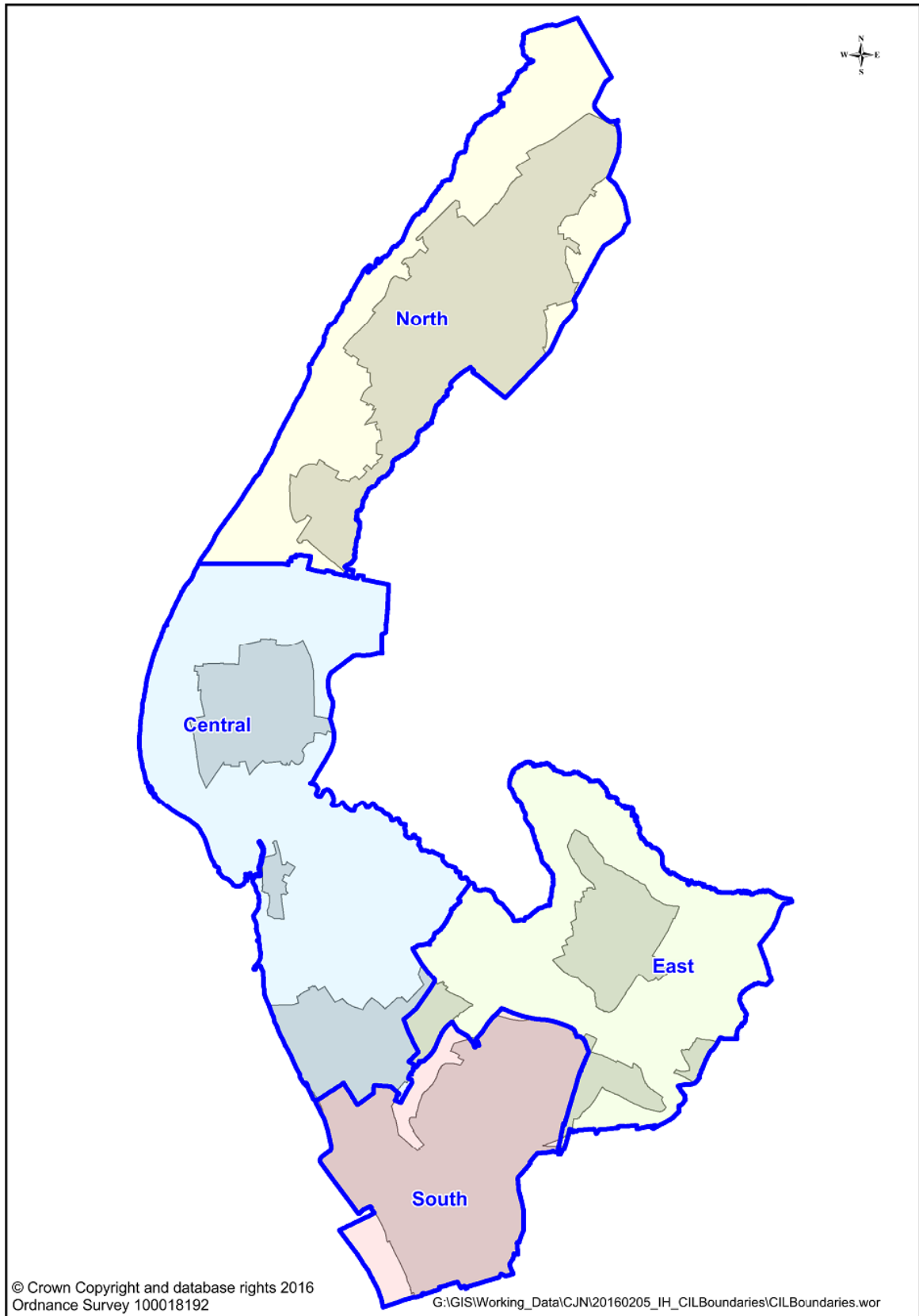


Figure 7.1: PDCS - Charging Zone Boundaries

APPENDIX 1

ADDITIONAL SITES TESTING ASSUMPTIONS

Sefton CIL Additional Strategic Sites for Testing
Residential - Assumptions

Location	Site Address	Status	Site Area/Capacity				Values					Construction Costs			Other Appraisal Variables			Miscellaneous		
			Gross Site Area (ha)	Capacity	Net Site Area (ha)	Density (net site area)	Land Value (£/per acre)	Land Value (£/per hec)	Site Value	Ave. Sale Price (£/psf)	Ave. Sale Price (£/psm)	Base Construction	Sales Rate (per month)	Overall Programme (months)	Finance Cost	Marketing /Sales (% Market GDV)	Profit (%GDV)	CIL (£/m)	S278	Other
Hightown	MN2.20 Land at Elmcroft Lane, Hightown	Greenbelt	6.5	120	3.45	35	£250,000	£617,500	£2,130,375	220	2,368	£953.83	3	46	7%	3.50%	20%		£75,000	£218,950
Aintree	MN2.33 Land At Wango Lane, Aintree	Urban Greenspace	1.8	25	0.72	35	£200,000	£494,000	£355,680	190	2,045	£964.02	2.5	16	7%	3.50%	15%		£30,000	



MN2.20

Land at Elmcroft Lane, Hightown

Site area **6.50 ha**
 PoS % **25.0%**
 Net Dev area **34500 m2**
 PoS Area **30500 m2**
 Sales rate **3.0 per month**
 Code
 Rainwater Harvesting
 No of dwellings **120 Nr**

Density 34.78 /ha

	Mix Data			GFA/unit	Total GFA
1 bed	5.00%	6 Nr		56 m2	336 m2
2 bed	35.00%	42 Nr		65 m2	2730 m2
3 bed	50.00%	60 Nr		86 m2	5160 m2
4 bed	6.00%	7 Nr		116 m2	812 m2
5 bed	4.00%	5 Nr		158 m2	790 m2
		120 Nr			9828 m2

Substructures		£538,780	£4,489.83	£ 54.82 /m2
Superstructures		£5,672,765	£47,273.04	£ 577.20 /m2
External Works within curtilage costs		£556,247	£4,635.39	£ 56.60 /m2
External works beyond curtilage		£494,135	£4,117.79	£ 50.28 /m2
Drainage costs		£498,021	£4,150.18	£ 50.67 /m2
Inc Services costs		£396,153	£3,301.28	£ 40.31 /m2
Public Open Space -30500 m2		£381,180	£3,176.50	£ 38.79 /m2
Play area		£36,630	£305.25	£ 3.73 /m2
Code for Sustainable Homes level 3		£0	£0.00	£ 0.00 /m2
Rainwater Harvesting		£0	£0.00	£ 0.00 /m2
Preliminaries for 46 months		£800,366	£6,669.71	£ 81.44 /m2
SUBTOTAL		£9,374,276	£78,119	£ 953.83 /m2
Abnormals		£293,950	£2,449.58	£ 29.91 /m2
Fees	5.00%	£483,411	£4,028.43	£ 49.19 /m2
Contingencies	5.00%	£507,582	£4,229.85	£ 51.65 /m2
Total		£10,659,220	£88,827	£ 1,084.58 /m2

Abnormals

Access improvements and widening Sandy Lane			£75,000
Ditch stabilisation improvements			
alongside railway track	330 m	£ 65.00 /m	£21,450
Allowance for diversion of onsite drain			£50,000
Site clearance; removal of trees etc	13000 m2	£ 5.00 /m2	£65,000
Allowance for working adjacent to railway line	330 m	£ 250.00 /m	£82,500

Total of abnormals **£293,950**



MN2.33 Wango Lane, Aintree

Site area **0.79 ha**
 PoS % **10.0%**
 Net Dev area **7180 m2**
 PoS Area **718 m2**
 Sales rate **2.5 /month**
 Code

Rainwater Harvesting

No of dwellings **25 Nr** Density 34.82 /ha

	Mix Data		GFA/unit	Total GFA
1 bed	5.00%	1 Nr	56 m2	56 m2
2 bed	35.00%	9 Nr	65 m2	585 m2
3 bed	50.00%	12 Nr	86 m2	1032 m2
4 bed	6.00%	2 Nr	116 m2	232 m2
5 bed	4.00%	1 Nr	158 m2	158 m2
		25 Nr		2063 m2

Substructures		£115,684	£4,627.37	£ 56.08 /m2
Superstructures		£1,218,217	£48,728.67	£ 590.51 /m2
External Works within curtilage costs		£118,733	£4,749.32	£ 57.55 /m2
External works beyond curtilage		£105,594	£4,223.78	£ 51.18 /m2
Drainage costs		£106,375	£4,254.98	£ 51.56 /m2
Inc Services costs		£84,616	£3,384.64	£ 41.02 /m2
Public Open Space		£9,200	£368.00	£ 4.46 /m2
Play area (not required)		£0	£0.00	£ 0.00 /m2
Code for Sustainable Homes level 3		£0	£0.00	£ 0.00 /m2
Rainwater Harvesting		£0	£0.00	£ 0.00 /m2
Preliminaries for 16 months		£230,352	£9,214.08	£ 111.66 /m2
SUBTOTAL		£1,988,771	£79,551	£ 964.02 /m2
Abnormals		£30,000	£1,200.00	£ 14.54 /m2
Fees	6.50%	£131,870	£5,274.80	£ 63.92 /m2
Contingencies	5.00%	£108,032	£4,321.28	£ 52.37 /m2
Total		£2,258,673	£90,347	£ 1,094.85 /m2

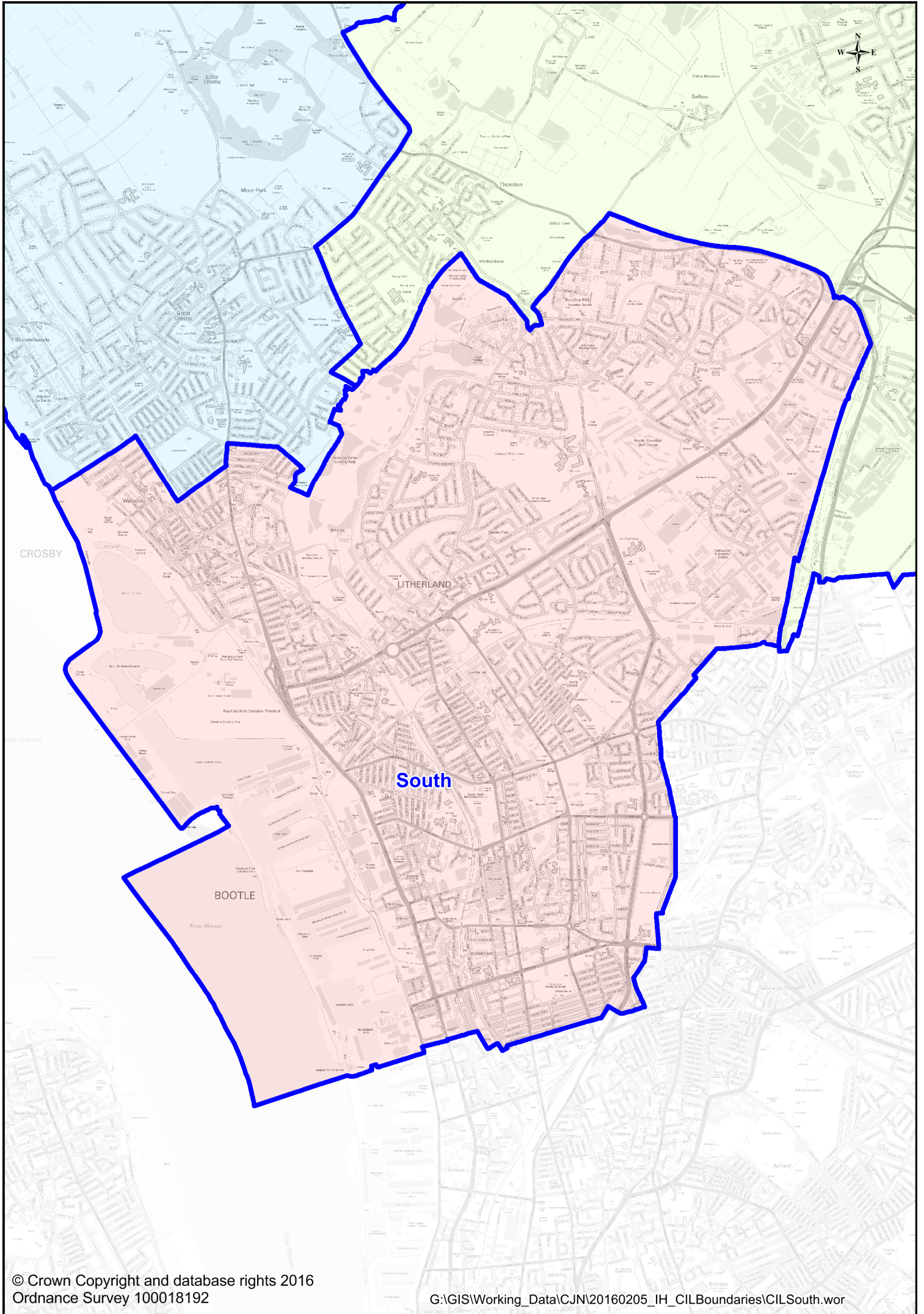
Abnormals

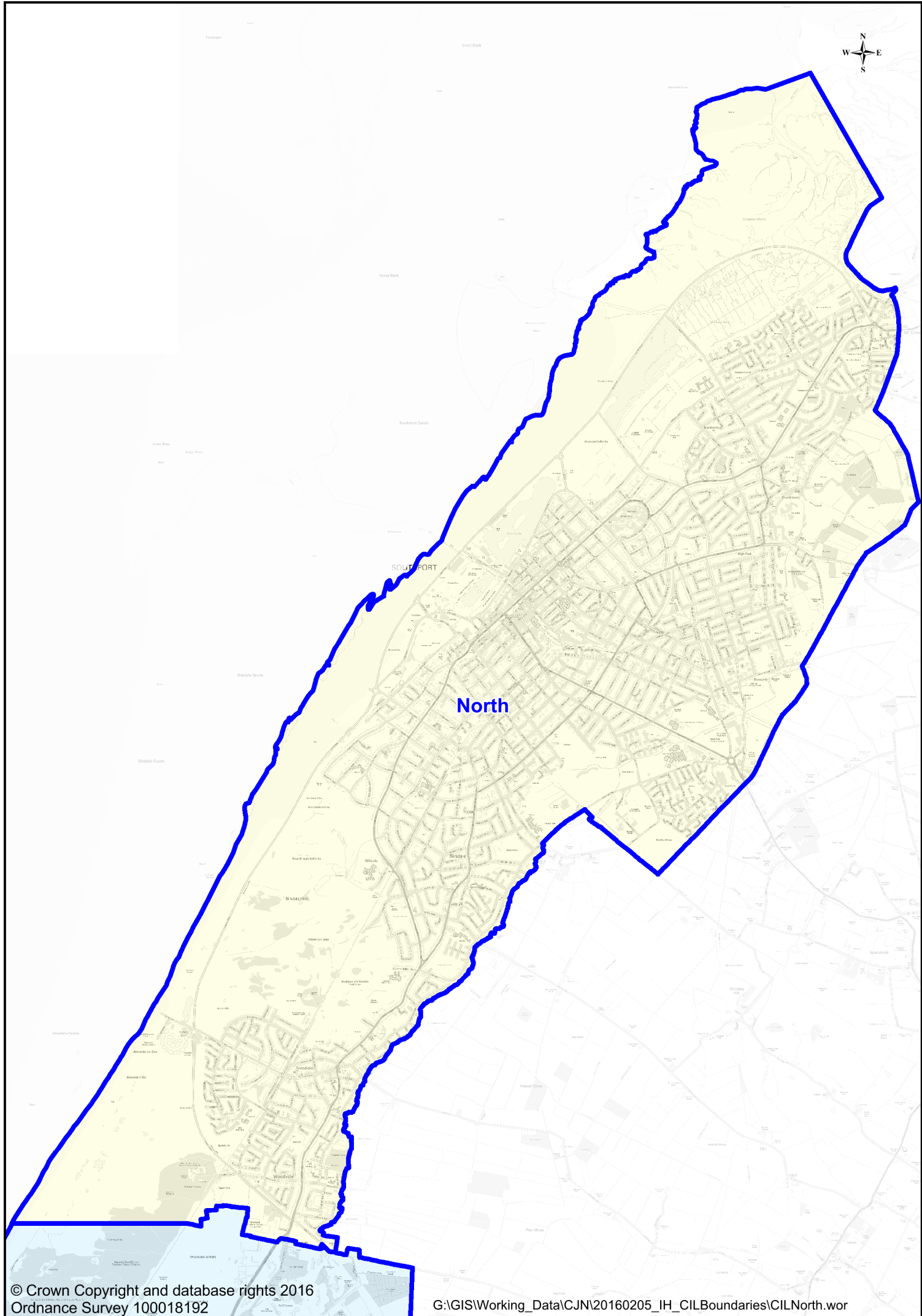
Access improvements	£10,000
Formation of bus stop on Wango Lane	£20,000

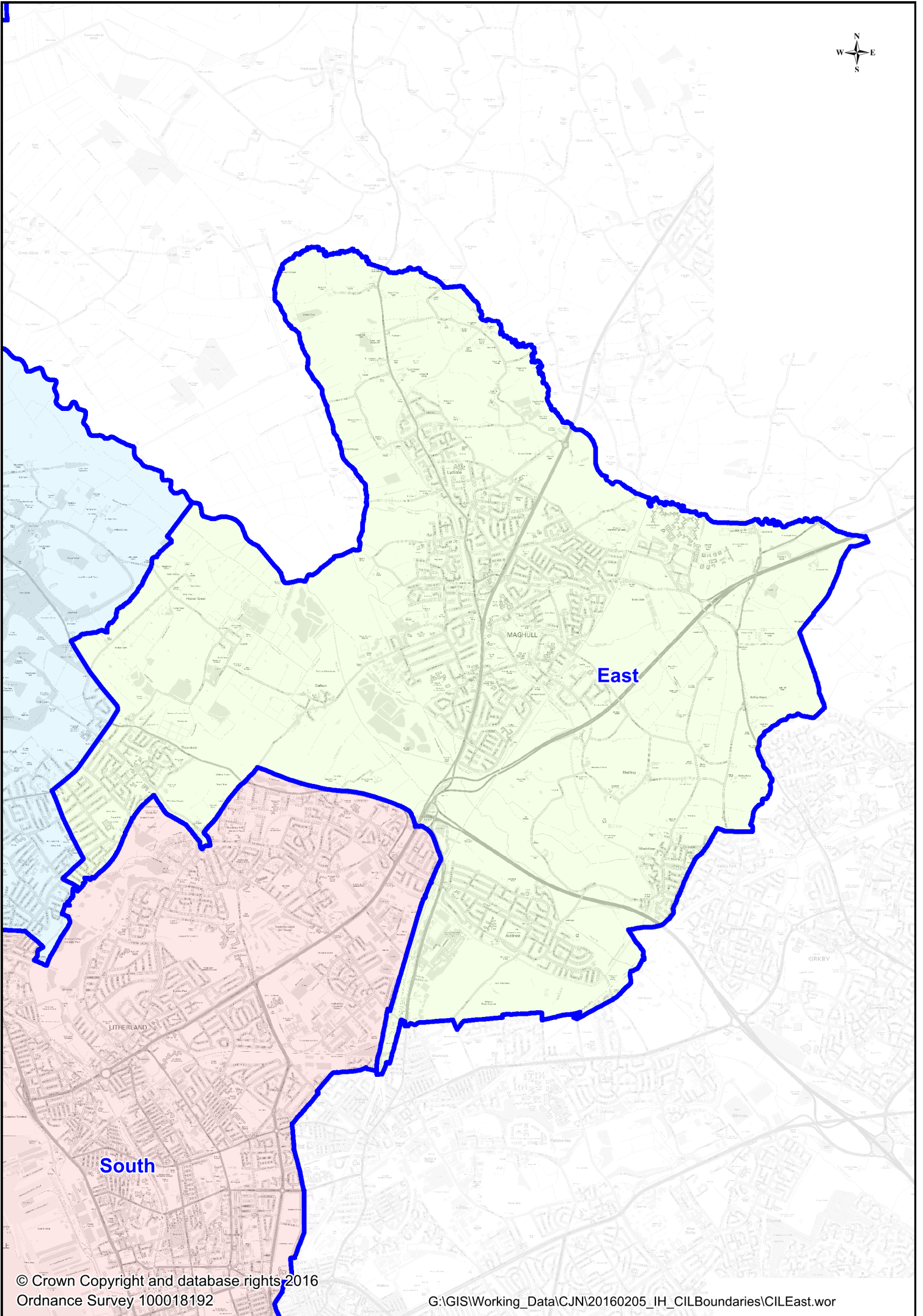
Total of abnormals £30,000

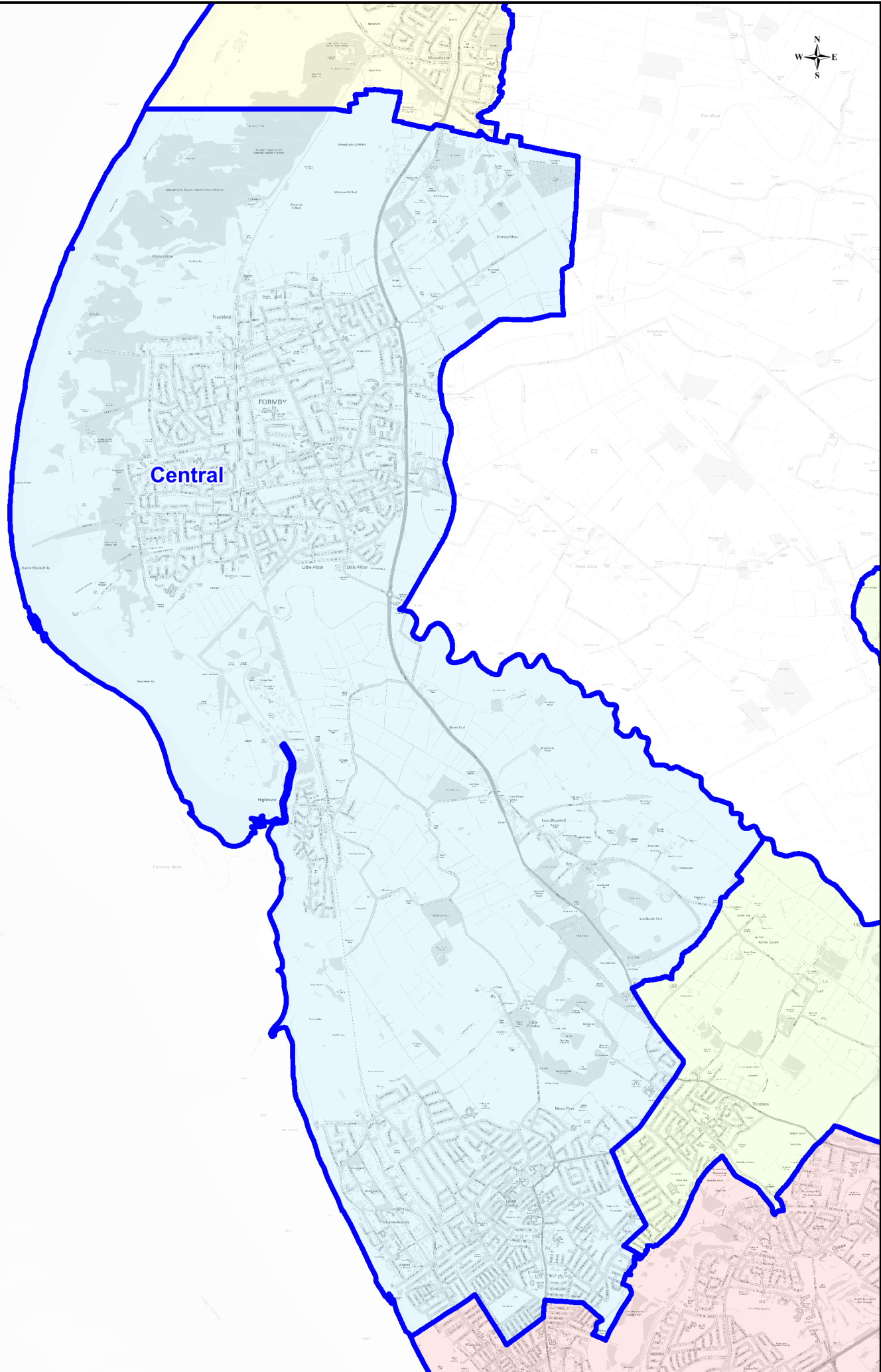
APPENDIX 2

CHARGING ZONE BOUNDARIES









Central