

Southwark's Community Infrastructure Levy (CIL)

CIL Background evidence paper

April 2014

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1. INTRODUCTION

1.1 Purpose of the report

- 1.1.1 This document provides background information to the Southwark Community Infrastructure Levy (CIL) Revised Draft Charging Schedule. It includes supporting evidence for the council's proposed approach to implementing CIL in accordance with the CIL legislation and government guidance. It sets out the general principles of CIL, further explanation on the evidence base and the methods used to arrive at the proposed levy rates contained in the draft CIL charging schedule.
- 1.1.2 This is an update of the background report which was published alongside the Preliminary Draft Charging Schedule (July 2012) and Draft Charging Schedule (February 2013). The methodology and practice of preparing a CIL are still evolving and there have been some changes in requirements since the council consulted on the draft charging schedule in early 2013. The council decided to undertake further viability work to test the impact of CIL charges. In the light of this further work, some changes to the draft CIL are proposed which require a re-consultation on the draft CIL.
- 1.1.3 This report addresses the provisions set out within the updated Department of Communities and Local Government (DCLG) statutory CIL guidance published in April 2013 (hereafter referred to as the "2013 CIL Guidance" and explains the further work that the council has undertaken on the evidence base following consideration of the responses received during consultation on the Draft Charging Schedule.
- 1.1.4 This background report supports consultation on the Revised Draft CIL Charging Schedule. We have considered all comments made on the Draft CIL charging schedule (February 2013) and have published a revised Draft CIL charging schedule for public consultation in December 2013. We are inviting representations on the Revised Draft Charging Schedule before submitting it to an independent planning inspector for an examination-in-public. It is anticipated that CIL will be brought into effect in autumn 2014.
- 1.1.5 This report is structured as follows:
- Section 1 describes the legislative background to CIL, explains the reasons for implementing a CIL, explains what a charging schedule is and sets out how CIL is charged.
 - Section 2 sets out the council's evidence base. Section 2.2 describes the borough's development plan, section 2.3 summarises infrastructure needs and section 2.4 provides an overview of the viability evidence.
 - Section 3 explains how the CIL rates have been established. In particular, section 3.1 provides an overview of the CIL Viability Study, including the sampling of development sites, the inputs into viability appraisals and the appraisal outcomes. Sections 3.2 and 3.3 provide an overview of the Elephant and Castle Development Infrastructure Funding Study (2011) and the Canada Water viability study (2013) and finally section 3.4 summarises the proposed CIL rates and charging areas.
 - Section 4 describes how the chargeable amount should be calculated.
 - Section 5 summarises applicable exemptions and relief.
 - Section 6 outlines how CIL will be spent.

- Section 7 summarises the Mayor CIL and Crossrail section 106 planning obligations.
- Section 8 explains the impact of CIL on affordable housing and the relationship between CIL and section 106 planning obligations. It sets out the council's record on securing affordable housing and planning obligations and the evidence base behind expectations of residual section 106 planning obligations after CIL has been introduced.
- Section presents conclusions on viability and the balance struck between the desirability of funding infrastructure from CIL and the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development in Southwark.
- Section 10 describes how CIL will be monitored.
- Section 11 outlines the next steps in preparing the CIL.

1.2 About CIL

- 1.2.1 The Planning Act (2008) ('the Act') introduced CIL which is a new levy that local authorities can choose to charge on new developments in their area. The money can be used to support development by funding infrastructure that the council, local community and neighbourhoods need. The benefits of CIL are increased certainty for the funding and delivery of infrastructure, increased certainty for developers and increased transparency for local people.
- 1.2.2 CIL will apply to a greater number of developments than are currently required to make infrastructure contributions and so will be an effective tool for addressing the cumulative impacts of development. It will fund the delivery of infrastructure and help to ensure that planned levels of development can be accommodated sustainably.
- 1.2.3 The statutory framework for CIL is set out in sections 205 to 225 of the Act and the CIL Regulations 2010 (as amended). The DCLG Statutory guidance for CIL has been issued under Section 221 of the Act also forms part of the legal framework. The guidance emphasises the importance of striking an appropriate balance when setting rates. The balance needs to specifically weigh up the desirability of using CIL to fund infrastructure and to ensure that the rates would not threaten delivery of the relevant development plan as a whole.

1.2 The reasons for implementing the charging schedule

- 1.2.1 The council proposes to implement CIL to provide the following benefits:
- CIL will help fund the strategic infrastructure needed to achieve the level of growth envisaged in Southwark over the next 15 years as reflected in the council's Core Strategy (2011). Over time it will assist sustainable development and growth.
 - Almost all development has some impact on infrastructure, services and amenities, or benefits from them. CIL will be required from all development apart from very small developments and those that are able to apply for CIL relief as set out in the CIL Regulation 2010 (as amended).
 - CIL is a modest, fixed, transparent charge which means developers have more certainty regarding what they have to contribute from the

- very start of the development process.
- CIL will be considerably less time-consuming than the process for securing Section 106 planning obligations, which can require extensive negotiation.
- A meaningful proportion of CIL must be passed down to local communities to help make sure they directly benefit from development in their area. Further detail is set out in section 6.
- CIL will help enable the council to manage the flow of funding for infrastructure when combined with the council's capital programme and other funding sources.

1.2.2 As the purpose of CIL is to support growth rather than mitigate impacts of specific developments, it can be used more strategically than section 106 planning obligations. A protocol for governing expenditure will be prepared in due course.

1.3 The charging schedule

1.3.1 To charge CIL the council must prepare and publish a document known as the "charging schedule" which sets out the levy rates which will apply in the borough. A standard levy rate can be set or specific levy rates for different areas and types of development can be set.

1.3.2 The charging schedule should be consistent with and support implementation of the Core Strategy (which is the council's most up to date local plan) helping to deliver the development objectives for the borough.

1.3.3 In setting levy rates, Regulation 14 of the CIL Regulations requires that a charging authority must aim to strike what appears to be an appropriate balance between the desirability of funding infrastructure from the levy and the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area. The council therefore needs to provide evidence on economic viability and infrastructure planning and explain how the proposed levy rates will not threaten the delivery of the scale of development identified in the Core Strategy as a whole.

1.4 How CIL is charged

1.4.1 CIL is a mandatory charge levied on most new developments that involve an increase of 100 sqm or more of net additional gross internal floorspace or development that involves the creation of a new residential unit or more.

1.4.2 The levy rate must be expressed as pounds per square metre, imposed upon the granting of planning permission, and paid from when development commences. At the discretion of a charging authority this may be done in instalments. More detail is provided in sections 4 and 5.

2. EVIDENCE

2.1 Introduction

2.1.1 In preparing the CIL charging schedule the Act requires a charging authority to demonstrate that the proposed CIL rate(s) are informed by 'appropriate available' evidence. This includes:

- An up-to-date development plan.
- The area's infrastructure needs.
- An overall assessment of the economic viability of new development.

2.2 An up-to-date development plan

Core Strategy 2011

- 2.2.1 The 2013 CIL Guidance states that appropriate evidence for a CIL will include an up-to-date Local Plan and that as set out in the NPPF, where practical levy charges should be worked up and tested alongside the Local Plan (2013 CIL Guidance, paragraph 11 and NPPF, paragraph 175).
- 2.2.2 The council adopted its Core Strategy in 2011 and the preparation of the draft CIL charging schedule has been undertaken in the context of the policies, standards and the proposed levels of growth and development set out in the Core Strategy.
- 2.2.3 The Core Strategy plans to accommodate an additional 24,450 new dwellings in the borough over the plan period 2011-2026 and to stimulate economic development and growth through the provision of around 80,000 sqm of shopping and leisure floorspace and between 425,000-530,000 sqm of new business floorspace.
- 2.2.4 A large proportion of new homes are expected to be built in opportunity areas and action areas, as designated in the Core Strategy. The Core Strategy includes targets for the following areas:
- Bankside, Borough and London Bridge Opportunity Area: 1,900 new homes
 - Elephant and Castle Opportunity Area: 4000 new homes
 - Canada Water Action Area: 2,500 new homes
 - Aylesbury Action Area: 4,200 (gross) new homes
 - Peckham and Nunhead Action Area: 2,000 new homes
- 2.2.5 Paragraph 27 of the 2013 CIL Guidance states that in testing the impact of CIL on economic viability, local authorities should sample an appropriate range of types of sites across its area, with a focus on strategic sites on which the plan relies and on brownfield sites where the impact on viability is likely to be most significant. In undertaking its viability testing, Southwark has sampled over 50 sites, the majority of which are focused on opportunity areas and action areas. Further information on the same sites is set out in section 3 of this report.
- 2.2.6 Paragraph 29 of the 2013 CIL Guidance states that local authorities should show that the proposed CIL rates would not threaten the local plan as a whole and take into account development costs arising from existing regulatory requirements and relevant policies on planning obligations. The Core Strategy contains policy requirements (amongst others) to provide 35% affordable housing, family homes (with three or more bedrooms), 10% wheelchair accessible units, private amenity space, carparking standards and code for sustainable homes level 4. Viability testing undertaken by Southwark has

allowed for all Core Strategy policies. There is further information on the assumptions which have been included in testing in section 3 of this report.

- 2.2.7 Paragraph 27 of the 2013 CIL Guidance states that as well as the different types of sites, sampling should be “consistent with the viability assessment undertaken as part of plan making”. In preparing the Core Strategy the council commissioned an Affordable Housing Viability Study (2010). The methodology used to prepare the Affordable Housing Viability Study 2010 was consistent with that used to prepare the CIL Viability Study 2013. It tested impacts of affordable housing requirements on a range of sample sites around the borough, using the methodology that was subsequently described in the Harman group report “Viability testing local plans”, June 2012). In his report on the Core Strategy, the Planning Inspector appointed to hold the Core Strategy EIP concluded that the viability evidence proposed by the council was “robust” (Inspector’s report, February 2011, paragraph 83).
- 2.2.8 In addition to the Core Strategy, the council has prepared a number of area action plans and supplementary planning documents which have also relied on the preparation of viability evidence. These are described below.

Aylesbury Area Action Plan 2010

- 2.2.9 The Aylesbury Area Action Plan provides a strategic framework to facilitate the redevelopment of the existing 2,758 homes on the Aylesbury Estate and their replacement with 4,200 mixed tenure homes. Policy D2 of the Aylesbury AAP states that the council will seek to fund the infrastructure required to deliver the AAP through a s106 planning obligations tariff levied on each home. In addition to the infrastructure tariff, section 106 obligations would be sought where development gives rise to a need for health facilities, training and employment support and strategic transport improvements (AAP paragraph 7.3.6).
- 2.2.10 Table A7.3 (page 170 of the AAP) sets out the infrastructure to be delivered through the tariff, which has a cost of £53,000,000. The council’s evidence base on section 106 planning obligations was set out in a background paper on Infrastructure Tariff and s106 Planning Obligations (March 2009). This document explained that the section 106 planning obligations infrastructure tariff per home was envisaged to be £13, 420 per home (approximately £315 per square metre on private homes).
- 2.2.11 The AAP was subject to bespoke viability analysis which informed the delivery strategy of the plan and level of section 106 planning obligations which were envisaged. The AAP was subject to an EIP and the inspector considered it to be soundly based and capable of implementation.

Canada Water Area Action Plan (March 2012) and Revised Canada Water AAP (publication/submission version) December 2013

- 2.2.12 The Canada Water AAP was adopted in March 2012. Viability evidence was prepared to inform the AAP and planning policies for the largest site in the AAP, the Surrey Quays Shopping Centre and adjacent car parks. The Canada Water Financial Viability Study 2010, carried out by CRBE, used the methodology that was consistent with the approach taken in the Core Strategy (described in the Harman group guidance). In his report on the plan,

the planning inspector concluded that the evidence base was “*proportionate and robust.*” (Inspector’s report, December 2011, paragraph 69).

2.2.13 The council is currently revised parts of the AAP. In August 2011, the Daily Mail which occupies the Harmsworth Quays printworks confirmed that it would be relocating its printing operations to a site in Essex. Because the Daily Mail had previously indicated that it would be staying at Harmsworth Quays, the adopted AAP is predicated on the printworks remaining in situ. However, the availability of Harmsworth Quays generates a number of opportunities. It is a strategic site in the core of the action area and its availability opens a significant opportunity for redevelopment. It also helps unlock development opportunities on adjacent sites. At the EIP the council committed to undertaking a review of the AAP to put in place policy to guide a redevelopment of Harmsworth Quays and the adjacent sites. The inspector agreed with the council that any review of the AAP could take place within the scope of the vision and objectives set out in the adopted AAP. However, amendments to the plan should address the land uses and quantum of development, the infrastructure required to support additional development, pedestrian and cycle connectivity and urban design, including the building heights strategy.

2.2.14 The council published the draft Revised Canada Water AAP (preferred options stage) for public consultation in May 2013. The publication/submission version was published in December 2013. The preparation of the Revised AAP has been informed by the Viability Analysis – Harmsworth Quays and Surrounding Area study prepared by Montagu Evans and published in May 2013 and an update to the study published in December 2013. These studies test the impact of proposed planning policies on four key sites in the AAP core area. They use a methodology which is consistent with the CIL Viability Study and include the proposed Southwark CIL levies as costs within the appraisals.

Peckham and Nunhead Area Action Plan (publication/submission version) September 2012

2.2.15 The council is preparing an AAP to provide a planning framework for Peckham and Nunhead. The CIL Viability Study tested the viability impacts of planning policy requirements, including the proposed CIL levies on a number of sites located in the AAP area (CIL testing sites 16, 22, 23, 34, 36, 49 and 55). The CIL Viability Study (January 2013) was submitted as a core document for the examination-in-public on the AAP which took place in summer 2013. Following the conclusion of public hearings, the inspector wrote to the council highlighting potential main modifications to the AAP. While one of his suggested modifications is that the council clarifies that the affordable housing requirement should be subject to financial viability, there is no suggestion that he has questioned the overall viability evidence behind the AAP. His final report is expected in early 2014.

Elephant and Castle Supplementary Planning Document and Opportunity Area Planning Framework (2012)

2.2.16 In 2011-2012 the council prepared a supplementary planning document to guide future development within the Elephant and Castle Opportunity Area. One of the key purposes of the document was to outline the infrastructure

required to support growth in the opportunity area and put in place a section 106 infrastructure tariff to help secure funding to provide the necessary infrastructure. The council worked closely with the GLA and TfL on the SPD, which was also endorsed by the Mayor of London as an opportunity area planning framework (OAPF).

- 2.2.17 Appendix 3 of the SPD notes that the strategic infrastructure envisaged in the opportunity area (improvements to the northern line station ticket hall and the northern roundabout) has a cost of £149m. The minimum needed to mitigate the impact of development amounts to £106m. Policy 20 of the SPD puts in place a strategic transport section 106 tariff of £104 per square metre on residential development to help secure this infrastructure.
- 2.2.18 The preparation of the SPD was informed by a Development Infrastructure Funding Study, 2011, commissioned by Southwark and managed by a steering group comprising officers from Southwark, GLA and TfL. Carried out by BNP Paribas the study used a methodology which was consistent with the methodology used to prepare the CIL Viability Study. The study advised that development in the opportunity could support section 106 obligations amounting to £175 per square metre on all residential development (equivalent to £269 per square metre on private homes). The SPD envisages that some 60% of planning obligations generated would help fund strategic transport improvements.
- 2.2.19 SPD 20 also notes that it is envisaged that the strategic transport tariff will be superseded by Southwark's CIL, once the latter has been implemented. The GLA planning report considered by the Mayor notes that the document establishes a section 106 tariff for the area and that the agreed approach will *"inform Southwark Council's approach to its CIL which is currently being prepared"* (report to the Mayor of London, 28 May 2012, paragraph 21).

Draft Affordable Housing Supplementary Planning Document (2011)

- 2.2.20 In 2011 the council published a draft Affordable housing SPD for public consultation. The document provides guidance on a range of matters including the council's sequential approach to securing affordable in relevant developments.
- 2.2.21 It notes that in exceptional circumstances, when it can be demonstrated that neither on-site nor off-site affordable housing are viable the council may accept a payment in-lieu of affordable housing of £100,000 per habitable room. The draft SPD was underpinned by the 2010 Southwark Affordable Housing Study as well as the Southwark Student Housing Implementation Study (March 2011). The latter involved testing the impacts of on-site affordable housing, off-site affordable housing and in-lieu payments on a range of student housing sites across the borough. The methodology for preparing the study was consistent with that used to prepared the Southwark Affordable Housing Viability Study that underpinned the Core Strategy.

2.3 The area's infrastructure needs – (CIL Infrastructure Plan 2013)

- 2.3.1 The 2013 CIL Guidance states that a charging authority needs to identify the total cost of infrastructure that it desires to fund in whole or in part from the levy. To do this it must consider what additional infrastructure is needed in its area to support development and what other funding sources are available

(paragraph 12). Paragraph 14 emphasises that the focus should be on providing evidence of an aggregate funding gap that demonstrates the need to levy the Community Infrastructure Levy.

2.3.2 Paragraph 13 advises that information on the charging authority area's infrastructure needs should be directly related to the infrastructure assessment that underpins their relevant Plan. Authorities may undertake additional infrastructure planning if the planning which underpinned its plan is weak or does not reflect the latest priorities (paragraph 16). However, paragraph 18 emphasises that the CIL examination should not re-open infrastructure planning that has already been submitted in support of a sound relevant Plan.

2.3.3 Southwark has prepared an Infrastructure Plan (IP) which identifies strategic infrastructure needed to support growth and development in the borough over the plan period of Southwark's Core Strategy (2011-2026). It is intended to be a 'living' document which will need to be updated regularly to account for the changing circumstances of infrastructure requirements to support growth, in response to public consultation and to reflect changes to national and local policy and government legislation.

2.3.4 In preparing the IP the council has:

- a) Reviewed and included the infrastructure projects which are identified in the Core Strategy and area action plans (Aylesbury, Canada Water and Peckham and Nunhead). Those infrastructure projects which have already been tested at examination are identified in the IP.
- b) Reviewed infrastructure needs identified in other council plans and strategies including the Elephant and Castle Opportunity Area Supplementary Planning Document (2012), Transport Plan (2011), Open Spaces Strategy (2013), Southwark Biodiversity Action Plan 2012 – 2018, Primary Investment Strategy 2013, Economic Well-being Strategy (2012-2020), Children's and Young People Plan (2010-2013), Library Services Review report to Cabinet (2012), Cemetery Strategy (2012), Southwark Interim Preliminary Flood Risk Assessment (2011).
- c) Carried out a review of our development partners' plans and projects, such as the NHS Southwark Estates Strategy (2011) and Community-based Care Strategy.
- d) Gathered information directly from partners and stakeholders: To fill gaps in information, internal and external partners were contacted to ascertain their plans and their assessments of what infrastructure requirements arise from future development proposals.

2.3.5 The IP identifies the following:

- a) The borough's current and future need for new infrastructure based upon the planned/projected development for new homes, retail, business and leisure space;
- b) The costs of infrastructure provision and the current and known future sources of funding;
- c) The aggregate infrastructure funding gap after making allowance for other sources of funding available to meet the infrastructure costs.

2.3.6 The IP collates those infrastructure requirements in the fields of:

- Transport
- Open space and public realm and biodiversity
- Education
- Health
- Arts, cultural and community facilities
- Sport and leisure
- Socio-economic infrastructure
- Sustainability infrastructure
- Secondary infrastructure
- Emergency services

2.3.7 The IP published alongside the Draft CIL Charging Schedule consultation in February 2013 has also been updated to reflect any changing circumstances with infrastructure provision and also updated population growth figures. The overall scale of development growth set out in the Core Strategy has not materially changed since it was adopted in 2011. The infrastructure requirements identified in the IP, while not directly attributed to impact of development, are exacerbated by population change and growth, the primary factors of which are in-migration, out-migration, births, deaths, aging, and development. It is therefore appropriate that CIL is collected to mitigate the impacts of growth on the borough's infrastructure.

2.3.8 The CIL regulations 2010 (as amended in 2012) set out that CIL charging authorities can spend CIL on *'the provision, improvement, replacement, operation or maintenance of infrastructure'* and *'anything else that is concerned with addressing the demands that development places on an area'*.

2.3.9 Additionally, we recognise that a proportion of CIL income will need to be spent on the provision of locally specific infrastructure, as required under the Localism Act (2011) and CIL regulation 59A, to ensure that those people affected by development see the direct benefit. Further detail is set out in section 6.

2.3.10 The infrastructure funding gap for those projects which have previously been examined through the Core Strategy, the Aylesbury AAP, the Canada water AAP and the Peckham and Nunhead AAP amounts to £145, 918,000. The total infrastructure funding gap, including projects which have been previously examined as well as those which have not, amounts to £549,545,524.

2.4 An overall assessment of the economic viability of development - (CIL Viability Study January 2013)

2.4.1 The overarching aim of CIL is to contribute towards the implementation of the development plan and support development across the borough. It is therefore required to show the potential effects of the proposed CIL rates on the economic viability of development. The 2013 CIL Guidance advises charging authorities to use an area-based approach, which involves a broad test of viability across their area as the evidence base to underpin the proposed CIL rates (paragraph 23).

2.4.2 The council employed viability consultants to prepare a CIL Viability Study.

The study methodology compares the residual land values from a broad range of developments to their value in their existing use. If a development generates a sufficient positive land value higher than the existing use land value, then it can be judged that the proposal could be implemented and is viable. This method is used by developers when determining how much to bid for land and involves calculating the value of the completed scheme and deducting development costs (construction, fees, finance, s106 contributions and CIL) and developer's profit.

- 2.4.3 The Planning Act requires a charging authority to use appropriate available evidence to '*inform* the draft charging schedule'. The 2013 CIL Guidance (paragraph 28) states that the proposed CIL rates should be reasonable given the available evidence, but there is no requirement for a proposed rate to exactly mirror the evidence i.e. if the evidence points to setting a charge right at the margins of viability.
- 2.4.4 A pragmatic approach has therefore been adopted in using the available viability evidence, which has been prepared from a range of current data sources and using market intelligence, to inform the CIL rates set out in the Revised Draft CIL charging schedule.

3. ESTABLISHING POTENTIAL CIL RATES

3.1 Overview of findings of the CIL Viability Study

Methodology

- 3.1.1 The methodology used in carrying out the CIL Viability Study is set out in section 3 of the study. The study uses a standard residual land value method of calculating the value of each development. It compares the residual land values of a range of developments on sites throughout the borough to their value in current use (plus a premium). If a development incorporating a given level of CIL generates a higher value than the benchmark land value, then it can be judged that the proposed level of CIL will render the scheme unviable.
- 3.1.2 Paragraph 24 of the 2013 CIL Guidance states that there are a number of valuation models and methodologies available to charging authorities to help them in preparing evidence on the potential effects of the levy on the economic viability of development across their area. It advises that there is no requirement to use one of these models, but charging authorities may find it helpful in defending their levy rates to use one of them.
- 3.1.3 The methodology employed in the CIL study follows that described in the guidance published by the Local Housing Delivery G, chaired by Sir John Harman, '*Viability Testing of Local Plan: advice for planning practitioners*' (2012). As is noted in paragraph 2.2.7 above, the methodology used in the CIL viability study is consistent with the methodologies used in preparing the viability evidence underpinning the Core Strategy, Canada water AAP and Aylesbury AAP which have all been found "sound" and adopted. It is also consistent with the methodology used to prepared the evidence base for the Mayoral CIL.

Appraisal inputs

- 3.1.4 The 2013 CIL Guidance emphasises the need to demonstrate that

development costs arising from existing regulatory requirements have been properly taken into account. Accordingly, the viability appraisals have taken into account a range of development assumptions and inputs. These include the following planning related requirements:

- Relevant proportion of affordable housing required by the Core Strategy (35% with the exception of the Aylesbury AAP core area which has a 50% requirement)
- Code for Sustainable Homes level 4
- Mayoral CIL (£35 sqm in Southwark)
- Crossrail s106 planning obligations
- Site specific mitigation through section 106 and section 278 agreements. The appraisals have been updated to include an assumed s106 planning obligations/section 278 costs of £1,500 per home. The evidence base which justifies this figure is set out in appendix 1.

3.1.5 The approach taken in the study towards the viability benchmarks is set out in paragraphs 3.7-3.14 and 4.24-4.25 of the study. A premium has been applied to each existing use value within a range of 10% - 25% based on the perceived investment value of the property, which relates to the current condition of the premises and the occupancy and likely demand for the property in question (paragraph 4.25).

3.1.6 The various other inputs to the appraisals, such as sales values, rents and yields and build costs, are based on research on the local housing market and are explained in section 4 of the CIL Viability Study. With regard to profit, a 20% profit on GDV has been factored into the appraisals (paragraphs 4.19-4.22 of the CIL Viability Study).

3.1.7 Exceptional costs have not been factored into the appraisals. An 'average' level of costs for decontamination, flood risk mitigation and other 'abnormal' costs is already reflected in BCIS data, as such costs are frequently encountered on sites that form the basis of the BCIS data sample.

3.1.8 The updated CIL Viability Study includes a table which sets out all of the inputs and assumptions applied in the viability appraisals in appendix 3 of the study to ensure there is full transparency in the appraisal process.

Sampling of development sites

3.1.9 Paragraph 27 of the 2013 CIL Guidance states that should sample viability impacts on appropriate sites. In particular:

- The focus should be in particular on strategic sites on which the relevant Plan relies and those sites (such as brownfield sites) where the impact of the levy on economic viability is likely to be most significant.
- Where a charging authority is proposing to set differential rates, they will want to undertake more fine-grained sampling (of a higher percentage of total sites)
- The sampling should reflect a selection of the different types of sites included in the relevant Plan.

3.1.10 In all, the CIL Viability Study includes 52 sample sites (50 actual sites and two scenario sites). The majority of the sites which were appraised are located in

the opportunity areas and action areas in the borough, where we expect the majority of growth to occur:

- 15 sites in the Bankside, Borough and London Bridge Opportunity Area
- 4 sites in the Elephant and Castle Opportunity Area
- 1 site in the Aylesbury Action Area
- 8 sites in the Canada Water Area
- 7 sites in the Peckham and Nunhead Action Area
- 5 sites in the Old Kent Road Action Area

3.1.11 This spread of development sites which were appraised are shown below.

Figure 3.17.2 Extract from Appendix 4 - North Map



3.1.12 There are significant variations in sales/capital values between different parts of the borough, with areas to the north of the borough (especially riverside locations) with the highest values and parts of Peckham, Faraday, Livesey and Camberwell Green wards with lowest values. The locations of the sites are spread out to capture the differing land values. This data is shown in Appendix 4 of the CIL Viability Study.

3.1.13 The schemes tested on these sites reflect the different kinds of development which are typical in Southwark. Of these sites:

- 27 contain residential use.
- 6 contain student residential use.
- 25 contain retail use, some of which are small shops and some shopping malls and superstores.

- 15 contain office use.
- 10 contain hotel use.
- 4 contain industrial and warehousing uses
- 4 contain other commercial leisure uses.

3.1.14 The sites appraised also include schemes with varying capacity, from small in-fill sites to very large major schemes:

- 1-9 homes – 3 sites
- 10-49 homes – 2 sites
- 50-99 homes – 4 sites
- 100-299 homes – 9 sites
- 300-499 homes – 4 sites
- 500-1099 homes – 4 sites
- 2000+ homes – 1 site

3.1.15 Apart from two sites (sites 43 and 57), the sites tested are real sites. As is typical in Southwark, some of these have existing development on them (and therefore may have existing floorspace that could be used to offset against CIL payments) and some are cleared sites. 58% of the sites tested have existing development on them and 42% are cleared sites.

3.1.16 The council considers that these sites are representative of sites in the housing trajectory which will be needed to deliver the London Plan housing targets. It should be noted that the council is not reliant on the development of a handful of very large schemes to meet its housing targets. There are only two sites which account for more than 5% of the council's 10 year housing target, that being the Heygate estate redevelopment (which has planning permission) and the Aylesbury estate redevelopment (of which the first two sites have planning permission). The GLA's most recent Strategic Housing Land Availability Assessment (SHLAA) carried out in 2013 contains around 200 sites on which there is capacity to build homes between 2013 and 2026. The breakdown of sites is as follows:

- 1-9 homes – 37 sites
- 10-49 homes – 68 sites
- 50-99 homes – 49 sites
- 100-299 homes – 36 sites
- 300-499 homes – 9 sites
- 500-1099 homes – 6 sites
- 2000+ homes – 1 site

3.1.17 The site sampling is reinforced by the sampling carried out in the process of preparing area actions plans and supplementary planning guidance. There is more information on the Canada Water viability study (for Harmsworth Quays and adjacent sites) and the Elephant and Castle development infrastructure funding study in section 3 of this document.

Assessing appraisal outputs

3.1.18 In accordance with 2013 CIL Guidance paragraph 28, the council has used available evidence to inform the CIL charging schedule. The same paragraph states that "*there is no requirement for a proposed rate to exactly mirror the evidence... There is room for some pragmatism.*" The council has not

followed a mechanistic process in setting rates – appraisals are just a guide to viability and are widely understood to be a less than precise tool. Further, paragraph 37 of the 2013 CIL Guidance also identifies that, “*Charging authorities that plan to set differential levy rates should seek to avoid undue complexity, and limit the permutations of different charges that they set within their area.*”

3.1.19 The 2013 CIL Guidance paragraph 30 advises that charging authorities should avoid setting a charge right up to the margin of economic viability across the vast majority of sites in their area. The proposed CIL rates comply with this advice. Appendix 2 of the CIL Viability Study shows the buffer between the proposed CIL rates and the maximum CIL rate that could be charged. Of the 52 instances in which a CIL was viable, only 5 had a buffer of less than 20%. In 82% of cases, the buffer was above 40%.

3.1.20 For the purposes of establishing CIL rates, the study paid regard to the development schemes that are currently viable and that might, therefore, be affected by a CIL requirement. In assessing the results, it is important to clearly distinguish between two scenarios; namely, schemes that are unviable regardless of the level of CIL (including a nil rate) and schemes that are viable prior to the imposition of CIL at certain levels. If a scheme is unviable before CIL is levied, it is unlikely to come forward and CIL would not be a factor that comes into play in the developer’s/landowner’s decision making for development of the site. This is consistent with the recommendations of a number of examiners, including the examiner for LB Newham’s draft CIL who stated that:

“As stated in the Viability Study, if a scheme is not viable before CIL is levied it is unlikely to come forward and CIL is, therefore, unlikely to be a material consideration in any development decision. Consequently, the Viability Study, sensibly in my view, did not factor in unviable schemes in recommending appropriate rates” (Examiner’s Report, 19 July 2013, paragraph 16).

3.1.21 Notwithstanding the fact that the council considers that unviable sites should be disregarded, the council has carried out supplementary testing of unviable sites to identify the reduction in affordable housing that would be needed to bring the sites into viability. The results of this testing are set out in the Community Infrastructure Levy – Further Viability Sensitivity Testing (Nov 2013) study.

Residential development

3.1.22 In the light of the further viability testing we are recommending that the number of residential CIL zones be reduced from four to three. Zone 2 (Tower Bridge Road to Rotherhithe village) is deleted and split between zone 1 (Bankside, Borough and London Bridge north of Union Street and Snowsfields) and the zone which includes Canada Water, Bermondsey and Elephant and Castle). The change reflects the fact that there is a significant drop in residential land values east of Shad Thames.

3.1.23 The appraisals generally suggest that residential development in the north of the borough (north of Union Street, Snowsfields and Jamaica Road) generates higher values which in turn would justify a higher residential CIL levy in this area. The average maximum CIL is £744 per square metre. The least viable site tested in this area is £693 per square metre. A CIL of £400

per square metre would leave a substantial viability 'buffer' (42%) below the least viable scheme tested in this area. Developments which have been recently built or under construction are generating significantly higher values than elsewhere in the borough. Further evidence to justify this charge can be seen in the 'Heat Map' of house prices across the borough which is set out in Appendix 6 of the CIL Viability Study.

- 3.1.24 In the mid and south areas of the borough around Elephant and Castle, Bermondsey Spa, Canada Water, Camberwell, Nunhead, East Dulwich and Dulwich (which is now Zone 2), the least viable site generates a maximum CIL of £116 per square metre. The average CIL level in this area is £981 per square metre. Having regard to the least viable sites, and further viability testing, we have amended the proposed rate from £250 to a CIL of £200 per square metre which would be readily absorbed by a majority of sites in this area.
- 3.1.25 A further residential zone is proposed around the central area of the borough (zone 3), around Aylesbury estate, Burgess Park, Peckham and Old Kent Road. Many of the development sites tested in these areas had much lower residual values which would justify a lower CIL levy. The average CIL generated by the viable sites is £124 per square metre. In this area, developments should be able to absorb a CIL of £50 per square metre
- 3.1.26 These CIL rates for residential development are comparable with those boroughs which have published rates. Wandsworth has adopted a CIL of £250 per square metre across the borough, with a £575 per square metre charge in Vauxhall and Nine Elms (which has a lower affordable housing requirement than Southwark); the City is proposing £150/£95; Tower Hamlets is proposing £200/£65/£35 per square metre; Hammersmith and Fulham is proposing charges ranging between £100 per square metre and £400 per square metre, Islington is proposing a charge of £300/£250 per square metre, Lambeth is proposing charges of £200/£150/£50 per square metre and Camden is proposing changes of between £150 per square metre and £500 per square metre.
- 3.1.27 The 2013 CIL Guidance advises that rates should not be set right up to the margin of economic viability across the majority of sites in the charging authority's area (paragraph 30). While there is no guidance on what this buffer should be, inspectors have suggested that CIL charges which are 20% or 30% less than the maximum that could be charged are acceptable and allow for sufficient flexibility and variation in circumstances. The CIL Viability Study has demonstrated that of the viable residential sites, only 2 had a buffer under 40% between the maximum CIL rate which could be charged and our proposed rates (see appendix 2 of the CIL Viability Study). The buffer will help to mitigate a number of risk factors (primarily the potentially adverse impact on land supply of setting the rates at a high level and 'shocking' the market).

Student housing

- 3.1.28 The research which underpins the viability study confirmed that there are two distinct student housing markets exist in the borough. These are identified as being, those run by universities or run by the private sector tied to a university offering lower rents ("nomination" schemes) and those run by the private sector charging higher rents ("direct let" schemes).

- 3.1.29 The impact of CIL on the two markets of student accommodation has been re-assessed, with a number of additional viability appraisals being undertaken. In the developments appraised, the nomination schemes generally charge rents of between £85-£168 per week and direct let schemes charge around £229-£449 per week. Schemes let at reduced rent levels by universities are likely to require cross subsidy from university resources to make them viable. None of the schemes could provide 35% affordable housing. However, as long as the university is the majority landowner, these schemes are likely to be exempt from paying CIL given the universities' charitable status. Private sector student accommodation rents are identified as able to generate sufficient surplus residual values, even after allowing for 35% of proposed floorspace as affordable housing, to absorb a maximum CIL of up to £830 per square metre.
- 3.1.30 However, concern has been raised that universities do not always own land on which their developments are located and in those circumstances will be liable to pay CIL. The council is therefore proposing to amend the CIL charging schedule by defining the two types of student accommodation. A nil charge is proposed for nomination schemes and a CIL of £100 per square metre for direct let schemes. All of the direct let schemes appraised could afford that charge. To benefit from the nil charge, universities would need to enter into a section 106 agreement with the council to tie rents to a maximum of £168 per week, over a period of at least 7 years (7 years is the relevant period for securing charitable relief from CIL). CIL rates of £0/£100 per square metre are lower than rates proposed by other boroughs. However, this is compensated for by the fact that Southwark is the only borough which requires student developments to provide affordable housing. Securing affordable housing is a key objective in the Core Strategy and for that reason needs to be prioritised above CIL.

Hotels

- 3.1.31 The charge for hotels is varied between the north of the borough (north of Union Street) and the remainder of the borough. This reflects differences in viability which in turn is borne out by the geographic concentration of hotel development in recent years which has been predominantly in the north (see Appendix 7 of the CIL Viability Study).
- 3.1.32 Capital values of types of hotels vary significantly around the borough, with hotels in the north (SE1) achieving much higher values per room compared to those identified elsewhere in the borough. The appraisals show that hotel developments in the north of the borough generate considerable surplus residual values. The average maximum CIL in Zone 1 is £823 per square metre. A CIL of £250 per square metre in the north of the borough would provide a significant buffer below the maximum rate. There have been very few proposals for hotels in the rest of the borough and the values are significantly lower than those achievable in the north of the borough and particularly with river views which are achievable in SE1. The average maximum CIL for Zones 2 and 3 is £766 per square metre. It is therefore considered that a reduced CIL rate of £125 for the rest of the borough would suitably reflect the differential in capital values.

Office and industry (manufacturing, storage and warehousing)

- 3.1.33 The appraisals indicate that the potential for commercial schemes to be delivered varies between areas across the borough (see Appendix 7 of the CIL Viability Study for the geographic concentration of office development in recent years). The appraisals suggest that many office developments across the borough are largely unviable at current values. However, large office developments north of Union Street and Snowsfields can command higher rental values and is the area in which new office floorspace has been concentrated over the last 10 years. Market activity picked up in 2013 with a number of transactions taking place in the north of the borough. Rental levels achieved for good quality, Grade A office space provided in locations such as More London, Southwark Street and Blackfriars Road are circa £45 per sq ft and above which is around 60% higher on average than office rents for lower quality stock and offices elsewhere in the borough (e.g. £25 per square foot).
- 3.1.34 The appraisals identify the average maximum CIL for office development within Zones 1 to be £82 per square metre. The majority of new office space is expected to come forward in the north of the CAZ and therefore a moderate levy of £70 per square metre for office space is proposed in this area and this is unlikely to prevent schemes coming forward. An analysis of the potential CIL income generated and section 106 obligations negotiated on a number of office schemes within the range of development sites tested shows that CIL is broadly comparable.
- 3.1.35 Outside the north of the borough, there is unlikely to be considerable amounts of office development and rents are unlikely to be appreciably higher than rents for existing space. A levy of £0 per square metre for office space would therefore be justifiable. This would also be consistent with the approach taken on the tariff in the Elephant and Castle SPD.
- 3.1.36 The council does not expect any significant levels of development for industrial, storage and warehousing use based upon a strategic assessment of the demand and supply of land in industrial and related uses over the next 20 years. Several developments of this type were appraised and all generated negative residual land values. CIL statutory guidance states that if evidence shows that a charging authority's area includes a use of development of low, very low or zero viability, then setting a low or zero rate for that use should be considered. Therefore a CIL levy of £0 per square metre for these uses is justifiable.

Retail

- 3.1.37 The viability evidence demonstrates that in Southwark the viability of retail developments depends to a large extent on the type of proposed floorspace, with larger mall-type and supermarket developments commanding much greater values than other types of retail.
- 3.1.38 The appraisals have suggested that the average maximum CIL across all viable retail schemes in the borough is £866 per square metre. However, the most viable schemes are those which can be described as destination shopping i.e. superstores/supermarkets and shopping centres/malls, where the critical mass of floorspace creates a distinct intended use as they are destinations for either a weekly food shop or for comparison shopping, and which provide a sufficient quantum of car parking. A CIL rate of £250 is justifiable as the type of retailing is clearly defined and there is a clear step change in typical scale, function and character at this level. The average

maximum CIL across these types of retail uses is identified as being £943 per square metre as compared to all other types of retail and sui generis uses akin to retail developments, which generate an average maximum CIL of £835 per square metre. On the basis of the evidence, all other types of retail space would have a charge of £125 per square metre. Of the sites tested, all of the 15 viable developments should be able to pay the charges, with a buffer of at least 32% and on that basis, the proposed charges should not put development at risk.

- 3.1.39 Regulation 13 of the CIL Regulations states that differential rates may be set by reference to different intended uses of development. Examiners of CIL charging schedules in Bristol, Portsmouth, Wycombe and Poole have concluded that there is nothing in the CIL Regulations to prevent differential rates for retail development of different scales, provided that proposals are informed by robust evidence on viability and that retail types are adequately defined.
- 3.1.40 Concerns were expressed at the last stage of consultation that the council had not sufficiently tested the viability of building covered car parks which, where they are part of a retail development, would attract a retail charge. We are now proposing to set a nil charge for parking where it is made available to all users of a town centre.

Public libraries, health, education, all other uses

- 3.1.41 Community uses such as schools, health centres and public libraries are not revenue generating operations and are considered to be infrastructure to support new development which CIL would help to provide. It is unlikely that these uses will be capable of generating any contribution towards CIL. The council has proposed to apply a nil charge to all education and health floorspace and also libraries.
- 3.1.42 Most other leisure facilities such as cinemas, bingo halls, bowling alley, sports facilities, gyms etc, replace existing space and provided the existing space had been in use, would not be CIL liable. Where some additional floorspace is provided, applying a modest CIL to such uses is considered to be unlikely to adversely affect the viability of such developments as this would represent less than 5% of the total development costs. There will be some of these types of development that operate on commercial terms and therefore could make a contribution to local infrastructure. The decision to open such a facility would be primarily driven by demand and demographic factors. To reflect this situation, the council is proposing a CIL rate for “all other uses” of £30 per square metre.

3.2 Elephant and Castle Opportunity Area Development Infrastructure Funding Study (DIFs) 2011

- 3.2.1 This study was commissioned to provide an evidence base to inform an assessment of the impact of varying levels of Section 106 tariff on the viability of development and the provision of affordable housing on sites in the Elephant and Castle Opportunity Area, to help meet the costs of infrastructure requirements. Viability appraisals were run on 5 sites in the opportunity area: the Heygate estate, Surdaw House on New Kent Road, Erlang House on Blackfriars Road, 2-8 Steedman Street and the postal sorting office on Crampton Street.

- 3.2.2 The results of this study contributed towards the preparation of the Elephant and Castle Supplementary Planning Document and Opportunity Area planning framework (SPD/OAPF) and the strategic transport infrastructure section 106 tariff. Some of the inputs for the sites appraised were also used in the CIL Viability Study.
- 3.2.3 The results of the analysis indicate a degree of variation in viability of development across the sites tested. The study concluded that the council could adopt base tariff levels depending on the type of development. The study recommended a tariff of £175 sqm for residential units (equivalent to £269 per square metre on private homes). The SPD envisages that some 60% of planning obligations generated would help fund strategic transport improvements.
- 3.2.4 Several large scale planning applications providing over 3300 new homes have been approved since March 2012 when the tariff was introduced, demonstrating that the strategic transport tariff has not stopped delivery of acceptable development key to the delivery of the council's local plan. These developments provide section 106 planning obligations towards strategic transport infrastructure of between £135 p/sqm and £186 p/sqm on private homes in addition to site specific mitigation (see appendix 1).

3.3 Canada Water Area Action Plan (AAP) - Financial viability appraisal of Harmsworth Quays and adjacent sites (February 2013 and November 2013)

- 3.3.1 The study was commissioned in February 2013 to provide an evidence base to inform the preparation of a revised Area Action Plan for Canada Water. This included conducting a high level viability assessment of an indicative masterplan for the development of the Harmsworth Quays site and 3 adjacent sites: Site E, Mulberry Business Park and Surrey Quays Leisure Park. The February study sought to examine whether there is a reasonable prospect of the proposals being deliverable in financial terms. A range of assumptions were applied. Four scenarios were tested (two of which included sensitivity testing with an increase in values), and all had good or reasonable prospects of scheme delivery.
- 3.3.2 An additional study was commissioned in November 2013 to undertake further viability and scenario testing in respect of Harmsworth Quays and the adjacent sites. The key objectives of this study were to examine certain elements of the schemes in terms of their capacity to support affordable housing in the context of the proposed draft CIL rates. The study reassesses the impacts on affordable housing for each site within the Harmsworth Quays masterplan area and also clarifies the viability of the residential elements (including student housing) of the Mulberry Business Park scheme and Harmsworth Quays schemes.

3.4 Proposed CIL rate and charging area

- 3.4.1 CIL Regulation 13 allows the charging authority to introduce CIL rate variations by area, by different intended use and by area and use, if this is justified by economic viability evidence. This is recognised as a way to make the levy more flexible in relation to the different levels of economic viability within the same charging area. Where adopting differential CIL rates for

different geographical zones, it is crucial to ensure that the zone boundaries are drawn on economic viability evidence and not policy or administrative boundaries.

3.4.2 In proposing CIL rates for Southwark there has been a deliberate effort to keep the charging schedule simple and transparent. The Draft CIL Charging Schedule has been revised and the council is now proposing the following rate(s) over three zones:

Development type	Zone *	CIL Rate £ per sq.m.
Office	Zone 1	£70
	Zones 2-3	£0
Hotel	Zone 1	£250
	Zones 2-3	£125
Residential	Zones 1	£400
	Zone 2	£200
	Zone 3	£50
Student housing – Direct let **	Zones 1-3	£100
Student housing – Nomination ***	Zones 1-3	£0
Destination superstores / supermarkets / shopping centres / malls ****	Zones 1-3	£250
All other retail (A1 – A5 & Sui Generis uses akin to retail) *****	Zones 1-3	£125
Town centre car parking *****	Zones 1-3	£0
Industrial and warehousing	Zones 1-3	£0
Public libraries	Zones 1-3	£0
Health	Zones 1-3	£0
Education	Zones 1-3	£0
All other uses	Zones 1-3	£30

*These zones are shown in the CIL Zones Map 2013 below.

** Direct let student housing schemes – market rent levels

*** Nomination student housing schemes – rental levels set below £168 per week and secured through a section 106 planning obligation

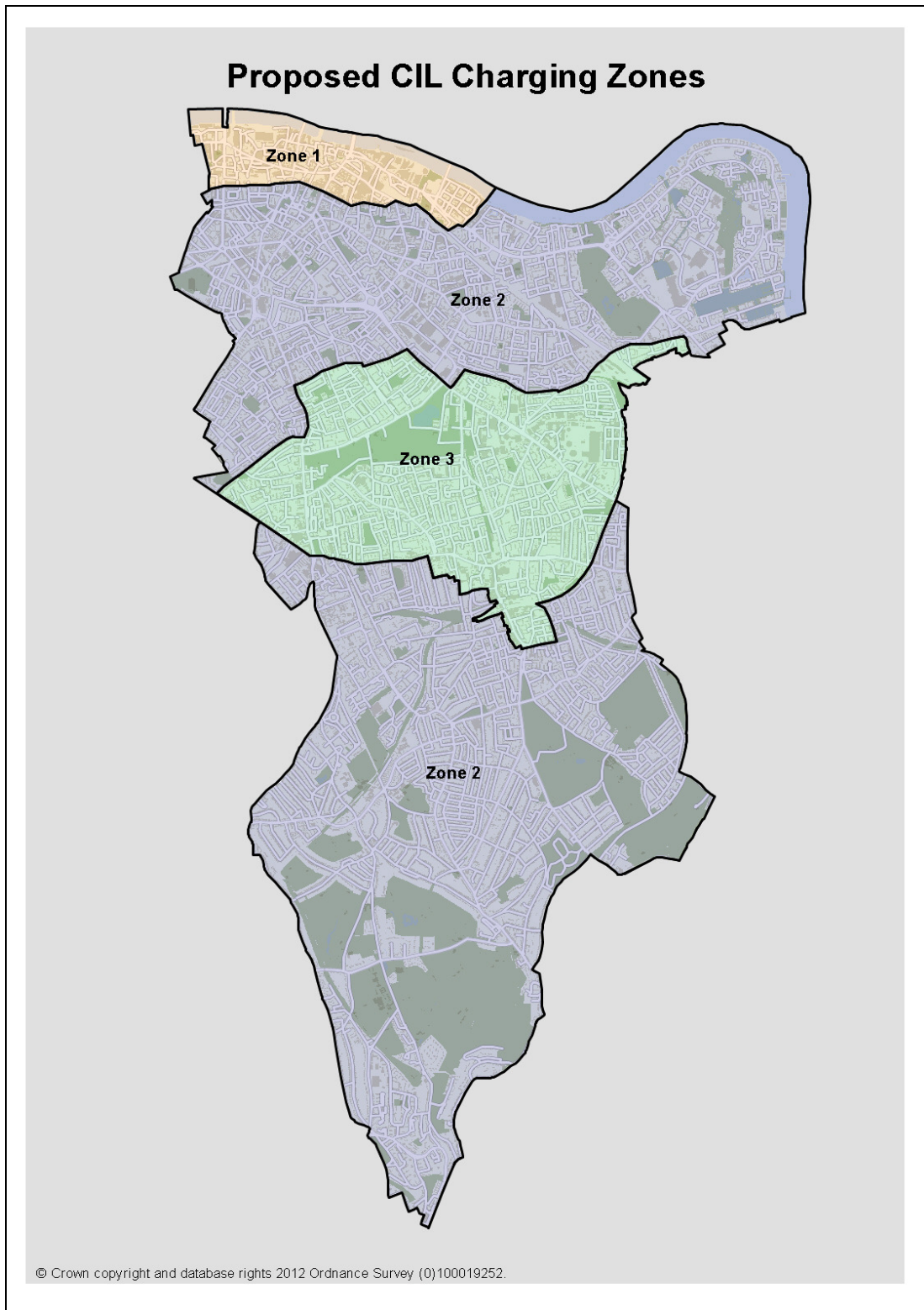
Southwark Community Infrastructure Levy Revised Draft Charging Schedule: Background evidence base

**** Destination superstores/supermarkets for weekly food shopping needs, which can include non-food floor space as part of the overall mix of the unit.

Shopping centres/shopping malls are shopping destinations which comprise one or more buildings providing a range of services including shops, cafes and restaurants, connected by pedestrian walkways, excluding town centre car parking provision.

**** Sui generis akin to retail includes petrol filling stations; shops selling and/or displaying motor vehicles; retail warehouse clubs, excluding town centre car parking provision.

***** Town centre car parking which is made available to all visitors to the town centre



3.4.3 The boundaries of the charging zones have been informed by research on house prices collected from various sources, as well as post code data on house prices sourced from the Land Registry. This information has been plotted on a map and has allowed a comparison of values achieved in

neighbouring geographical areas of the borough to be undertaken to create a value 'heat map' to see where values change (see Appendix 6 of the CIL Viability Study).

- 3.4.4 The process of defining the boundaries also involved plotting the results from the individual viability appraisals of the development sites onto the map to identify where developments can be considered to be most viable. This process of defining the zones has been used in conjunction with the council and BNP Paribas Real Estate's understanding of viability within the borough and the use of physical boundaries such as railway lines and major roads. These definable separations broadly accord with the different potential densities and existing typography which are considered to effect viability at a local level.
- 3.4.5 With regard to the commercial boundaries, it has been identified that large office developments north of Union Street and Snowsfields can command higher rental values and is the area in which new office floorspace has been concentrated over the last 10 years. The charge for hotels is also varied between the north of the borough (north of Union Street) and the remainder of the borough. This reflects differences in the values that are commanded in the north of the borough, which directly influences viability and which in turn is borne out by the geographic concentration of hotel development in recent years. See Appendix 7 of the CIL Viability Study for maps showing the concentration of office and hotel developments within the borough over the last few years.
- 3.4.6 Whilst we accept that land value variance can be observable at a finer grain, defining a greater number of charging zones would create undue complexity and potentially contentious boundaries. In proposing the CIL rates, we have been mindful of CIL Statutory Guidance (2013) on the difficulties of setting complex patterns of differential CIL rates.

4. CALCULATING AND PAYING THE CHARGEABLE AMOUNT

- 4.1.1 The formula for calculating the chargeable amount is set out in full in Part 5 of the CIL Regulations 2010 (amended).
- 4.1.2 The CIL Regulations set out clear timescales for payment of CIL, which varies according to the size of the payment, which by implication is linked to the size of the scheme. The 2011 amendments to the Regulations allow local authorities to set their own timescales for the payment of CIL if they choose to do so.
- 4.1.3 The instalments policy, whilst not a part of the CIL examination, can have a significant impact on the deliverability of development. This will be an important issue that the council will need to consider, as the timing of payment of CIL can have an impact on an applicant's cashflow (the earlier the payment of CIL, the more interest the applicant will bear before the development is completed and sold), and therefore potentially make the difference of whether a scheme is viable or not.
- 4.1.4 The council will set out its policy on the incremental payment of CIL in a forthcoming document which will be published on the internet as per Regulation 69b(1) of the CIL Regulations (see paragraph 7.4). The Mayor has introduced an Instalments Policy. Any Instalments Policy introduced by

Southwark would take priority over the Mayor's policy (for both Mayoral and Southwark CIL), and it is proposed to use the Mayor's Instalment Policy to start with and review it after 6 months.

5. CHARGEABLE DEVELOPMENT, EXEMPTIONS AND RELIEF

5.1.1 CIL will be applied on the chargeable floor space of all new development apart from that exempt under Part 2 and Part 6 of the CIL Regulations. The exemptions from the CIL rates are:

- The gross internal area of a new buildings or extensions to buildings will be less than 100 sqm (other than where the development will comprise one or more dwelling);
- A building into which people do not normally go;
- A building into which people go only intermittently for the purpose of maintaining or inspecting machinery; or
- A building for which planning permission was granted for a limited period.

5.1.2 The following types of development can apply for relief from CIL:

- Development by charities of their own land to be used wholly or mainly for their charitable purposes;
- Social Housing.

6. SPENDING CIL

6.1.1 A CIL income model has been prepared utilising information from the council's updated housing trajectory and the three proposed residential CIL rates proposed in this report (excluding mayoral CIL) of £400, £200 & £50 for Zones 1 and 2 and 3 respectively.

6.1.2 Using the council's housing trajectory it is estimated that CIL could generate around £7m-£8m per year (at today's prices) from residential development. The infrastructure plan (IP) sets out the infrastructure required to support growth over the Core Strategy period. Sources of committed funding to support infrastructure have also been identified. Inevitably, there is more certainty over funding sources for projects to be delivered in the short term and much less certainty over mid and longer term projects.

6.1.3 The IP is a living document and can be updated regularly. Overall, the IP shows a funding shortfall of £549 million over the plan period. CIL would play an important role in contributing to this aggregate infrastructure funding gap, although would not be sufficient to cover it entirely and the council will continue to need to explore other sources of funding to deliver all the infrastructure set out in the IP. Overall, it is considered that the proposed CIL rates represent an appropriate balance between generating funding to secure provision of infrastructure and ensuring that CIL does not put development and regeneration in the borough at risk.

6.1.4 To ensure that CIL and section 106 are not used to fund the same items of infrastructure, a charging authority is required to publish on its website a list of projects or types of infrastructure that it intends to fund wholly or partly through CIL – the Regulation 123 List. The 2013 CIL Guidance encourages

early publication of this list to inform the CIL rate setting process and requires that it must be submitted as evidence to the CIL public examination, alongside proposals for the scaling back of existing s106 planning obligations. At the point that the council adopts its CIL, it must publish the Regulation 123 List. If an infrastructure item is included on the list, the council would not be able to seek section 106 planning obligations for that item. The Regulation 123 List can be updated as circumstances change without any requirement to update the CIL Charging Schedule, but any changes must be subject to public consultation. The council has published a Regulation 123 List alongside the revised draft CIL Charging Schedule.

- 6.1.5 The IP identifies key elements of infrastructure necessary to implement the Core Strategy and the identified funding gap justifies the use of CIL to help bridge that gap. The IP does not represent a list of CIL spending priorities. We will develop a specific procedure for the governance and the spending of CIL receipts in accordance with the council's spending priorities and this will be published on our website in due course. In accordance with the CIL regulations, the CIL revenue received will be able to fund the provision, improvement, replacement, operation or maintenance of infrastructure to support the growth identified in the borough.
- 6.1.6 The CIL Regulations also allow up to 5% of CIL generated will be used to monitor and administer the charge. As with s106 planning obligations, once the CIL is brought into effect the council will be required to monitor funding generated and publish regular monitoring reports on the website.
- 6.1.7 Under the Localism Act (2011), the council must identify a 'meaningful proportion' of Southwark CIL that will be spent on providing infrastructure in local areas to ensure that those people affected by development see some of the benefit. The government has recently confirmed, set out in the amended CIL Regulations, that the 'meaningful proportion' will comprise 25% of CIL funding in areas where there is an adopted neighbourhood plan in place, and 15% (capped at £100 per council tax dwelling) elsewhere.
- 6.1.8 This allocation in Southwark will be made using the community infrastructure project list (CIPL) which is based on a recently revised project bank list or where relevant on projects listed in an adopted neighbourhood plan. Southwark will spend at least 25% of CIL on projects in the local area, whether there is an adopted neighbourhood plan or not, using the following sequence of areas to identify relevant projects.
- Areas with an adopted neighbourhood plan
 - Opportunity areas
 - Action areas
 - SPD areas (other than individual sites/buildings)
 - Community council areas (for those areas which are not covered by any of the above).
- 6.1.9 The CIPLs are project ideas created by the local community and approved by the relevant community council. We will consult on the CIPLs regularly to make sure they are up-to-date.

7. THE MAYOR'S CIL AND SECTION 106 PLANNING OBLIGATIONS

- 7.1.1 The Mayor of London (Greater London Authority) is also a charging authority. The Mayor has introduced a CIL to fund strategic transport, particularly Crossrail. The Mayor's levy is £35 per square metre in Southwark, with a limited number of exceptions.
- 7.1.2 The Mayor has also adopted the Section 106 Planning Obligations Supplementary Planning Guidance for Crossrail, which requires additional section 106 planning obligations contributions to raise a further £300m towards the cost of the Crossrail project. Contributions are required for office, retail and hotel development, where there is a net increase in floorspace of 500 square metres or more, measured using Gross Internal Area (GIA), and at the following rates per sqm within the Southwark.

Office	£140
Retail	£90
Hotels	£61

- 7.1.3 The council is required to collect CIL on behalf of the Mayor, although the Mayor will be responsible for allocating the income from his CIL.
- 7.1.4 The council is required to have regard to the Mayoral CIL when setting our own CIL. Our appraisals include Mayoral CIL and Crossrail section 106 planning obligations as a cost to development and this is included into the appraisals.

8. WHAT IS THE IMPACT ON PLANNING OBLIGATIONS AND AFFORDABLE HOUSING

8.1 Relationship between CIL and Section 106 Planning Obligations

- 8.1.1 From April 2015 or following the adoption of the CIL charging schedule, section 106 planning obligations will no longer be the primary means to fund infrastructure necessary to support sustainable development in the borough. Local authorities will not be able to pool more than five obligations to fund a single item of infrastructure. Currently, the council uses standard charges set out in its Section 106 Planning Obligations SPD to pool contributions for infrastructure such as new schools places, strategic transport infrastructure, open space, leisure facilities and health facilities. If the council does not introduce a CIL by April 2015 it will potentially lose a significant amount of funding that is needed to contribute to strategic infrastructure which is required to promote growth and development in its area.
- 8.1.2 The intention of the CIL Regulations is that section 106 planning obligations should mainly be used to secure site specific infrastructure which is needed to directly mitigate the impact of development. Section 106 planning obligations will be significantly scaled back on the adoption of CIL but will continue to play a part in delivering local site specific improvements such as public realm or transport, alongside planning conditions for site specific development mitigation. Developments will still be expected to pay for the provision of site service infrastructure (such as connections to utilities and to the highway network) through the normal development process. Affordable housing will also continue to be delivered through section 106 planning obligations.

- 8.1.3 The typical future application of section 106 planning obligations has been set out in a revised draft Section 106 Planning Obligations/Community Infrastructure Levy SPD which is being consulted on concurrently with the revised draft CIL charging schedule. The draft SPD will supersede the adopted Section 106 Planning Obligations SPD (2007) and provide detailed guidance on the use of planning obligations alongside CIL. In reading the forthcoming 106 Planning Obligations SPD and the CIL Regulation 123 list it should be clear what will be secured by Section 106 planning obligations and what CIL will cover to avoid any actual or perceived 'double-dipping'.
- 8.1.4 The CIL regulations also allow relief from CIL in exceptional circumstances, but only where a Charging Authority has made such relief available in its area and:
- a section 106 agreement has been entered into in respect of the planning permission which permits the chargeable development;
 - the Charging Authority considers that the cost of complying with the s106 is greater than the CIL charge;
 - the Charging Authority considers that payment of the full CIL charge would have an unacceptable impact on economic viability of the development; and
 - the Charging Authority is satisfied that relief from CIL would not constitute notifiable state aid.
- 8.1.5 In proposing the CIL rates, we have had regard to the CIL Viability Study, which has examined the potential to set a CIL rate whilst still delivering site specific mitigation measures (under section 106 and section 278), meeting Development Plan requirements for affordable housing, and meeting Mayoral CIL and London Plan section 106 requirements for contributions towards the delivery of Crossrail. This evidence, together with the regulatory limitation, set out above, has led to the conclusion that it is not necessary at this time to offer exceptional circumstances relief. However, we will keep this situation under review and may consider offering such relief in the event of a significant change in the economic viability of development or in response to future regulatory change.
- 8.1.6 The 2013 CIL Guidance (paragraph 22) suggests that charging authorities should prepare and provide information about the amounts raised in recent years through section 106 agreements. This should include the extent to which affordable housing and other targets have been met. Appendix 1 sets out an overview. In summary between August 2008 and August 2013 44% of housing units completed comprised affordable housing. The total Section 106 financial contributions received for the period 2007/8 - 2011/12 has been an average of £7-8 million a year, not including affordable housing in-lieu payments.
- 8.1.7 In addition, paragraph 29 of the 2013 CIL Guidance states that when proposing CIL rates, charging authorities should take into account other development costs arising from existing regulatory requirements, including taking account of any policies on planning obligations in the relevant Plan (in particular those for affordable housing and major strategic sites). We have reviewed the site specific section 106 planning obligations secured over the previous two years and the average sum negotiated was £1221 per unit. An assumption of £1500 per unit has been factored into the CIL viability study

appraisals, along with other costs such as Mayoral CIL and the Crossrail Section 106. More detail is in Appendix 1.

8.1.8 There are two areas in the borough where the council charges an “infrastructure tariff” through section 106 planning obligations: Elephant and Castle and Aylesbury. Since these tariffs were introduced, several large scale schemes providing over 3,500 units have been approved in these locations. The payments negotiated on these sites for strategic infrastructure vary between £135 p/sqm and £372 p/sqm on floorspace in private dwellings (see Table A1.3 in appendix 1 for details). These payments are in addition to site specific contributions agreed with these schemes:

8.1.9 Given the proposed CIL rates have been in the public domain since July 2012 it is considered that much of the additional costs of the proposed rates will have been absorbed by the market by the time any charging schedule is in place. According to Land Registry data, residential sales values in Southwark have recovered since the lowest point in the cycle in June 2009. In August 2013, sales values were 6.19% higher than the same period in 2012. August 2013 house prices in Southwark have exceeded the peak prices in February 2008 by 14.4%, indicating a positive recovery.

8.2 Impact on affordable housing

8.2.1 In accordance with paragraph 173 of the NPPF and the 2013 CIL Guidance, the CIL Viability Study sample site appraisals have factored in the costs associated with meeting the policies and standards required in new development, as set out in the saved Southwark Plan and the adopted Core Strategy. As CIL will operate as a fixed charge, the need to strike a balance between maximising revenue to invest in infrastructure on the one hand and the need to minimise the impact upon development viability must be considered in the CIL rate setting process. Charging authorities must demonstrate that the proposed CIL rates will not threaten the delivery of the Plan as a whole. Therefore, all of the site appraisals have included the Core Strategy policy minimum requirement of 35% affordable housing.

8.2.2 Of the viable residential sites, all but 2 could support the CIL levels proposed, as well as 35% affordable housing. In all other cases, there was a buffer of at least 40% between the CIL proposed and the maximum that would be viable. This suggests that on viable sites, the levels of CIL proposed will not have any significant impact on the amount of affordable housing achieved.

8.2.3 The appraisals’ results included some schemes which were unviable with 35% affordable housing before CIL is levied. It is important to emphasise that if a scheme is unviable before CIL is levied, it is unlikely to come forward and CIL would not be a factor that comes into play in the developer’s/landowner’s decision making. The CIL viability study therefore disregarded the ‘unviable’ schemes in recommending an appropriate level of CIL. The unviable schemes will only become viable following a degree of real house price inflation, or in the event that the council agrees to a lower level of affordable housing in the short term.

8.2.4 Further sensitivity testing was undertaken on unviable sites to show the relative percentage reduction and/or change in affordable housing composition which would be required to levy the CIL rates proposed and make the schemes viable. This is set out in the BNPP Study Community

Infrastructure Levy – Further Viability Sensitivity Testing (Nov 2013).

- 8.2.5 This work firstly modeled the impact of the proposed CIL rates for 3 of the sample sites which the CIL viability study had demonstrated to be unviable (sites 11a, 28a and 42a). The results showed that in all cases, scheme viability is significantly more sensitive to changes in the level of affordable housing than to changes in the level of CIL. In each case, the reduction in affordable housing that would be required to make the sites viable was between 10% and 15% (i.e. a reduction from 35% affordable housing to 25% or 20%). It should be noted however that none of the sites could provide 35% affordable housing, even without CIL. Increasing CIL from £100 per sqm to £200 per sqm resulted in an additional reduction in affordable housing of up to 5%. In each of the three schemes, CIL represented a very small proportion of the proposed development costs (1.59% - 3.16%).
- 8.2.6 In section 3 of the study, a further three “unviable” sites were tested. The testing showed that as in the case of the first three sites, an increase in CIL had only a small impact on the amount of affordable housing that could be provided. In the first and third case, increasing CIL from £100 per sqm to £200 per sqm resulted in an additional reduction in affordable housing of significantly less than 5%. In the second case, Site 58 which was located in CIL Zone 3, CIL had a negligible impact on the residual land value of the site. Again in all three schemes, CIL represented a small proportion of the proposed development costs (up to 3.65%).
- 8.2.7 The results of this sensitivity testing has identified that CIL is a marginal factor in a scheme’s viability (less than 5% of total development costs), whereas the quantum of affordable housing delivered on a site has a much greater impact on viability. The further work identified that Southwark’s proposed CIL would result in a reduction in affordable housing of up to 5%. In none of the cases would a reduction in CIL to £0 be enough to deliver the target level of affordable housing. In addition, this work included further sensitivity testing to demonstrate the impact on viability of changes to build costs and sales values as compared to changes in the level of CIL charge, maintaining the level of affordable housing provided. The results show that as with affordable housing, changes to sales values and build costs have a much bigger impact on scheme viability than CIL charges.
- 8.2.8 Another study was commissioned to undertake further viability and scenario testing in respect of Harmsworth Quays and the surrounding sites, at Canada Water, one of the strategic growth areas in the borough (Harmsworth Quays, Canada Water: Report on viability matters (Nov 2013)). The key objectives of this study were to examine certain elements of particular sites in terms of their capacity to support affordable housing and in the context of the proposed CIL rates. The scenarios test the maximum viable amount of affordable housing within the residential and student housing elements of four schemes by varying the amount of affordable housing provided in each scenario.
- 8.2.9 The findings of this study reiterated the work undertaken by BNP Parisbas that on unviable sites, a residential CIL of £200 could be accommodated if the proportion of affordable housing is reduced by up to 5%. The testing of schemes including student housing showed that in the “nomination” scenarios, in which the capital value of student housing is lower, little affordable housing can be provided, with or without CIL. Where capital values for student accommodation are higher, more affordable housing can be

provided although generally the appraisals show that varying CIL between £100 and £0 makes little difference to the viability of the schemes.

9. CONCLUSIONS ON VIABILITY AND THE DISIRABILITY OF CIL

9.1.1 The findings of the CIL viability studies demonstrates that Southwark's proposed rates would not threaten delivery of the borough's development plan.

Residential development

- The borough tested the policy requirement for affordable housing (35% across the borough and 50% in the Aylesbury AAP core area) and included site specific section 106 planning obligation costs of £1,500 per unit. The latter is some 23% higher than the average negotiated over the last two years.
- The appraisals found of the viable schemes, the proposed CIL is at least 40% less than the maximum CIL that could be charged in all but 2 cases.
- We also tested a number of schemes which were unviable, to understand the reduction in affordable housing required to make schemes viable. In all cases, the imposition of a CIL would reduce affordable housing by between 2.5% and 5%.
- CIL is generally a marginal factor in a scheme's viability (less than 5% of overall cost of development). Of the unviable schemes tested, CIL represented between 0.89% and 3.65% of the total cost of the development.
- Scheme viability is significantly more sensitive to changes in the level of affordable housing than changes to the level of CIL. As with affordable housing, changes to sales values and build costs have a much bigger impact on scheme viability than CIL charges.
- According to Land Registry data prices increased by 36.41% in Southwark between June 2009 and August 2013. Savills' medium term predictions are that property values in mainstream London markets (i.e. non-prime) will grow 24.4% between 2014-2017. The RICS BCIS database forecasts real growth in base build costs in Southwark between November 2013 and September 2018 of circa 8.4%.

Other development

- Student housing: the research has confirmed that two distinct student housing markets exist in the borough. These are identified as being those run by universities or run by the private sector tied to a university offering lower rents and those run by the private sector charging higher rents. Schemes with rooms let at reduced rent levels by universities are likely to require cross subsidy from university resources to make them viable. None of these schemes tested were viable. The private sector schemes were viable and could pay CIL with a buffer of between 22% and 88%. The Viability Study recommends that the council considers adopting a two tier approach to student accommodation with a nil rate on nomination schemes fixed for an appropriate period by a Section 106 legal agreement and a rate of £100 per square metre for student accommodation let at private sector rent levels.
- Retail: the appraisals show differences in viability between small retail schemes and large supermarkets and covered shopping malls, due to a

number of factors, including the availability of car parking. Of the sites tested, all of the 15 viable developments should be able to pay the proposed charges, with a buffer of at least 32% and on that basis, the proposed charges should not put retail development at risk.

- Office schemes can be viable in the north of the borough where rental levels achieved for good quality/Grade A space provided in locations such as More London, Southwark Street and Blackfriars Road are circa £45 per sq ft and above. The council has undertaken an analysis of the potential CIL income generated from such schemes and s106 contributions negotiated on a number of office schemes within the range of development sites tested and identified that that the proposed CIL is broadly comparable.
- Hotels: of the viable hotel schemes all but 2 could afford to pay CIL with a buffer of at least 20%. The Viability Study recommends that the council considers a CIL of £250 per square metre in the North of the borough, which would provide significant headroom below the maximum rate, and a reduced rate of £125 for the rest of the borough.
- Industrial and warehousing schemes tested were generally unviable.
- While most community (D class) uses, such as schools, hospitals and libraries do not generate an income stream, some commercial uses within the D1/D2 use classes that operate on commercial terms (e.g. cinemas, bowling alleys, gyms etc) could make a contribution to local infrastructure. Applying a modest CIL to such uses is considered unlikely to adversely affect the viability of such developments as this would represent no more than around 3% of the value of the development.

2.3.11 The Infrastructure Plan shows an infrastructure funding gap of £145,918,000 for those projects which are identified in the Core Strategy, the Aylesbury AAP, the Canada water AAP and the Peckham and Nunhead AAP. These projects have been examined through examination-in-public and deemed to be necessary to support growth in the borough.

2.3.12 The total infrastructure funding gap shown in the IP, including projects which have been previously examined as well as those which have not, amounts to £549,545,524.

2.3.13 The CIL Viability Study explains that Southwark can expect to raise around £112.3 million through CIL by 2026. This figure is not sufficient to cover the funding gap generated by those projects which have been the subject of previous examinations.

2.3.14 The IP demonstrates a clear need for a CIL. While the viability appraisals suggest that CIL will have a small impact on the amount of affordable housing achieved on sites which are not viable, in the council's view this is justified by the scale of the infrastructure requirement. The need for affordable housing has to be off-set against the need for essential projects such as the Northern Line ticket hall at Elephant and Castle. Failure to implement such infrastructure will restrict the amount of both affordable and private housing which can be provided. Accordingly Southwark considers that it has struck an appropriate balance between the desirability of funding infrastructure from the levy and the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development in Southwark.

10. MONITORING

- 10.1.1 The CIL Regulations are clear that a review of CIL is appropriately undertaken when circumstances have changed. This could be a change in costs or values, or potentially a change in priorities by the council. In particular, the viability appraisals have shown that some uses are not viable or at the margins of viability. As such, if there is a general view at any point in time that the market for these uses is improving, then their viability should be reassessed.
- 10.1.2 It will be important for the council to monitor the key input assumptions and come to a view as to whether these could possibly have changed sufficiently to warrant a fuller review. For commercial uses, this is most appropriately undertaken using the simple approach of monitoring planning applications and, more specifically, starts on site. As the current market changes, it is expected that there will be more starts on site as developers are able to deliver schemes they had already received planning permission for. This should be supplemented by regular consultations with local commercial agents to understand what is happening in the market, even if this is not showing in the planning application pipeline.
- 10.1.3 The CIL Regulations (62) require a charging authority to prepare a report for any financial year it collects CIL and publish the report on its website no later than 31 December following the end of the reported year. The report must include the total amount of CIL collected and spent and a summary of what CIL was spent on.

11. NEXT STEPS

- 11.1.1 A revised Draft CIL Charging Schedule has been prepared to set out the proposed changes to the CIL rates. This will be out for public consultation for a further period of six weeks.
- 11.1.2 In accordance with the CIL Regulations 2010 (as amended) the council have the option to propose further modifications to the Draft Charging Schedule following the six week consultation period. Any person may request to be heard by the CIL Examiner in relation to further proposed modifications. Further detail is set out in the CIL Consultation Plan.
- 11.1.3 Following the submission of the Draft CIL Charging Schedule to the Planning Inspectorate an independent examiner will be appointed and will conduct a public examination. If the representations are few or of a nature not requiring a hearing, the examiner may handle representations by written submissions. The examiner will consider whether the charging schedule meets the requirements of the Planning Act (2008) and the CIL Regulations (as amended), in that it is supported by appropriate evidence, and that the rate would not put at serious risk economic viability across the area as a whole.
- 11.1.4 Once complete the examiner will issue a non-binding report to the council. The council will then take the final decision on the CIL charging schedule in light of any recommendations the examiner may make. The council will subsequently approve the charging schedule and begin the charging and reinvestment process in late 2014.

Step	When
Preliminary draft CIL charging schedule	9 July – 4 September 2012

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	(informal consultation) 5 September – 17 October 2012 (formal consultation)
Draft CIL charging schedule	20 February 2013 – 3 April 2013
Revised Draft CIL Charging Schedule	14 January 2014 - 25 February 2014
Submit Draft Charging Schedule for independent examination.	March 2014
Examination in Public of the draft charging schedule	Summer 2014
Adopt CIL charging schedule	Autumn/Winter 2014

APPENDIX 1

A1.1.1 As background evidence, this section provides information about the amounts raised in recent years through section 106 agreements and examines the extent to which affordable housing and other targets have been met (paragraph 22, 2013 CIL Guidance).

Affordable Housing

Policy

A1.1.2 The housing delivery target for Southwark from 2011 to 2026 is 24,450 as set by the London Plan. Southwark's Core Strategy sets an 'overall strategic target' for 35% of all new homes delivered to be affordable homes .These affordable homes are secured through planning obligations in section 106 agreements and through residential development schemes led by registered social housing providers or similar bodies.

A1.1.3 Core Strategy (2011) Policy 6 'Homes for people on different incomes' states that all residential schemes providing 10 or more units are required to provide as much affordable housing as is financially viable, with a minimum of 35% of affordable housing. Our saved Southwark Plan policy 4.4 also requires an overall strategic tenure split for affordable homes from new development based upon local area distinctions in affordable housing tenure.

A1.1.4 The council has an adopted Affordable Housing SPD (2008) and draft SPD (2011) which sets out the detailed provision at the local level.

Delivered

A1.1.5 The London Development Database shows that between 1 August 2008 and 1 August 2013, 5929 net additional homes were completed in Southwark. Of these 2615, or 44.1% were affordable housing, including shared ownership, affordable rent and social rented.

A1.1.6 In 2011-2012 over 340 affordable housing units were secured through Section 106 planning consents, double the previous year. The exact amount and provision will depend upon the future reserved matter applications as there were a number of outline planning permissions along with mechanisms to secure a claw back of provision or contributions, given the current economic constraints.

A1.1.7 A total of 632 affordable housing units secured through Section 106 planning obligations were completed in 2011-12, including 466 social rented which is a large increase from the 16 social rented units delivered the previous year and the 57 low cost home ownership units.

Financial Receipts - Planning obligations

Policy

A1.1.8 The London Plan (2011) establishes priorities for planning obligation in Policy 8.2 which states: "Affordable housing; supporting the funding of Crossrail where this is appropriate (see Policy 6.5); and other public

transport improvements should be given the highest importance. Where it is appropriate to seek a Crossrail contribution in accordance with Policy 6.5, this should generally be given higher priority than other public transport improvements". The London Plan in policy 8.2 also requires that importance is given to "tackling climate change, learning and skills, health facilities and services, childcare provisions and the provision of small shops".

A1.1.9 Southwark Council adopted a Section 106 Planning Obligations Supplementary Planning Document (SPD) (2007). The SPD expands on Policy 2.5 (Planning Obligations) in the Southwark Plan and Policy 14 (Implementation and Delivery) in the Core Strategy (2011) and advises on how and when we will seek these obligations from developers. It sets out a range of standard charges for infrastructure which includes education, open spaces, employment jobs and training, sports facilities, play facilities, and strategic transport improvements. The provisions in the SPD relate to major commercial (1,000 sq. m or more) or residential development (10 or more units). Developments that are below this threshold are not typically subject to planning obligations

A1.1.10 The charges in the SPD are index linked and have been raised annually in line with inflation. The SPD is a material consideration in deciding major planning applications.

A1.1.11 The Elephant and Castle Opportunity Area Planning Framework Supplementary Planning Document (E&C OAPF SPD) was adopted in March 2012 and includes a supplementary Section 106 tariff for strategic transport at Elephant and Castle.

Financial contributions received

A1.1.12 Table A1.1 below shows the financial contributions received by Southwark between 2007 and 2012.

Table A1.1 Financial contributions received (not including payments in lieu of affordable housing)

2007-08	£3,491,055
2008-09	£2,903,493
2009-10	£7,188,086
2010-11	£7,656,420
2011-12	£18,305,488

Total sums negotiated during 2011-12 by purpose

A1.1.13 From 1 April 2011 to 31 March 2012, 80 S106 legal agreements were signed totalling £67,335,721. Although the number of agreements was slightly down (93 were agreed the previous year), the value of the contributions increased over four-fold from £15m the previous year. The increase was mainly due to a number of affordable housing contributions from a deed of variation at Bankside 4 (Neo Bankside) and Kings Reach which together accounted for £32m.

Table A1.2 Sums negotiated through section 106 planning obligations between 1 April 2011 and 31 March 2012

Section 106 negotiated in 2011-12	
Affordable housing off site commuted payment	£44,042,000
Education Department Pooled Payments	£3,565,113
Transport TFL Crossrail Project	£2,622,189
Public Open Space, Children's Play, Sport Development	£2,614,139
Employment Construction Workplace Coordinator.	£2,534,294
Primary Care Trust Payments	£2,093,117
Transport Strategic Contribution	£1,919,234
Transport Site Specific Contribution	£1,870,126
Public Realm Improvements	£1,248,001
TFL Payments for Transport Projects	£800,300
Sport & Recreation Facilities	£667,364
Community Development & Facilities	£517,144
Employment in the Development	£515,922
Administration Costs	£446,928
Parks & Public Open Space	£418,087
Employment Opportunities	£273,255
Other	£200,720
Employment - Construction WPC Management Fee	£190,520
Traffic Order Amendments	£173,126
Archaeology	£111,241
Traffic - Other Schemes	£78,948
Public Art & Monuments	£72,250
Tourism	£70,000
Traffic - Controlled Parking Zones	£62,750
Tree Planting	£57,808
Education - Training Schemes	£32,631
Transp. Strategic Contribution TFL appr	£30,113
Local Playground Improvements	£26,851
Traffic - Green Travel Plans	£24,000
Disabled Access	£18,000
Environmental - Air Quality Improvement	£15,000
Environmental Improvements	£10,000
Traffic - Car Club	£8,550
Transport General Schemes	£6,000
Total	£67,335,721

A1.1.14 The Section 106 Planning Obligations SPD operates alongside the Mayor of London's SPG on the 'Use of planning obligations in the funding of Crossrail, and the Mayoral Community Infrastructure Levy (2013). In addition to these planning obligations Section 106 agreements may also secure works or other financial contributions such as for highways works

that will be specific to the site and form of development.

A1.1.15 In the last two years the average site specific contribution has been £1221 (see table A1.4 below), with the majority amounting to £1250 per unit which is based on the current Section 106 toolkit calculation for the costs of providing site specific transport and public realm improvements.

A1.1.16 There are two areas in the borough where the council charges an “infrastructure tariff” through section 106 planning obligations: Elephant and Castle and Aylesbury. Several large scale schemes have been approved in these locations. Table A1.3 below shows the amounts negotiated for the infrastructure tariff through section 106 planning obligations. These payments are in addition to site specific contributions agreed with these schemes:

Table A1.3: Sums negotiated through section 106 planning obligations for strategic infrastructure

Scheme name	Development	Application no.	Permission granted	Payment agreed for strategic infrastructure through s106 planning obligations
Eileen House, Newington Causeway, SE1	335 dwellings	09/AP/343	Dec 2013	£186 p/sqm
Trafalgar Place, SE1	235 dwellings	12/AP/2797	Mar 2013	£155 p/sqm
Heygate outline application	2469 dwellings (max)	12/AP/1092	Jan 2013	£152 p/sqm
Aylesbury site 7, SE17	147 dwellings	12/AP/2332	Nov 2012	£372 p/sqm
Former Elephant and Castle Leisure Centre	284 dwellings	12/AP/2239	Nov 2012	£135 p/sqm

A1.1.17 Under CIL we are not proposing any default payments for site specific transport or public realm, and will be seeking planning obligations only in those cases where there is a direct requirement for site specific mitigation from a development scheme. Therefore the CIL Viability Study appraisals have included an assumption of £1,500 per unit which is considered sufficient to allow for future site specific Section 106 where it does arise. Other Section 106 contributions will only be sought where there is an under provision of the policy requirements and further mitigation is required. This additional contribution will not impact the viability appraisals undertaken, which support the proposed CIL Charging Schedule, which are based upon policy compliant developments.

Conclusion

A1.1.18 The London Development Database identifies the delivery of 44% affordable housing units between August 2008 and August 2013. The total

Section 106 financial contributions received for the period 2007/8 - 2011/12 has been an average of £7-8 million a year, not including affordable housing payments. This demonstrates the success in securing affordable housing and the required mitigation.

Table A1.4 Section 106 planning obligations per unit for site specific mitigation

Residential applications with signed date between 31/10/2011 and 31/10/2013, sorted by Date Signed						
Application No.	Date Signed	Address	Total contribution	Site specific total	Site specific per unit	Obligation type
11-AP-2851	03/11/2011	LAND BETWEEN 120-150 IVYDALE ROAD, LONDON, SE15 3BT	115,093	17,500	1,250	Section 106 Planning Obligation
09-AP-1940	16/11/2011	89-93 NEWINGTON CAUSEWAY, LONDON, SE1 6BN	230,975	26,365	694	Section 106 Planning Obligation
11-AP-2577	19/12/2011	157-159 NEW KENT ROAD, LONDON SE1 4AG	126,370	18,750	1,250	Section 106 Planning Obligation
11-AP-3251	22/12/2011	LAND AT 34-42 GRANGE ROAD, LONDON, SE1	281,700	51,250	1,250	Section 106 Planning Obligation
11-AP-3963	07/03/2012	SITE TO THE SOUTH OF EVANS GRANARY, 38 STONEY STREET, LONDON, SE1 9LB	69,680	0	0	Section 106 Planning Obligation
11-AP-3510	21/03/2012	16 WINCHESTER WALK LONDON SE1 9AQ	15,602	10,000	1,666	Section 106 Planning Obligation
11-AP-4309	22/03/2012	SITE BOUNDED BY EDMUND STREET, SOUTHAMPTON WAY AND NOTLEY STREET, LONDON SE5	2,065,762	348,750	1,250	Section 106 Planning Obligation
11-AP-2242	29/03/2012	DOCKLAND SETTLEMENT AND LAND ADJOINING, ROTHERHITHE STREET, LONDON, SE16 5LJ	202,810	35,000	1,250	Section 106 Planning Obligation
12-AP-0164	30/03/2012	126 SPA ROAD, LONDON, SE16 3QT	366,522	57,500	1,250	Section 106 Planning Obligation
11-AP-1097	30/03/2012	TAVERN QUAY COMMERCIAL CENTRE, ROPE STREET, LONDON, SE16 7TX	534,896	85,200	1,200	Section 106 Planning Obligation
11-AP-2565	30/03/2012	QUEBEC WAY INDUSTRIAL ESTATE, QUEBEC WAY, LONDON, SE16	2,698,099	517,699	1,414	Section 106 Planning Obligation
11-AP-0024	31/03/2012	18-22 GROVE VALE, LONDON, SE22 8EF	982,599	25,000	1,250	Section 106 Planning

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						Obligation
12-AP-1485	02/07/2012	16-20 ROSEBERRY STREET, LONDON, SE16 3LZ	155,088	2,750	1,250	Section 106 Planning Obligation
11-AP-4364	02/07/2012	VALENTINE AND ORSON, 171 LONG LANE, LONDON, SE1 4PN	96,143	16,250	1,250	Section 106 Planning Obligation
11-AP-3506	09/07/2012	OCTAVIA HOUSE, 235-241 UNION STREET, LONDON, SE1 0LR	229,300	11,250	1,250	Section 106 Planning Obligation
12-AP-1423	16/08/2012	19 SPA ROAD, LONDON, SE16 3SA	2,346,299	65,750	1,384	Section 106 Planning Obligation
12-AP-1455	28/09/2012	LAND BOUNDED BY WADDING STREET AND STEAD STREET, LONDON SE17	1,854,550	334,364	2,388	Section 106 Planning Obligation
12-AP-2239	23/11/2012	FORMER ELEPHANT AND CASTLE SWIMMING POOL 22 ELEPHANT AND CASTLE LONDON SE1 6SQ	6,910,767	389,890	1,372	Section 106 Planning Obligation
12-AP-2444	27/11/2012	272-274 CAMBERWELL ROAD AND MEDLAR STREET AND 286-304 CAMBERWELL ROAD SE5	302,254	82,500	1,250	Section 106 Planning Obligation
12-AP-2702	11/12/2012	MARSHALL HOUSE, 6 PAGES WALK, LONDON, SE1 4SB	549,605	101,000	1,231	Section 106 Planning Obligation
12-AP-1784	14/12/2012	1-16 BLACKFRIARS ROAD LONDON SE1	31,458,117	in lieu	more than 1250	Section 106 Planning Obligation
12-AP-1630	14/12/2012	44 WANLEY ROAD, LONDON, SE5 8AT	166,357	25,000	1,250	Section 106 Planning Obligation
12-AP-2942	21/12/2012	4-10 LAMB WALK AND 7-9 MOROCCO STREET, LONDON, SE1 3TT	322,687	36,250	1,250	Section 106 Planning Obligation
12-AP-3201	18/02/2013	LAND AT THE CORNER OF COOPERS ROAD AND ROLLS ROAD, LONDON, SE1	295,498	58,750	1,250	Section 106 Planning Obligation
12-AP-3127	04/03/2013	2 OLD JAMAICA ROAD AND 168 ABBEY STREET, LONDON, SE16 4AN	345,729	63,750	1,250	Section 106 Planning Obligation
12-AP-2797	15/03/2013	LAND BOUNDED BY VICTORY PLACE TO THE NORTH, BALFOUR STREET TO THE	3,144,567	692,023	2,945	Section 106 Planning Obligation

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		EAST AND RODNEY ROAD TO THE SOUTH AND WEST, LONDON SE17				
12-AP-3563	26/03/2013	EAST DULWICH ESTATE SITE BOUNDED BY DOG KENNEL HILL QUORN ROAD PYTCHELEY ROAD AND ALBRIGHTON ROAD SE22	265,347	in lieu	less than 1250	Section 106 Planning Obligation
12-AP-1092	27/03/2013	THE HEYGATE ESTATE AND SURROUNDING LAND BOUND BY NEW KENT ROAD (A201) TO THE NORTH, RODNEY PLACE AND RODNEY ROAD TO THE EAST, WANSEY STREET TO THE SOUTH AND WALWORTH ROAD (A215) AND ELEPHANT ROAD TO THE WEST. LONDON SE17	19,144,066	in lieu	more than 1250	Section 106 Planning Obligation
12-AP-4049	19/04/2013	27-29 BLUE ANCHOR LANE, LONDON, SE16 3UL	100,000	46,000	1,278	Section 106 Planning Obligation
12-AP-3558	03/06/2013	90-91 AND 92 BLACKFRIARS ROAD, LONDON, SE1 8HW	545,026	67,734	1,277	Section 106 Planning Obligation
13-AP-0561	21/06/2013	LAND EAST OF CROWN STREET BETWEEN WYNDHAM ROAD AND BETHWIN ROAD INCLUDING THE FORMER CROWN STREET DEPOT AND THE BETHWIN ROAD ADVENTURE PLAYGROUND CROWN STREET CAMBERWELL SE5 OUR	537,365	86,250	1,250	Section 106 Planning Obligation
13-AP-0943	04/07/2013	10-13 RUSHWORTH STREET, LONDON, SE1 0RB	56,326	11,250	1,250	Section 106 Planning Obligation
13-AP-0876	29/07/2013	WOOD DENE, SITE BOUNDED BY QUEENS ROAD, MEETING HOUSE LANE AND CARLTON GROVE SE15	1,345,581	416,250	1,250	Section 106 Planning Obligation
12-AP-1308	08/10/2013	1-6 CAMBERWELL GREEN & 307-311 CAMBERWELL NEW ROAD, LONDON	1,407,577	50,000	495	Section 106 Planning Obligation

Southwark Community Infrastructure Levy Revised Draft Charging Schedule: Background evidence base

		SE5				
11-AP-0139	21/03/2012	SILWOOD ESTATE (PHASE 4B), LAND AT SILWOOD STREET, DEBNAMS ROAD, CORBETTS LANE, LONDON SE16	749,732	211,358	1,664	Unilateral undertaking
Average section 106 planning obligations per unit which comprise site specific mitigation.					£1,221	