

Trafford Community Infrastructure Levy: Draft Charging Schedule – Regulation 14 Balance Statement



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CONTENTS

INTRODUCTION..... 1

 Background..... 1

 National Context 1

 Guidance 1

 Regulations..... 1

 Consultation on Further Reforms..... 2

 Local Context 3

 Local Plan..... 3

 Community Infrastructure Levy Evidence 3

 Preliminary Draft Charging Schedule (PDCS) Stage..... 3

 Draft Charging Schedule (DCS) Stage 3

 Pre-Submission Stage 4

 Consultation 4

 Preliminary Draft Charging Schedule (PDCS) 4

 Post PDCS 4

 Draft Charging Schedule (DCS)..... 5

 Submission 5

INFRASTRUCTURE EVIDENCE 5

 Infrastructure Planning..... 5

 Planning Obligations 6

 Regulation 123 List 7

VIABILITY EVIDENCE 7

 Strategic Approach 7

 Stakeholder Workshop..... 8

 Evidence – PDCS 8

 Evidence Refinements – Pre DCS 9

Evidence Refinements – Pre Submission	10
Summary.....	12
ANTICIPATED DEVELOPMENT	13
Overview	13
Residential	13
Non-Residential	15
CONCLUSION	17
Overview of Findings of the CIL Viability Assessment	17
Proposed CIL Charge Rates	18
Income Predictions	19
Instalments Policy	20
Exemptions, Relief and Exceptional Circumstances	21

1. INTRODUCTION

Background

- 1.1. In deciding the rate(s) for the Community Infrastructure Levy (CIL), the Council as the Charging Authority (CA) must provide evidence on economic viability and infrastructure planning. This evidence should show and explain how the proposed levy rates will contribute towards the implementation of the Local Plan and support development in the Trafford area. Regulation 14 of the CIL (Amended) Regulations, places a requirement upon the CA to “*strike what appears to the charging authority 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.*”
- 1.2. This document demonstrates how these requirements have been met, during the preparation of the CIL for Trafford. It provides a summary of the various evidence base documents that have been used to inform the setting of the CIL rates in the Draft Charging Schedule (DCS) for Trafford, and addresses some of the key issues that have been raised during rounds of consultation. In summary, this balance statement demonstrates that the proposed rates strike an appropriate balance, do not threaten delivery of the Local Plan as a whole and that CIL will contribute towards the implementation of the Local Plan.

National Context

Guidance

- 1.3. Revised statutory guidance relating to CIL was published on the 14 December 2012 and updated on 26 April 2013, which aimed to clarify the relationship between CIL and Section 106, and the Regulation 123 list. This updated guidance introduced changes including:
 - Being able to ‘show and explain’ how the CIL rates contribute positively towards the implementation of the local plan and support development across the area.
 - Showing a clear thread between evidence on infrastructure need identified through the plan making process and evidence for the aggregate infrastructure gap that proves the need for CIL.
 - The requirement of a draft Regulation 123 list at examination that sets out spending plans.
 - Demonstrating how CIL and Section 106 will operate when CIL is adopted.
 - Engaging early with developers, with the expectation that they will give the charging authority support with evidence.

Regulations

- 1.4. The amended regulations came into force on 25 April 2013, they make provision related to neighbourhood funding. In England, where all or part of a chargeable development is within an area that has a neighbourhood development plan in place, or a neighbourhood development order, the charging authority must pass 25 per cent of the relevant CIL receipts to the parish Council for that area. Where there is no neighbourhood development plan or neighbourhood

development order in place, the charging authority must pass 15 per cent of the relevant CIL receipts to the parish Council for that area. This money can be used to fund the provision, improvement, replacement, operation or maintenance of infrastructure; or anything else that is concerned with addressing the demands that development places on an area.

- 1.5. Where the above does not apply, the charging authority will retain the funds to spend on behalf of the community, for the provision, improvement, replacement, operation or maintenance of infrastructure or anything else that is concerned with addressing the demands that development places on the area.

Consultation on Further Reforms

- 1.6. A paper on further reforms to CIL was published for consultation on the 15 April 2013. This document proposes the following changes, of which any changes taken forward are expected to be published through updated statutory guidance and regulations in autumn 2013:

- Requiring a charging authority to demonstrate that it has struck an appropriate balance.
- Amending the provisions of setting differential rates.
- Extending the consultation on the draft charging schedule.
- The role of the list of infrastructure and procedures for reviewing it.
- Extending the transition period for the use of pooled planning obligations from April 2014 to April 2015.
- Amending the relationship between the levy and section 278 agreements.
- Allowing charging authorities to accept payments in kind for the whole or part of the levy payable on a development.
- Extending the provisions for phasing of levy payments to all types of planning permission.
- Allowing existing floorspace to be credited against the levy liability provided the use has not been abandoned.
- Ensuring multiple liability provisions work effectively.
- Giving charging authorities the discretion to apply social housing relief to discounted market sales in their areas and ensuring that ancillary and communal areas are reflected.
- Making it easier to apply exceptional circumstances relief provisions.
- Introducing relief from the levy for self-build homes.
- Modifying the appeals procedures and allowing appeals in certain cases after development has commenced.
- Introducing transitional measures so that changes related to the charge setting process should not apply to authorities who have already published a draft charging schedule.

- 1.7. Trafford will ensure that any updates to the regulations and/or guidance are reflected in the Charging Schedule going forward, to ensure that it is compliant with the latest iteration.

Local Context

Local Plan

- 1.8. Trafford's Core Strategy was adopted on 26 January 2012, covering the plan period to 2026. This forms part of the Local Plan for Trafford and replaces some policies in the Revised Trafford Unitary Development Plan (UDP), which was adopted in June 2006. The Greater Manchester (GM) Waste Plan and GM Minerals Plan also form part of the Local Plan and replace the equivalent policies within the Revised UDP. The remaining saved policies will be replaced in due course by the emerging Land Allocations Plan.

Community Infrastructure Levy Evidence

Preliminary Draft Charging Schedule (PDCS) Stage

- 1.9. The preparation of the Core Strategy was supported by the following key pieces of evidence:

- Strategic Housing Land Availability Assessment
- Strategic Housing Market Assessment
- Trafford Economic Viability Study
- Trafford Employment Land Study
- Trafford Retail and Leisure Study
- Trafford Green and Open Spaces: An Assessment of Need
- Local Infrastructure Plan (2010)

- 1.10. The above key pieces of evidence have been used to underpin the initial stages of work for preparing a Community Infrastructure Levy for Trafford. The setting of the charging rates in the Preliminary Draft Charging Schedule (PDCS) was directly informed by the following sources of information:

- Trafford Core Strategy (adopted January 2012)
- Local Infrastructure Plan (2010)
- Trafford CIL: Infrastructure and Economic Viability Assessment (July 2012, Roger Tym & Partners)
- SPD1: Planning Obligations (February 2012)

Draft Charging Schedule (DCS) Stage

- 1.11. Following the publication of the PDCS, further work was undertaken to address comments received to the PDCS consultation and to provide more transparency in regard to how CIL and Section 106 will operate, as required by the updated guidance and regulations, at the time of publication. The following documents formed the primary evidence base for the Draft Charging Schedule (DCS):

- Trafford Core Strategy (adopted January 2012)
- Local Infrastructure Plan (2010)
- Trafford CIL: Infrastructure & Economic Viability Assessment (July 2012, Roger Tym & Partners)
- Trafford CIL: Economic Viability Study – Addendum Report (March 2013, Roger Tym & Partners)
- Trafford CIL: Infrastructure Note
- Infrastructure Funding Gap Statement
- Draft Regulation 123 List

- Statement on CIL and Section 106
- Draft Revised SPD1: Planning Obligations
- Draft Revised SPD1: Technical Note 1 – Meeting Housing Need

Pre-Submission Stage

1.12. Since the consultation on the DCS, the Council has reviewed the comments received and commissioned some further work to support the charging schedule. This work provides further clarification and more detailed viability appraisals to address comments received to the DCS consultation, and to address the proposals included in the further reforms to CIL consultation, prior to updated guidance and/or regulations being published. The following additional documents will be submitted alongside the Draft Charging Schedule:

- A Statement of Modifications
- Trafford CIL: Economic Viability Study – 2nd Addendum Report (September 2013, Roger Tym & Partners)
- A Balance Statement [THIS DOCUMENT]
- An updated Regulation 123 List
- Statement of Representations

Consultation

Preliminary Draft Charging Schedule (PDCS)

1.13. A 6-week public consultation on the preliminary draft charging schedule took place between the 03 August 2012 and the 14 September 2012. The PDCS and supporting documentation was made available online and in libraries across the borough. Letters were sent to consultees as per Regulation 15, ahead of the commencement of the consultation and information was provided on the Strategic Planning web pages.

1.14. At the time of the consultation, the guidance and regulations only required the Council to have an adopted plan and a supporting infrastructure delivery plan which demonstrated that an aggregate gap existed that was sufficient to justify the implementation of CIL. As such, the Council published its PDCS with the required supporting information.

Post PDCS

1.15. To address the requirements of subsequent updates to the guidance and regulations, the Council undertook a period of informal consultation on an infrastructure note. This informal consultation commenced on 01 February 2013 and concluded on 25 February 2013.

1.16. All persons who responded to the PDCS consultation were invited to provide feedback on the updated Infrastructure Note; the Local Infrastructure Plan (2010) formed the basis for this update. This enabled the Council to ensure that the Infrastructure Note reflected the views of interested parties before it was published for consultation alongside the DCS.

Draft Charging Schedule (DCS)

1.17. The draft charging schedule was published for a 6-week period of public consultation commencing on 13 May 2013 and concluding on 24 June 2013. The DCS and supporting documentation, including a statement of the representations procedure, was made available online and in libraries across the borough. Letters were sent to consultees as per Regulation 16, ahead of the commencement of the consultation and information was provided on the Strategic Planning web pages.

Submission

1.18. The Council intends to submit the CIL Charging Schedule along with a schedule of modifications in October 2013, following additional work to address some of the comments received during the DCS consultation and to provide information in anticipation of future requirements associated with the consultation on further reforms to CIL that may become adopted guidance/regulations. The Council falls outside of the transitional arrangements for any changes published in updated guidance and/or regulations in autumn 2013, as a result of this consultation.

2. INFRASTRUCTURE EVIDENCE

Infrastructure Planning

2.1. The Local Infrastructure Plan (LIP) set out the infrastructure needed to support the delivery of the Local Plan and was endorsed by the Planning Inspector during the public examination of the Trafford Core Strategy. The LIP is a detailed document that describes the main types of infrastructure that are required to support development in Trafford, along with costs, phasing of delivery, key delivery partners and sources of funding. It also provided links to the Policies and Strategic Objectives in the Core Strategy that each infrastructure project would support and bring forward with its delivery.

2.2. From the LIP (submitted alongside the Core Strategy), a 'funding gap' of £82 million was identified, based on the information supplied regarding required infrastructure to support the delivery of the Core Strategy. The Council considered this to be an appropriate aggregate gap to justify the introduction of CIL.

2.3. The LIP was subsequently updated in 2013 to reflect the most up-to-date position in regard to the required infrastructure and its costs, to support development set out in the Local Plan. It includes information identified to date as part of the emerging Land Allocations Plan. This updated document was called the CIL Infrastructure Note.

2.4. The CIL Infrastructure Note provides additional information to supplement and update that contained within the Council's LIP (September 2010). More detailed information on transport costs and additional infrastructure items specifically relating to flood defences and town centre improvements have been added to the schedule, resulting in a larger funding gap than was identified in the PDCS.

2.5. The identified ‘funding gap’ was previously £82 million, but with the additional information this rose to approximately £232 million. A summary of the funding requirements for strategic infrastructure projects is set out below in Figure 2.1. Much of the additional funding requirements are as a result of more detailed costing information coming forward for transport projects identified by developers through modelling work and through more detailed work supporting the emerging Land Allocations Plan.

Figure 2.1: Summary of Infrastructure Requirements

INFRASTRUCTURE TYPES	FUNDING GAP
Road and other transport facilities	£186,223,000
Flood defences	£8,825,000
Schools and other educational facilities	£13,500,000
Sporting and recreational facilities and open space	£24,215,000
TOTAL	£232,773,000

2.6. The anticipated level of CIL receipts is approximately £41 million over the Local Plan period. Therefore, securing funds from other sources still remains critical to the delivery of some infrastructure projects over this period.

Planning Obligations

2.7. The National Planning Policy Framework (NPPF) states that planning obligations should only be used where it is not possible to address unacceptable impacts through a planning condition and where they meet the three tests:

- necessary to make the proposed development acceptable in planning terms;
- directly related to the proposed development, and,
- fairly and reasonably related in scale and kind to the development.

2.8. The Council adopted the current SPD1: Planning Obligations in February 2012 to support the implementation of Policy L8 of the Trafford Local Plan: Core Strategy.

2.9. Policy L8 of the Trafford Core Strategy sets out the Council's policy on planning obligations. This makes it clear that in accordance with Circular 5/2005, the Community Infrastructure Levy Regulations 2010, policies in the Core Strategy and the supporting Local Infrastructure Plan, the Council will seek planning obligations towards the delivery of environmental, economic and social infrastructure. The policy seeks contributions for all new development including mezzanines, redevelopment, and changes of use; the nature and level of which is established on a site by site basis.

2.10. The Council has reviewed the complete range of S106 contributions collected over the last 3 years¹. Over this period, a total of approximately £9.7 million was signed in Section 106 agreements, which averages £3.23 million per annum. To date, £7 million has been received in S106 payments, and a further £2.7 million

¹ It should be noted that the Council adopted a new SPD1 in February 2012, with higher tariffs than the previous suite of Supplementary Planning Documents/Guidance Notes.

is outstanding, with payments yet to be received. The estimated CIL is approximately £41 million over 15 years, which equates to £2.7 million per year.

- 2.11. The Statement on CIL and Section 106, published alongside the DCS, sets out what residual S106 requirements will remain in addition to CIL and then provides a comparison between the contributions that would be payable under the current SPD1 and those payable under the proposed levy for CIL with residual S106. The comparison is based on residential development and shows that in the majority of cases, the total CIL (and residual S106) payment will be significantly lower than that required under the existing S106 regime.

Regulation 123 List

- 2.12. To provide further clarity on what will be funded through CIL and what is still required to be delivered through Section 106, the regulation 123 list has been updated to provide more detail about what infrastructure types and projects will be funded through CIL. It is hoped that this additional information will provide more certainty and transparency to developers and demonstrate that the proposed funds would help to support and bring forward key areas for change in the Borough, where a large amount of development is proposed over the Plan period.

3. VIABILITY EVIDENCE

Strategic Approach

- 3.1. The economic viability assessment uses a simple high-level model to reveal any surplus or deficit after all development costs, including the developer's margin, have been taken into account. The provision of affordable housing is also accounted for within the appraisals and reflects the requirements in Policy L2 of the Core Strategy (adopted January 2012) and SPD1: Planning Obligations, which was adopted in February 2012.
- 3.2. Major development opportunities, particularly those involving complex sites, often require flexibility or cross-funding of different phases or types of development to bring them forward. However, some uses will inevitably be more viable than others, and consequently most developers will consider viability across a project as a whole. Although, it is unlikely that unviable elements would be built as part of mixed-use schemes, even where higher values of other uses on the site can ameliorate any financial shortfall, unless they were a pre-requisite of gaining planning consent. If the charging rates for individual uses are set properly, the imposition of the levy should not materially affect mixed-use developments and would not affect a developers ability to cross-subsidise, should they chose to do so.
- 3.3. There are 5 strategic locations identified within the Core Strategy which, along with Altrincham town centre, represent the key areas of change within Trafford, supporting large scale residential and employment development opportunities. The expectation is that many of the strategic infrastructure needs associated with these opportunity areas will be delivered through CIL and other funding sources, including the Regional Growth Fund, Local Pinch Point Fund and GM City Deal.

- 3.4. The viability testing that has been undertaken to support the development of an appropriate CIL for Trafford has been conducted on the basis of the above information. As such, only large scale residential development (100 units and above) would be required to provide a higher level of additional infrastructure on-site to address the impact of this scale of development. The anticipated costs of this additional requirement have been taken into account in the viability testing. Therefore, all development within the opportunity areas would be liable for levy; with section 106 requirements scaled back to address the impact of individual developments and make them acceptable in planning terms.

Stakeholder Workshop

- 3.5. In May 2012 the Council appointed consultants (Roger Tym and Partners) to undertake a joint infrastructure and economic viability assessment, which forms the basis of the evidence to justify charging a CIL in Trafford. The commission involved a stakeholder workshop with key landowners, agents and developers, to ensure they had early input in the CIL preparation process, and to gauge their view on the accuracy of the assumptions used to inform the initial findings. This information was then used to inform the preparation of the Preliminary Draft Charging Schedule.
- 3.6. A CIL stakeholder workshop was held on 09 July 2012 and provided landowners, agents and developers with an opportunity to comment on the critical assumptions used in the economic viability assessment. This was a vital stage in the process of developing a CIL. The purpose of the viability assessment is to demonstrate a theoretical maximum CIL; how far beneath that margin the CIL charge is set is a matter for the Council, reflecting decisions in regard to risk and the approach to different development types.
- 3.7. In general, the feedback from the stakeholder workshop was that the economic viability assessment was considered to be reasonable in terms of the development types that might attract a CIL charge. Some issues were raised in regard to the assumptions relating to convenience retail development. However, on the whole, it was also considered that the model and method used to determine development viability was appropriate for the assessment.

Evidence – PDCS

- 3.8. The economic viability assessment considered the implications for residential and non-residential development of the variable CIL charge options. A reasonable benchmark in terms of profitability/developer's margin is considered to be 20%. The findings showed that margins exceeded the benchmark in respect of all the scenarios modelled for the development of housing, and for apartments three of the four scenarios showed marginal viability. For non-residential development only convenience retail (supermarket) and retail warehouse development were found to be viable as speculative developments on the assumptions made.
- 3.9. Using the evidence from the economic viability assessment and feedback from the stakeholder workshop, theoretical maximum possible charge rates were identified for the developments exceeding the benchmark margins. These

figures were then drawn back from the ceiling of viability to ensure development in the borough is not put at risk.

- 3.10. It is within the discretion of the Charging Authority to decide whether a base charge should be applied to all development, recognising that although certain development types are assessed as unviable at present on a speculative basis, it is likely that some development of this type(s) will take place (and is currently taking place) and will have infrastructure implications. Therefore, it was important to strike an appropriate balance, whereby if a base rate charge was proposed it would not put development in the borough at serious risk, especially within the opportunity areas.
- 3.11. Trafford proposed separate rates for different types of development including residential, retail and all other chargeable development. The rates were set by different geographical areas (charging zones) for residential development that the economic assessment concluded to be viable. In terms of retail development, separate rates were proposed for comparison retail and convenience retail (above 280sqm) outside of defined centres. For all other development chargeable under the regulations, a nominal base charge was proposed. The base charge was set at a level where it was unlikely to be the determining factor as to whether a development would take place or not. It was pegged at a ceiling of 1% of the cost of development of the lowest cost development – industrial – which equated to £10 per sq.m.

Evidence Refinements – Pre DCS

- 3.12. The majority of responses received to the PDCS consultation were positive about the introduction of CIL in Trafford. However, some challenged the proposed rates and some of the assumptions used in the accompanying viability assessment. Others requested more clarity and transparency regarding what infrastructure CIL would fund and what would still remain through Section 106 agreements.
- 3.13. As a result of comments received, Peter Brett Associates (formerly Roger Tym and Partners) were asked to undertake additional viability assessment work, to address the issues raised. This work included addressing comments received in relation to the residential charge zones/charges applied to Altrincham town centre and the Trafford Quays area, charges for retail development, testing of major development sites and more sensitivity testing around the base rate charge.
- 3.14. This evidence refinement also addressed changes to the CIL regulations and guidance issued in December 2012 and updated in April 2013. The addendum report looked in detail at the impact of the implementation of CIL on major development areas and concluded that the introduction of CIL is likely to have a beneficial impact on the viability of the Strategic Locations over the continuation of the current Section 106 regime.
- 3.15. A statement on CIL and Section 106 was produced to show how the two would operate once CIL was adopted. The current SPD1 was revised, to reflect the scaled back requirements to address site-specific mitigation to make

development acceptable in planning terms, following the adoption of a CIL; with the exception of affordable housing which still remained outside of the scope of CIL. This note also set out what infrastructure will be funded through CIL and what will still be required through planning obligations. This was to ensure that there is no double counting between CIL and Section 106 to fund the same item of infrastructure. An infrastructure note was also prepared, to provide an up-to-date position on infrastructure requirements to support the delivery of the Local Plan.

3.16. The CIL rates as proposed in the PDCS were then amended as a result of the responses received to the consultation and further evidence base work. Counsel advice was sought prior to the DCS consultation on the proposed amendments to the charging schedule and accompanying documentation, to ensure they were compliant with the latest regulations and guidance. The main amendments are set out below:

- Differential rates for residential – the CIL guidance stated that where charge rates are proposed to vary by reference to viability zones, more fine grained evidence should be produced in order to define the boundaries of those zones. The proposed changes to the boundaries for the residential charging zones were set out in section 6 of the DCS. In order to address some of the comments received through the consultation on the PDCS, in particular in relation to Altrincham town centre and the Trafford Quays area, further analyses of sales values in Trafford was undertaken. As a result of these analyses a change was proposed to the levy rate covering the Trafford Quays area, but Altrincham town centre remained the same.
- Revision to account for retail types – a number of responses received to the PDCS consultation asserted that the intended use of retail floorspace does not change upon reaching a certain size of development. As a result of work undertaken for the addendum report, the DCS was updated with charges referring to different intended uses of retail development. The evidence supported these charges being applied consistently across the borough, so the previously proposed viability zones were removed.
- Supermarkets – following an assessment of responses to the consultation, it was proposed to take a more cautious approach to charges in relation to supermarkets. The charge was therefore reduced by 10 per cent to ensure that it fell between 50-70% of the theoretical maximum charge.
- CIL Instalment Policy – in response to comments received and emerging best practice at the time, it was proposed to introduce a CIL Instalments Policy, which would be offered in all cases where the total CIL liability to a developer is greater than £50,000. Alongside this, it was also proposed to offer discretionary relief in exceptional circumstances, subject to the development meeting a strict set of criteria set out in the CIL Regulations 2010 (as amended).

Evidence Refinements – Pre Submission

3.17. A total of 30 responses were received to the consultation on the DCS. Many of the responses raised similar issues to those made during the consultation on the PDCS. Some major stakeholders were positive in terms of the levy rates and made minor requests for further clarification on issues relating to the rates their developments would pay, the Regulation 123 list and the instalments and

exceptions policies. Many of the responses also referred to the recent Government consultation on changes to CIL and made suggestions that Trafford should include reference or make changes to align the Trafford CIL with the emerging draft Government proposals.

3.18. A number of responses raised issues with the levy that need to be considered further, and require additional work and/or modifications ahead of the submission of the DCS for Examination. These comments can be summarised as:

General

- Concern that the Council has not adequately assessed the need to balance the desirability of funding new infrastructure from CIL and the potential effects of the imposition of CIL as a whole on economic viability of development across the borough (regulation 14 tests).
- Request for a more detailed Regulation 123 list for greater transparency and to demonstrate that there will be no “double dipping”.

Residential

- Concern that inadequate analysis has been undertaken on the effect of CIL on affordable housing provision.
- Concern that the Infrastructure and Economic Viability Study has not accurately assessed the viability of residential development and specifically that retirement apartments should be tested as a separate development typology in the CIL viability assessment.
- Request for Trafford to revisit the inputs and assumptions set out in the viability assessment to produce a revised CIL rate for residential development.
- Concern that the discount from the ceiling rate to the final charges for residential development differs between the different market areas, without any explanation.

Retail

- Concern that the definitions used for retail purposes are not precise enough and proposed differentiations are not evidenced.
- Suggested that the supermarket charge cannot be justified based on the current evidence base.
- Suggested that town centre convenience retail has been omitted from the economic viability study, which is a key element of the Local Plan (Policy W2).

Other chargeable development

- Suggested that the evidence base doesn't support the introduction of a base charge of £10 per square metre to all other chargeable development; this fails to recognise the great variety of businesses, the different conditions in which they operate and the range in value of their land and property.

3.19. As a result of comments received, Peter Brett Associates were asked to undertake further additional viability assessment work, to address the issues raised. This work included reviewing the viability at the strategic locations – the key areas for change in the Core Strategy, to demonstrate that the Local Plan is deliverable with CIL. For retail development, ensuring that there is no question over the definitions of the type of retail development and that the evidence is sufficiently fine grained to support the charges proposed. Also additional viability

appraisals were undertaken on sheltered accommodation and apartments in cold and moderate market areas to make it more transparent to developers what they will be expected to pay, and on a number of development types likely to come forward in the “other chargeable development” category including leisure (big box and food and drink) and hotels to show they can support the proposed base charge.

3.20. This more detailed, fine grained viability assessment evidence also addresses changes proposed in the consultation on further reforms to CIL, as Trafford falls outside of the transition arrangements. On the 15 April 2013 the Government released a consultation on further reforms to the CIL regulations. The consultation included 25 questions relating to proposed reforms to the existing CIL regime which, if brought into effect, should address a number of concerns that developers have raised since the introduction of CIL in 2010. The closing date for comments was the 28 May 2013. It is widely anticipated that the revised CIL regulations and guidance will be published in October/November 2013. Having reviewed the Government consultation it was considered that the Trafford CIL was broadly in line with the proposals and would be compliant with the majority of the proposals if taken forward as regulations and/or guidance. However, some further alterations may be necessary to address a few of the proposed changes, for example, the instalments and exemptions policy, but these are not required for the CIL examination.

3.21. The second addendum report demonstrates that the rates as proposed are supported by evidence, which is fine grained where differential rates and/or charging zones are proposed.

Summary

3.22. This balance statement has been prepared to provide more detail in regard to the process that has been undertaken to identify the rates and ensure that they are set at an appropriate level. The statement of modifications demonstrates that the only changes that are being proposed to the Charging Schedule prior to submission and following the consultation on the DCS are for the purposes of clarification to ensure more transparency for developers.

3.23. The principal updates to the economic viability assessment have focused on reflecting best practice for retail development, providing additional evidence to support the base rate, and ensuring that CIL and Section 106 can operate together in an appropriate way to deliver the Local Plan as a whole, without impacting on development viability across the area.

3.24. Based on the findings of the initial report and the two addendum reports, it is considered that the implementation of differential rates is appropriate within Trafford. The Borough is one of contrasts and as such it is considered that differential charging zones are particularly appropriate for residential development. However, every effort has been made to ensure that the level of complexity has been kept to a minimum.

3.25. All of the rates are between 50-70% of the ceiling of the theoretical maximum viable rate chargeable. Where rates differentiate between types i.e. for

residential and retail development, this is underpinned by fine grained evidence. For residential development, the Council has drawn back further from the theoretical maximum in cold market areas, as the viability of these areas is much lower and they are set to accommodate a large amount of the anticipated development in Trafford over the Plan period. In the south of the Borough, the evidence shows that viability is much greater and therefore an appropriate increase in rate has been put forward for these areas. This balance will ensure that the Council is able to collect monies towards the provision of infrastructure, whilst not impacting upon development viability.

3.26. The Council considers that an appropriate balance has been struck, as required by regulation 14, with the findings of the assessments demonstrating that the levy rates have been set at an appropriate level to ensure that they do not affect development viability across the area.

4. ANTICIPATED DEVELOPMENT

Overview

4.1. The Trafford Core Strategy vision provides the planning framework for residential, business, retail, leisure, community, cultural and tourism development in the Borough to 2026.

4.2. The focus for economic and housing growth will be within the urban area, primarily in the north east of the Borough and the principal town centre (Altrincham). Five Strategic Locations are identified as key areas for change: Pomona Island (SL1), Trafford Wharfside (SL2), Lancashire County Cricket Club Quarter (SL3), Trafford Centre Rectangle (SL4) and Carrington (SL5).

Residential

4.3. Core Strategy Policy L1 sets out the locations where significant new housing development is to be directed over the Plan period, as shown in Figure 4.1. Approximately 40% of the land to be released will be within the Regional Centre and the Inner Area and 60% within the South City Region. Within the South City Region area half of the land to be released will support key regeneration priorities (in line with Policy L3) and/or to strengthen and support Trafford's 4 town centres.

Figure 4.1: Net minimum indicative housing development targets by location

	2008/9 – 2010/11	2011/12 – 2015/16	2016/17 – 2020/21	2021/22 – 2025/26	TOTAL	% BROWNFIELD
SL1 POMONA ISLAND	0	350	450	0	800	100%
SL2 TRAFFORD WHARFSIDE	0	400	300	200	900	100%
SL3 LCCC QUARTER	0	60	300	40	400	100%
SL4 TRAFFORD CENTRE RECTANGLE	0	250	250	550	1,050	0%
SL5 CARRINGTON	0	360	600	600	1,560	100%
STRATEGIC	0	1,420	1,900	1,390	4,710	78%

LOCATIONS TOTAL						
OTHER TRAFFORD PARK/NORTH TRAFFORD AREA	300	725	525	300	1,850	95%
SOUTH CITY REGION AREA REGENERATION/TOWN CENTRE	100	475	375	350	1,300	58%
OTHER SOUTH CITY REGION	1,000	1,350	1,000	1,000	4,350	90%
SOUTH CITY REGION TOTAL	1,100	1,825	1,375	1,350	5,650	85%
TOTAL DEVELOPMENT TARGET	1,400	3,970	3,800	3,040	12,210	83%

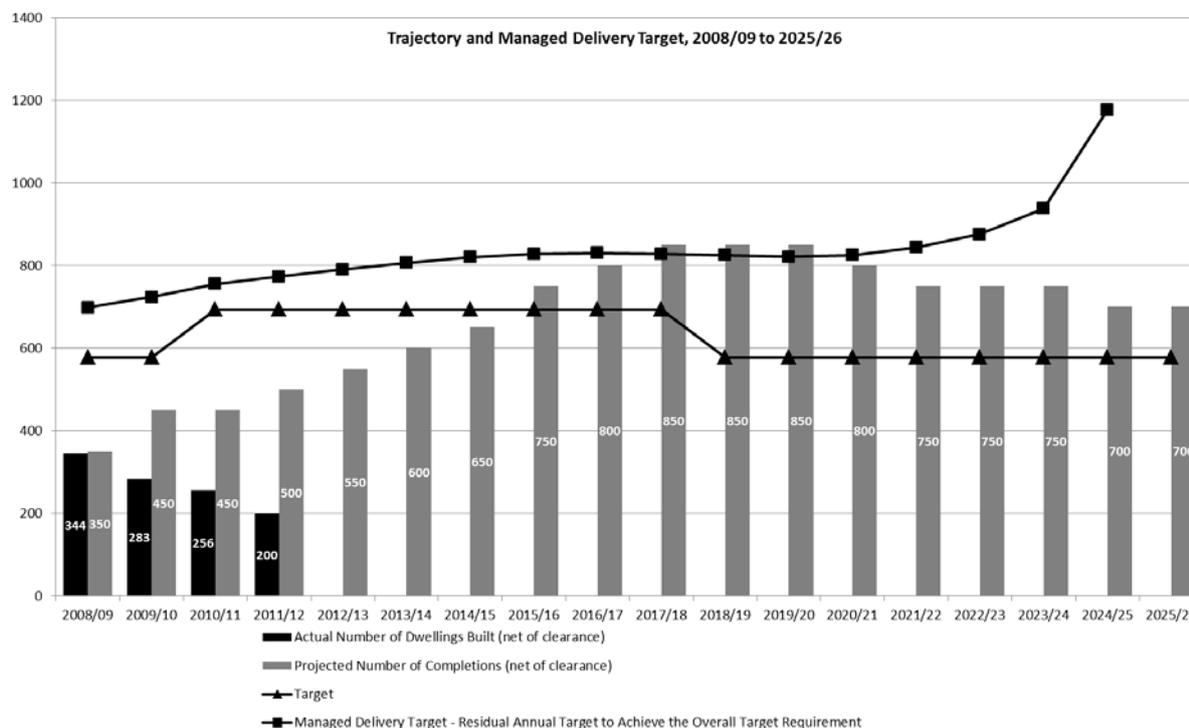
4.4. Any development that is granted full or outline planning permission will not be liable for CIL if there is no adopted Charging Schedule in operation at the date of approval. Therefore, sites that have current planning consent or those that are approved before 01 April 2014 (the proposed implementation date for CIL in Trafford) will not be liable for CIL. This information should be taken into account when considering the levy's future ability to fund or part-fund infrastructure to support development in the Borough.

4.5. It is difficult to precisely quantify the amount of residential development that may be eligible to pay CIL once the charging schedule is adopted. This is because not all applications that are approved are developed out, and some schemes may change prior to completion. However, approximate estimations have been used to predict the potential monies available through the implementation of CIL, to show the target CIL.

4.6. The average annualised target for residential development is 694 units per annum up to 2018 and 578 units per annum from 2018 to 2026. Annual completions surpassed this requirement to 2006, then between 2006 and 2009 fell slightly short of the requirement before a significant shortfall from 2009 to the present day. Much of this shortfall can be explained by the economic downturn. However, it should be noted that although development is not coming forward on the ground, the housing supply (i.e. the total number of residential units with planning consent) in the Borough, has remained above 3,000 from 2004/05 to the present day.

4.7. The housing trajectory is published annually in the Annual Monitoring Report. This shows that a slightly higher number of predicted net completions will be needed towards the end of the Plan period to deliver the residual annualised target to achieve the overall target requirement, as set out in Figure 4.2.

Figure 4.2: Housing trajectory and managed delivery target 2008/09 – 2025/26



4.8. When estimating the potential income from CIL, allowances have been made for dwellings that would not be liable for CIL such as replacement development and affordable housing. In addition, there will be a transition period in the early years where the outstanding housing supply of non-liable units is likely to developed, prior to implementing liable dwellings. This will represent a reduction in income in the early years, but may result in larger sums coming forward in the medium to longer term, which would support the anticipated phasing of development in Trafford. Furthermore, a significant quantum of the development set out in the LCCC Quarter strategic location has already been delivered, the only outstanding development is the residential element.

4.9. The Council also has a policy to help support the delivery of affordable housing, with an overall target of 40% over the Plan period. From 2007/08, the delivery of affordable housing in the Borough has surpassed the 40% requirement against the total number of residential units delivered each year; with the exception of 2009/10, when the proportion of affordable housing only accounted for 19% of the total number of residential units delivered. Going forward the Land Allocations Plan will specify in more detail the level of affordable housing expected to be delivered in each of the strategic locations, using the viability work undertaken for CIL as evidence to underpin these requirements. It should be noted that schemes for the delivery of 100% affordable housing are eligible to apply for relief from the payment of CIL.

Non-Residential

4.10. Core Strategy Policy W1 provides for 190 hectares of employment development across the Plan period. The locations where significant employment development is to be directed over this period, are set out in Figure

4.3. The Council intends to focus employment uses in Pomona Island (SL1), Trafford Wharfside (SL2), Trafford Park Core, Trafford Centre Rectangle (SL4), Carrington (SL5), Broadheath and the town centres.

Figure 4.3: Supply of land for new employment development 2008/09 – 2025/26

	UP TO 2015/16	2016/17 – 2020/21	2021/22 – 2025/26	TOTAL LAND SUPPLY FOR B USE (HA)
SL1 POMONA ISLAND	4	4	2	10
SL2 TRAFFORD WHARFSIDE	3	3	4	10
TRAFFORD PARK CORE	18	22	15	55
SL4 TRAFFORD CENTRE RECTANGLE	2	6	7	15
SL5 CARRINGTON	25	25	25	75
BROADHEATH	3	3	4	10
TOWN CENTRES	1	2	2	5
ELSEWHERE	3	3	4	10
TOTAL	59	68	63	190

4.11. B1 office uses will be focused in the Regional Centre (Pomona Island and Trafford Wharfside) and the town centres. It will also be appropriate development within the Trafford Park Core area, Carrington, Broadheath and at Trafford Centre Rectangle, where it is accessible by sustainable transport modes and meets relevant national planning guidance. Provision is also made for an exemplar, very high quality sustainable B1 office development at Davenport Green.

4.12. Trafford Park Core will be the key location for industry and business activity within the Manchester City Region Inner Area, and will be the principal location for employment development in the Borough. It is anticipated that in the most part, development within this area will be replacement development on previously developed land. Carrington has significant potential to accommodate large-scale employment development, particularly for general industrial, storage and distribution uses, with a small amount of office development, which is expected to complement the offer in Trafford Park. Broadheath will remain as the principal employment location within the south of the Borough.

4.13. The quantity of employment floorspace completed since 2004/05 is summarised in Figure 4.4. Sites with unimplemented planning permission offer approximately 59.8 hectares of employment land in Trafford Park, Old Trafford and Carrington.

Figure 4.4: Amount of employment floorspace (in gross sq.m.) developed

	2004/ 05	2005/ 06	2006/ 07	2007/ 08	2008/ 09	2009/ 10	2010/ 11	2011/ 12
B1 OFFICE FLOORSPACE	21,538	5,491	15,285	6,345	5,277	3,397	286	4,372
B2/B8 INDUSTRY / WARHOUSE FLOORSPACE	102,859	14,640	61,482	52,166	44,350	0	8,049	25,433
TOTAL	124,407	20,131	76,767	58,511	49,627	3,397	8,335	29,805

4.14. In terms of retail development, the Core Strategy intends to seek to enhance the vitality and viability of existing centres. Specifically, it proposes 20,000sqm of new retail floorspace in Altrincham town centre, with the majority of this coming forward in the Altair scheme, and 4,000sqm of new retail floorspace in Sale town centre. It sets out the need to enhance convenience retail offer in all of the 3 district centres, with a particular need for a small to medium sized supermarket within Sale Moor. With regard to the local centres in Partington and Hale Barns it sets out a need to redevelop these to create modern shopping centres including a medium sized supermarket in both centres.

4.15. The Altair development has an extant permission, although a new application has recently been received by the Council. The supermarkets at Partington and Hale Barns also have extant permission, leaving the proposed supermarket at Sale Moor without any current plans for development at the present time. This means that the majority of supermarket development identified in the Core Strategy will not be liable to pay CIL.

5. CONCLUSION

Overview of Findings of the CIL Viability Assessment

5.1. **Retail, restaurants and service outlets open to the Public (A1-5):** The viability work shows that the proposed CIL rates(s) will not have a negative impact on the viability of retail development under most circumstances. Retail rents, investment yields and build costs vary by type of retail development and from location to location. However, the fine grained evidence demonstrates that retail development remains viable with the proposed charges of £225 for supermarkets, £75 for retail warehouses and £10 for all other retail development.

5.2. **Business, industry and warehousing (B1, B2 & B8):** The assessment shows that speculative development of new office and industrial development is unviable in current market conditions. However, if development of this type takes place where pre-lets are agreed or by owner occupiers, the development economics are somewhat different. On this basis, the Council considers that the proposed CIL rate of £10 will not unduly impact on development viability within Trafford. This charge is also broadly in line with what development is required to pay under the existing Section 106 regime.

5.3. **Hotels (C1):** The Council recognises that viability can vary in individual cases depending on the type and location of hotels. The assessment shows that hotels

are likely to be able to support a £10 per sqm CIL charge under most circumstances.

- 5.4. **Residential Accommodation (C2 & C3):** The evidence shows that residential developments are likely to be able to support a CIL contribution across the Borough. The viability assessment shows three clear market locations (hot, moderate and cold) with good to marginal viability respectively. As such, the evidence demonstrates that housing can withstand a charge of £80 in the hot market area, £40 in the moderate market area and £20 in the cold market area. Likewise, apartments can withstand a charge of £65 in hot market area and £10 in moderate and cold market areas.
- 5.5. The evidence also suggests, that despite their built form (including the provision of communal areas and services for residents with additional care needs) and higher finance costs resulting from slower sales rates, that sheltered accommodation (retirement apartments) can withstand the same charge as mainstream residential apartments; £10 per sqm in cold and moderate market areas and £65 per sqm in hot market areas.
- 5.6. **Non-residential Institutions (D1):** The use class D1 non-residential institutions encompasses uses such as clinics, health centres, crèches, day nurseries, museums, public libraries, exhibition halls, places of worship and law courts. Given the Borough's sustainable development objectives set out within the Core Strategy, the Council does not propose to charge CIL on these uses; a £0 rate is proposed.
- 5.7. **Assembly and Leisure (D2):** The Council recognises that leisure and assembly uses are wide ranging. The viability assessment shows that these uses are able to withstand CIL, although it is recognised that development will vary from scheme to scheme. The evidence indicates that a CIL contribution of £10 per sqm will not unduly affect development viability.
- 5.8. **Sui Generis:** All other uses that do not fit within other categories are legally referred to as sui generis. The Council considers it appropriate to charge CIL on sui generis development at a rate of £10 per sqm throughout the Borough, which is consistent with the general pattern of charging in Trafford. The only exception to this is for the provision of public transport where a rate of £0 is proposed, to support the sustainable development objectives of delivering the Local Plan.

Proposed CIL Charge Rates

- 5.9. As a result of comments received to the DCS consultation and the findings of the second addendum report, the Council considers that the proposed rates, as shown in Figure 5.1, strike the "appropriate balance" required under regulation 14 between the need to fund infrastructure to support development set out in the Local Plan and the effects of the imposition of CIL on the economic viability of development across the area.

Figure 5.1: Draft Charging Schedule with proposed modifications

Use	Proposed CIL charge (per sq.m)
Private market houses in:	
<i>Cold charging zone</i>	£20
<i>Moderate charging zone</i>	£40
<i>Hot charging zone</i>	£80
Apartments* in:	
<i>Cold charging zone</i>	£10
<i>Moderate charging zone</i>	£10
<i>Hot charging zone</i>	£65
Retail Warehouses	£75
Supermarkets	£225
Public/Institutional Facilities as follows: education, health, community & emergency services, public transport	£0
Offices	£10
Industry and Warehousing	£10
Leisure	£10
Hotels	£10
All other development	£10

*Apartments includes sheltered accommodation/retirement apartments

5.10. The changes proposed since the publication of the DCS for public consultation are primarily for the purpose of clarification, and are set out in detail in the statement of modifications.

Income Predictions

5.11. Income predictions have been made using the Core Strategy rates of development, taking into account sites that currently have planning permission, and those that are expected to come forward prior to the adoption of the Charging Schedule. The income predictions set out in Figure 5.2 are based on the quantities of floorspace that may be eligible to pay the levy, minus the allowance for affordable housing that would be exempt from paying CIL. It should be acknowledged that the actual annual income of CIL receipts which could be realised, may be lower (particularly in the next few years) than the estimations due to the effects of the current economic climate.

Figure 5.2: Income projections from CIL

	CIL Charge per sq.m	No. units in plan period (note 1a)	Market units (note 1b)	Unit floorspace (note 2)	Gross floorspace (see note 3)	Estimated net additional proportion (see note 4)	Estimated net additional floorspace	Estimated CIL revenue in plan period	Estimated annual CIL revenue
Residential								-	-
Houses								-	-
<i>Cold</i>	20	4,968	4720	100	471,960	95%	448,362	8,967,240	597,816
<i>Moderate</i>	40	3,685	2948	120	353,760	95%	336,072	13,442,880	896,192
<i>Hot</i>	80	1,511	907	140	126,924	95%	120,578	9,646,224	643,082
Apartments									-
<i>Cold</i>	10	1,700	1615	50	80,750	95%	76,713	767,125	51,142
<i>Moderate</i>	10	346	277	55	15,224	95%	14,463	144,628	9,642
<i>Hot</i>	35	-	-						-
Non-residential									-
Retail - convenience	250				-	95%	-	-	-
Retail - TC comparison	10				9,000	50%	4,500	45,000	3,000
Retail warehouse	75				-	95%	-	-	-
Industrial/warehousing	10				646,000	75%	484,500	4,845,000	323,000
Business Park Office	10				376,000	95%	357,200	3,572,000	238,133
Town Centre Office	10				15,000	50%	7,500	75,000	5,000
Total								41,505,097	2,964,650

Note 1a: taken from the Core Strategy - 2012-2026

Note 1b: affordable housing is not liable for CIL. We assume that policy levels for affordable housing are achieved.

Note 2: the average unit size is based on our analysis of new build properties

Note 3: office and industrial floorspace relates to the figure of 190 ha in the Core Strategy Table W1. This is converted into floorspace based on the 85:15 split between industrial and offices with industrial at 40% site coverage with 1 storey, business park offices at 40% site coverage with 4 storeys, and town centre offices at 75% site coverage with 4 storeys. Retail floorspace is taken from the Core Strategy less floorspace already completed of with

Note 4: CIL is levied on net additional floorspace. Although in Trafford most of development will take place on brownfield land much of this is land is not currently in use.

Instalments Policy

5.12. In order to ease the burden on developers' cash flow, a draft instalments policy was set out in the DCS. It reflected the requirements of the regulations at the time of publication, which indicated that payment of instalments should be triggered through the passage of time, rather than the percentage of development completed. The policy also set out the number of instalments and the proportion of CIL payable at each instalment date. The commencement of development marked the start date for the first instalment payment.

5.13. In line with the consultation on further reforms to CIL, the Council will consider accepting a combination of land payments and/or provision of infrastructure (should updated guidance make the provisions to do so), if it brings cost savings and/or timing or other benefits compared to the procurement of the infrastructure through the levy provisions.

5.14. On large developments, where details are approved in phases, the instalments policy will apply to the charges relating to each individual phase. Should the guidance be updated to allow all types of planning permission to be capable of being considered as multi-phase schemes comprising separate chargeable developments, this will apply to both full and outline permissions. It should be noted that this would not reduce the amount of levy payable, but would provide for it to be paid in phases in accordance with the planning permission.

5.15. The Council proposes to introduce a CIL instalments policy. This will be amended prior to the adoption of CIL in Trafford to address some of the

comments received to the DCS consultation and to reflect any updated guidance published in the interim. The instalments policy as published in the DCS is set out in detail in Figure 5.3. Failure to comply with the instalments policy at any stage will result in the total unpaid balance becoming payable immediately.

Figure 5.3: Instalments Policy published in the DCS

Amount of CIL Liability	Payment Periods and Amounts
Where the chargeable amount is less than £50,000	<ul style="list-style-type: none"> • Full payment will be required within 90 days of the commencement date
Where the chargeable amount is £50,000 - £100,000	<ul style="list-style-type: none"> • First instalment representing 50% of the chargeable amount will be required within 90 days of the commencement date • Second instalment representing the remaining 50% of the chargeable amount will be required within 360 days of the commencement date
Where chargeable amount is over £100,000	<ul style="list-style-type: none"> • First instalment representing 25% of chargeable amount will be required within 90 days of the commencement date • Second instalment representing 25% of the chargeable amount will be required within 180 days of the commencement date • Third instalment representing 25% of the chargeable amount will be required within 360 days of the commencement date • The fourth and final instalment representing 25% of the chargeable amount will be required within 540 days of the commencement date

Exemptions, Relief and Exceptional Circumstances

5.16. Regulations 55 to 58 allow charging authorities to set discretionary relief for exceptional circumstances. Use of such a policy enables the avoidance of rendering sites with specific and exceptional cost burdens unviable should exceptional circumstances arise. Before granting relief, the charging authority will need to be satisfied that the costs relating to the S106 agreement are greater than those related to CIL, and that the relief would not constitute notifiable State aid. Relief for exceptional circumstances must be claimed in accordance with Regulation 57.

5.17. Regulation 55 describes the situations in which the charging authority may grant relief from liability to pay CIL in respect of a chargeable development. Granting relief is caveated on three factors:

- There being a planning obligation under Section 106 of the TCPA 1990 having been entered into in respect of the planning permission;
- The charging authority considers that the cost of complying with the planning obligation is greater than the chargeable amount; and

- That the CIL payment required would have an unacceptable impact on the economic viability of the development, and that granting relief would not constitute State aid.

5.18. Trafford Council is proposing to make available relief for exceptional circumstances. However, it should be noted that this will be applied in line with regulation 55; which requires that a Section 106 obligation is greater than the CIL liability, and that the CIL liability has an unacceptable impact on the economic viability of the development. Any changes made to the Regulations on exceptions policies by the recent consultation will be included in Trafford's final Exceptions Policy.

5.19. The procedure for claiming relief in exceptional circumstances is set out in detail in regulation 57. The person claiming relief (the claimant) must be an owner of a material interest in the relevant land. The claim must be submitted in writing on the form published by the Secretary of State, be received before commencement of the chargeable development, include the particulars specified or referred to in the claim form and be accompanied by the information required under regulation 57 paragraph (4)(d). The claimant must also send a copy of the completed claim form and the particulars referred to in paragraph (4)(d) to the owners of the other material interests in the relevant land (if any).