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# **Report to Bracknell Forest Borough Council**

**by Mr Philip Staddon BSc, Dip, MBA, MRTPI**

**an Examiner appointed by the Council**

**Date: 16 December 2014**

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PLANNING ACT 2008 (AS AMENDED)

SECTION 212(2)

## **REPORT ON THE EXAMINATION OF THE BRACKNELL FOREST BOROUGH COUNCIL COMMUNITY INFRASTRUCTURE LEVY CHARGING SCHEDULE**

Charging Schedule submitted for examination on 8 September 2014

Examination hearings held on 21 November 2014

File Ref: PINS/LDF001594

## **Non-Technical Summary**

This report concludes that, subject to some minor modifications, the Bracknell Forest Borough Council Community Infrastructure Levy Charging Schedule provides an appropriate basis for the collection of the levy in the area. The Council is able to demonstrate that it has sufficient evidence to support the schedule and can show that the levy rates would be set at levels that will not put the overall development of the area, as set out in its development plan, at risk.

### **Introduction**

1. This report contains my assessment of the Bracknell Forest Borough Council Community Infrastructure Levy (CIL) Charging Schedule in terms of Section 212 of the Planning Act 2008 (as amended). It considers whether the schedule is compliant in legal terms and whether it is economically viable, as well as reasonable, realistic and consistent with national guidance set out in the National Planning Practice Guidance (NPPG).
2. To comply with the relevant legislation and guidance, the local charging authority has to submit a charging schedule that should set an appropriate balance between helping to fund necessary new infrastructure and the potential effect of the proposed rates on the economic viability of development across its area.
3. The basis for the examination, on which Hearing sessions were held on 21 November 2014, is the submitted Draft Charging Schedule (DCS), which was published for public consultation between 10 June 2013 and 23 July 2013, along with the associated Statement of Modifications (SOM) and associated Revised DCS, which was published for public consultation between 4 July 2014 and 15 August 2014. The Council also made a request, prior to the Hearing sessions, that I consider some further (minor) modifications to the Charging Schedule.
4. The Council's CIL proposals include charges for 'residential (use Class C3)' development, 'residential care accommodation' and certain types of retail development. All other types of development would be zero rated in all zones.
5. The residential development CIL charges would be differentiated by location and by development size. Five identified strategic sites would incur a £150 per square metre (psm) CIL charge and a sixth strategic site (the largest at Warfield) a £220 psm charge. Central Bracknell is differentiated as a zone where CIL would be zero rated for housing development i.e. £0 psm. The remainder of the borough would be divided into three charging zones where two levels of charge would apply for (i) up to 14 dwellings and (ii) 15 or more dwellings. These zones, along with their two levels of proposed CIL charge, are

'Outer Bracknell' (£75 psm / £25 psm); 'Northern Parishes' (£350 psm / £220 psm) and 'Crowthorne / Sandhurst' (£300 psm / £150 psm).

6. In the SOM draft of the charging schedule, 'Residential Care Accommodation' would incur a £100 psm CIL charge in the Northern Parishes zone and a £75 psm CIL charge in the Crowthorne / Sandhurst zone. In the central and outer Bracknell zones the charge would be £0 psm. However, these charges were the subject to some late amendments suggested by the Council, such that the lower CIL charges would apply to a wider range of types of accommodation for older people, and would also include the strategic sites.
7. The retail development CIL charges are proposed to apply to 'convenience based supermarkets and superstores and retail warehouses' with a net retailing space in excess of the threshold used in the Sunday Trading Act 1994 (280 square metres). The CIL charge would be zero rated in the central Bracknell zone but set at £100 psm in all other zones.
8. This report is structured under the headings (in bold) of the main issues that I identified through the examination.

### **Background evidence – the 'relevant plan' and infrastructure needs to support it**

*The 'Relevant Plan' - Core Strategy (2008) and the Site Allocations Local Plan (2013).*

9. Bracknell Forest borough lies in the heart of the Thames Valley and some 40 kilometres west of London. It is an area that has been subject to significant growth pressures which have, in turn, placed pressure on infrastructure and the environment. The town of Bracknell is the borough's most significant urban centre for housing, employment, retail and service facilities. To the north of the town is a range of smaller settlements including Binfield, Warfield, Hayley Green, Winkfield Row, Chavey Down and North Road. Beyond these settlements, the Metropolitan Green Belt washes over the northern and eastern parts of the borough, the latter area including part of North Ascot.
10. To the south east of Bracknell are the settlements of Crowthorne and Sandhurst, along with some large institutional sites, including the military academy at Sandhurst, Broadmoor Hospital and Wellington College. The area to the immediate south of Bracknell (and north east of Crowthorne and Sandhurst) is environmentally sensitive and forms part of the Thames Basin Heaths Special Protection Area (SPA). Road and rail infrastructure and connectivity are good, with direct links to the M3 and M4, and direct rail services to London and Reading.
11. Bracknell Forest Core Strategy (CS) was adopted in February 2008. It is a concise document which sets out a clear strategy for sustainable growth within

the context of the pressures and constraints outlined above. In seeking to meet the borough's planned growth, it adopts a sequential locational approach with Bracknell town centre as the most preferred / sustainable, followed by brownfield land within existing settlements, 'other' land within settlements and finally, sustainable extensions to defined settlements. The latter category is important because the CS recognises that not all growth can be accommodated within existing settlement boundaries. Two strategic 'major locations for growth' were proposed to accommodate major housing and employment development. The first was at Binfield, which later became known as 'land at Amen Corner (south)', and lies on the west side of Bracknell. The second was at Warfield, which would in effect be a northward urban extension of Bracknell. At that time the CS indicated that dwelling numbers would be circa 725 at Amen Corner (south) and 2,200 at Warfield.

12. In terms of overall planned new homes, the CS makes provision for the phased delivery of 11,139 new dwellings in the period 2006 – 2026, with a slightly higher target delivery rate in the first half of the plan period (572 units per annum to 2017) than the second (539 units per annum between 2017 - 2026) to make up for earlier under delivery. The CS signalled that detailed affordable housing policies would be set out in subsequent development plan documents (the CS does not include specific policy requirements for affordable homes).
13. The CS focuses new employment development on existing centres and the two proposed strategic growth areas. The CS approach to retail development has a strong town centre focus, with a criteria based approach adopted for any 'out of centre' proposals that may come forward. Important town centre regeneration is currently underway.
14. The Bracknell Forest Site Allocations Local Plan (SALP) is a more recent and detailed plan which was adopted in July 2013. It takes forward, and to an extent updates, the CS by allocating sites for specific forms of development (notably housing, employment and retail) to meet the defined spatial vision and objectives. The SALP includes more detailed mixed use allocations and policy requirements for the CS's identified two 'major locations for growth' at Amen Corner (south) and 'land at Warfield'.
15. The SALP allocates a wide range of other sites, the majority of which are in and around Bracknell and Binfield, with a lesser number in Crowthorne and Sandhurst. There are four larger 'strategic' allocations in this portfolio. These are Broadmoor Hospital (up to 270 units as part of a comprehensive hospital re-development); land at the Transport Research Laboratory (TRL) in Crowthorne (up to 1000 units); land at Blue Mountain (400 units on a golf course site) and land at Amen Corner (north) (400 units). These four sites, along with the two CS identified sites at Amen Corner (south) and Warfield, are planned to accommodate more than two thirds (71.5%) of the housing numbers on allocated SALP sites. The six strategic sites are all at different life cycle stages; some have planning permissions and are underway, others have

planning permissions about to be granted, subject to the completion of S.106 planning agreements, and others will be subject to future planning applications.

16. The remainder of the SALP housing allocations would be spread across the rest of the borough. With respect to the proposed CIL charging zones, the split, as calculated by the Council, would be: Central Bracknell (13.2% of the new homes); Outer Bracknell (5.1%); Northern Parishes (5.9%) and Crowthorne / Sandhurst (4.3%).
17. Taking these six strategic sites and all of the other SALP allocations, the Council assesses that just under half of the planned housing numbers (45.4%) are covered by existing (or about to be granted planning permissions) and the remainder (54.6%) are likely to fall under its planned CIL regime.
18. The Council's current affordable housing requirement is set out in a draft 'Planning Obligations – Supplementary Planning Document'. This carries forward a longstanding 'saved' Local Plan policy, and the Council Executive's resolution, requiring a 25% proportion of affordable homes on sites of 15 units and above. The required tenure split between affordable rented and intermediate housing is a ratio of 70/30, in accordance with the Council's Housing Strategy. The policies will be reviewed as part of a planned Development Management Local Plan. The Council indicated that, were that review to result in significantly higher affordable housing requirements, it would review its CIL regime to reflect any changes.
19. The Council recognises that delivery against CS housing targets has been poor. There have been problems with housing land supply and the Council accepts that, under the terms of paragraph 47 of the National Planning Policy Framework (NPPF), there is a record of 'persistent under delivery of housing.'

#### *Infrastructure planning evidence*

20. The Council's Infrastructure Delivery Plan (IDP) was produced in 2012 to support the SALP. The IDP is a comprehensive assessment of the infrastructure needed to support the borough's planned growth. It assesses infrastructure needs under the broad category headings of Transport, Waste Management, Education, Community Infrastructure, Emergency Services and Green Infrastructure. It identifies funding sources and lead delivery agencies. The IDP also includes detailed 'infrastructure delivery schedules'
21. The Council written evidence estimates that the total cost of required new infrastructure is circa £135.6 million. It further assesses that, of that total, about £55 million is funded, either through public sector sources or through anticipated S.106 planning agreements, leaving an infrastructure funding gap of circa £80.5 million. The biggest funding gaps relate to education (circa £52 million) and transport (circa £16 million). At the Hearing, the Council updated

its assessment of the gap to £78.7 million to reflect recent S.106 planning agreements.

22. The Council has used the development trajectory in its SALP to estimate likely CIL receipts. Recognising that this can only be a relatively crude estimate, the anticipated receipts, reported at the Hearing, would total about £30.2 million in the plan period. If that were to be accurate it would mean that CIL would make a significant contribution (about 38%) towards filling a substantial infrastructure funding gap.
23. It is worth noting here that the Council's approach intends to rely on the use of S.106 planning agreements on the six strategic sites to deliver major infrastructure items associated with those developments. For example, a new school or community building on one of these strategic sites would be delivered via S.106 obligations rather than CIL. The Council considers that this will ensure a comprehensive approach to the strategic developments.
24. The Council has produced a Regulation 123 list which identifies the infrastructure types that may be delivered, wholly or in part, from collected CIL monies. The list is clear and comprehensive and reflects the IDP. It includes the provision of SANG<sup>1</sup>, a range of specified transport schemes and types, specified school place expansions, libraries, 'built sport' and Police facilities. The list also sets out exclusions from CIL funded infrastructure (notably through the use of S.106 agreements on the strategic sites).

#### *Conclusions on the background evidence*

25. The CS and SALP, along with companion policy documents and guidance, provide a robust development plan framework for sustainable growth in the borough, which, due to environmental constraints, has a very strong growth focus in and around the town of Bracknell. The IDP identifies the social, physical and environmental infrastructure required to support the planned growth in population and jobs. The evidence demonstrates a sizeable infrastructure funding gap. CIL receipts are anticipated to make a significant contribution to reduce that funding gap. The evidence supports the introduction of a CIL regime.

### **Background evidence - economic viability evidence**

#### *The viability studies*

26. The Council has undertaken a series of Viability Studies to inform and develop its CIL proposals. The initial Viability Study was produced in May 2012 and

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<sup>1</sup> SANG is Suitable Alternative Natural Green Space which is an agreed mitigation approach, either on or off site, in respect of development proposals in proximity to the Thames Basin Heath Special Protection Area (SPA). It provides alternatives to recreational and other impacts on the natural habitat of the SPA.

underpinned the publication of a Preliminary DCS. A Strategic Sites Testing was undertaken in March 2013. In May 2014 a new 'Viability Assessment' was produced, effectively bringing together and updating the earlier work. There have been some recent (November 2014) supplements to that publication. For reasons of brevity and relevance, I focus here on the assumptions and methodology employed in the most recent (May 2014) report and the associated later supplements which, hereafter, I refer to collectively as the VA.

27. The VA employed a residual valuation approach. In simple terms, this involves deducting the total costs of the development from its end value to calculate a residual land value (RLV). That residual land value is then compared to assumed 'benchmark land values' (BLV) to test viability. If the residual land value is above the benchmark land value, the scheme would be judged viable and *vice versa*. The Council's consultants tested potential CIL levels against the land value benchmarks and, where schemes were viable, computed the theoretical maximum CIL rates.
28. To undertake this analysis, the modelling on residential development entailed making assumptions about a range of factors such as development types (scale, mix, density), land values, sales values, build costs (including Code for Sustainable Homes requirements), affordable housing, S.106 requirements, fees, finance, marketing and developer profit levels etc. For the commercial development types, similar assumptions were made but with the key differences being a focus on rents and yields (rather than sales values) and the use of 'current use values' (CUV) plus a premium. I will deal first with the residential modelling assumptions, and then those used for commercial schemes.

*Residential modelling assumptions - 'notional' and 'strategic' developments*

29. The Council defined nine 'notional' development types for testing purposes, which it considered would reasonably represent the range of scales, mixes and densities likely to be forthcoming in the plan period. The range spanned from small schemes of a single unit up to 500 units. The majority of the schemes assumed a density of 30 dwellings per hectare (dph) but some of the development types included flats which pushed densities upwards, the highest being 70 dph.
30. In addition to the nine 'notional' developments, the Council undertook bespoke viability testing of each of the six strategic sites. Taken together these represent a very good range of development sites expected under the Council's housing trajectory.
31. The establishment of robust Benchmark Land Values (BLVs) is clearly of profound importance in this type of viability modelling. The Council recognises that its CS will be dependent on a fairly diverse supply of land, principally in and around Bracknell. To reflect this diversity it defined four BLVs. The highest value, BLV1, was a full 'residential land value' of £1.925 million / hectare, a

figure derived from Valuation Office Agency (VOA) data with appropriate adjustments made. BLV2 was set at £0.9 million / hectare, arrived at by further adjusting the VOA derived figure to reflect lower value areas. BLV3 was set at £0.65 million / hectare, reflecting vacant employment / distribution land. BLV4 was set at £0.4 million / hectare to reflect the lowest value land which could be for low value uses and would include 'bulk land / greenfield sites.' The Council considered that, given the content of the SALP, most housing land supply would relate to the lower value proxies of BLV4 and BLV3. For the strategic sites the Council assumed the lowest BLV4 for five of the sites, and BLV3 for the sixth reflecting its current use / higher value.

32. The Council recognises that its 'bulk' green field land benchmark (BLV4) is not supported by transactional evidence, as none had been forthcoming. In the absence of such evidence, it has had regard the range of threshold values indicated in the DCLG research published in 2011<sup>2</sup>. This suggests an upper value of circa £0.37 million / hectare, to which the Council has added a 'caution' allowance, to define a £0.4 million BLV. It also reported that such a land value had been employed by a developer for viability testing on a recent planning application relating one of the strategic sites.
33. Views were expressed that local landowners' expectations are for higher values, and that there would be a risk that land will not come forward if too low a value is assumed. This is an important point, particularly given the track record of housing under delivery in the borough. However, examples of higher land values referred to at the Hearing seemed to relate, for the most part, to areas outside the borough. I can also apply very little weight to the suggestion that 'pre-CIL' land purchase option agreements may include higher minimum values than BLV4, as these were not submitted to me in evidence. It must also be recognised that CIL itself will impact on underlying land values.
34. Overall, the appropriateness of BLV4 is a difficult matter to arbitrate, as it relates to one of the most dramatic, and yet least scientific, changes in land value that occurs through the development process. Unlike existing developed land, where a premium (perhaps 20%) might be added to existing use value to incentivise a sale to occur, the transition from agricultural to residential land typically triggers a substantial multiplication (or 'uplift') on the base (agricultural) value. The Council assesses local agricultural land value to be circa £22k / hectare. This suggests that BLV4 would be set at a multiplier of about 18 times the existing (agricultural) use value. Given the absence of any appropriate transactional evidence on this matter, my view is that the 'uplift' embodied in BLV4 is suitably substantial and reasonable for high level CIL testing purposes. The other three BLVs were, in my view, well founded, albeit in the similar context of a lack of local transactional data.

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<sup>2</sup> *Cumulative Impacts of Regulations on House Builders and Landowners* - Research Paper. Published by DCLG in 2011 (although commissioned by the previous Government in 2008).



35. An additional complication is that it was argued that some of the strategic sites contain existing development and cannot be assumed to be lower value green field development land. This was recognised by the Council with the TRL site at Crowthorne and the higher BLV3 was used, reflecting the sizeable (now largely derelict) research facility and testing tracks. However, it was argued that the largest strategic site, at Warfield, contained 15% brownfield land and that this should be factored in. Although I do acknowledge the Council's view that the site is essentially a green field site, I do think that some consideration of elements of higher value land should be made, just as it has, on two of the strategic sites, made adjustments for lower land value elements for areas falling within the Thames Basin Heaths SPA buffer zone (which are rated at base agricultural land values in the modelling).
36. Residential sales values were drawn from evidence of several hundred transacted properties in the borough (in the last two years), along with more recent sales revenue assumptions made by developers in viability appraisals to support planning applications. The latter is useful information as it is, by nature, likely to involve industry informed, but cautious, sales value assumptions. All of this data enabled the Council to define a range of residential sales values in different sub-markets. The lowest was 'Inner Bracknell' where sales averaged £2,896 psm and the highest was (north) Ascot at £3,857 psm. In addition to these sub-markets, sales values were assumed for each of the strategic sites, ranging from £3,032 up to £3,400. There appeared to be a general consensus that sales values had improved from those employed in the testing, but the notion that values had increased dramatically, based on a small scheme identified by the Council, was challenged. Overall, my view is that the sales rates are well grounded and reasonable and are likely to build in some degree of appropriate caution to the revenue side of the modelling.
37. Build costs were based on Building Cost Information Service (BCIS) rates for the county and adjusted for the specific modelled scheme e.g. a single unit scheme, or multi-storey flats would have a higher build cost than the 'estate housing generally'. Allowances were made for meeting Code for Sustainable Home requirements (Level 4).
38. 'External works' costs were typically assumed at 15% of build costs with much greater allowances made on larger greenfield sites to reflect the cost of servicing such sites with new utilities, roads, street lighting etc. A slightly different approach was employed on the strategic sites - this entailed adding a 10% (on base build costs) for external works plus a further £10,000 per plot to cover site preparation and site infrastructure. In my view, these are reasonable assumptions for CIL testing purposes.
39. For sites at, or over, the 15 unit policy threshold, affordable housing provision was assumed in line with the Council's adopted policy of 25%, with a 70/30 split between rented and intermediate tenures. It was assumed that there would be no grant subsidy to support affordable housing provision.

40. Allowances were made for residual site specific S.106 costs, which were assumed at £1,000 per dwelling on the notional 'sites'. For the strategic sites testing, S.106 costs were drawn from the infrastructure delivery schedules for each site, which ranged from the lowest of £4,688 per plot (Blue Mountain) to the highest of £13,980 per plot (the TRL site). The largest strategic site, at Warfield, would include a £23.4 million S.106 infrastructure bill which equates to £10,646 per plot.
41. There was some challenge to the S.106 figures used on strategic sites, with the development industry expressing views that the amounts would be higher. However, the Council considers its figures to be robust and that the higher figures put forward by representors included items that should not fall under S.106 costs, including some infrastructure elements that will be CIL funded. Whilst I do accept that there may be some change to the total amounts, and some dispute about what is, or is not, a true S.106 cost, the important point is that the Council has used available evidence to factor in substantial S.106 costs drawn from established infrastructure delivery schedules. This is a much more robust and precise testing methodology than using a large 'notional' development as a proxy to strategic site development. I consider the Council's overall approach to be sound.
42. Allowances were made for SANG and associated monitoring in line with an established formula. Professional fees (10-12%), finance (at 7% interest), Stamp Duty, marketing and legal fees all appeared to be well grounded and reasonable.
43. Developer profit was assumed at 20% of Gross Development Value for market housing and 6% for affordable homes. This was challenged by development industry representors, who suggested that higher rates are expected. Whilst I do recognise that many developers will seek, and indeed expect, higher profit rates, I am not swayed by the view that the Council profit rate assumption is flawed for high level CIL testing purposes. Indeed, in my view such assumed profit levels appear reasonable given the apparent risk and reward profile of development in the borough.

*Older persons' residential accommodation – modelling assumptions*

44. The Council explored the different development economics in respect of specialist accommodation for elderly persons. It tested notional 60 unit schemes for retirement housing and Extra Care accommodation. This was supplemented by a more recent residential care home appraisal. The modelling used standard industry assumptions and applied a range of gross / net development ratios as a sensitivity test.

*Commercial modelling assumptions*

45. The commercial development modelling used similar assumptions and methodology. Notional schemes for offices, industrial, hotel and various types of retail development were tested. The tested schemes were assumed to

involve an intensification of an existing use of the site and current use values were assessed based on assumed occupancy, rent and yields. The assumptions employed for the notional re-development schemes all appeared reasonable including the assumed rents, yields, build costs and profit levels.

*Conclusions on background evidence*

46. The background economic viability evidence for both residential and commercial development that has been used is reasonable, robust, proportionate and appropriate. Where there have been some challenges, these are not matters that undermine the fundamental integrity of the modelling approach but, rather, are matters to be considered in the round when assessing the modelling outputs. The interpretation and use of the economic viability evidence in defining the proposed CIL zones and rates is discussed more fully below.

**Residential CIL – viability appraisal findings and proposed CIL zones and charges**

*The 'notional' development results and the 'non strategic' CIL charging zones*

47. The VA tested all nine 'notional' developments against the four different BLVs in seven different housing sub markets. Whilst this approach is thorough and comprehensive, it does require some careful interrogation and interpretation. This is because, as noted earlier, most housing sites are expected to be represented by the proxies of BLV3 or BLV4. Furthermore, certain land values and particular development types are likely to be much more prevalent in some locations than others.
48. The actual modelling output for each development scenario is a potential maximum CIL value (once all other development costs had been accounted for). The modelling applied a range of CIL charges in £25 psm increments from £0 up to £375. The 'maximum' CIL is effectively the tipping point where any higher charge would start to depress the residual land value below the BLV.
49. It is worth noting here, to avoid repetition later, that there are two factors that run through the set of results. First, smaller schemes below the affordable housing threshold, display, unsurprisingly, stronger viability than larger schemes with affordable housing provision included. Second, schemes involving flats tended to show less strong viability than schemes just involving houses.
50. The Council assessed the maximum CIL results and endeavoured to interpret the most relevant BLV and development types to inform a proposed CIL rate. It became apparent that this process was not a mechanistic mathematical one, and it involved a good degree of judgement (to which there was some

challenge). In setting its proposed CIL charges, the Council has sought to recognise not only geographical differences in viability (by defining charging zones) but also the effect of its affordable housing policy threshold (by setting different charges below and above the threshold). As the Council's proposals led to the grouping of certain housing sub-markets into charging zones I explore the results under the proposed zone headings.

*Central Bracknell (£0 psm)*

51. The Council anticipates that development in central Bracknell will primarily relate to schemes involving flats or a mix of flats and houses. The modelling indicated that these development types were generally not viable: a 50 unit flat development was not viable under any of the four BLVs and a 75 unit flat / houses scheme was only marginally viable on the lowest BLV4. These results do support the £0 psm CIL charge proposed.
52. However, the wider set of appraisal results presents a mixed picture and representations were made to the effect that viable schemes are being pursued in this zone. Indeed, the smaller notional schemes, which did not include flats, generated quite healthy viability. For example, using BLV3, the two schemes below the affordable housing threshold generated maximum CIL rates of £175 psm (1 unit scheme) and £375 psm (10 unit scheme). Some of the larger housing schemes also showed quite healthy viability. These may be less likely scenarios but they are not inconceivable, certainly in parts of the charging zone. It is not within my powers to impose new / higher charges, even if the evidence suggests these could be supported. However, in the interests of ensuring that its CIL charges are perceived to be fair, the Council would be wise to monitor developments coming forward in this zone to ensure that the zero rating for all residential development types is reflective of, and consistent with, actual development. This is important given that a good proportion of housing is anticipated in this zone (13.2% of the planned total according to the Council's figures).

*Outer Bracknell (£75 psm / £25 psm)*

53. This zone is effectively the rest of Bracknell town outside of the Central Bracknell zone. Here the Council considers that any development type / BLV combination may occur although, overall, only about 5% of the housing trajectory is expected in this zone. The overall viability picture was mixed. Viability was generally stronger than Central Bracknell but there were also a good number of 'not viable' results, notably for the larger schemes (250 and 500 units) and those involving flats. The smaller schemes below the affordable housing threshold were viable on higher value BLV2 land, generating maximum CIL rates of £150 (single unit) and £350 psm (10 unit scheme). Given the diversity of potential development / BLV scenarios in this zone, the Council appears to have adopted a very cautious approach in proposing CIL rates of £75 psm for developments below the affordable housing threshold, and £25 for developments above the threshold. Based on the evidence such

CIL rates would not pose any significant risk to development viability, as all viable test results would be very comfortably above the respective CIL charges.

*Northern Parishes (£350 psm / £220 psm)*

54. This zone covers a large part of the borough to the north and east of Bracknell town and includes the housing sub-market areas of Binfield, Warfield and North Ascot. The zone is punctuated by four of the strategic site charging zones (Warfield, Amen Corner South, Amen Corner North and Blue Mountain) which are dealt with later in this report. This zone displays strong viability across all of its component sub-market areas, albeit that only 5.9% of new homes are planned here. With the exception of some of the very large schemes and those involving flats, tested developments generally hit the top of the testing scale on the lower BLVs. Smaller schemes, below the affordable housing threshold fared even better with a 10 unit scheme achieving the maximum test CIL of £375 psm against all BLVs, including the very highest BLV1. The evidence indicates that the proposed charges of £350 psm for smaller schemes, and £220 psm for those above the affordable housing threshold, can be accommodated with a healthy degree of headroom.

*Crowthorne / Sandhurst (£300 psm / £150 psm)*

55. This zone lies to the south and west of Bracknell. The results here are similar to the Northern Parishes, albeit that viability is generally a little weaker. The smaller schemes generally hit the top of the CIL testing scale (£375 psm) for most BLVs, although a lower result on the very highest BLV1 in Crowthorne does suggest that viability is not as strong as in the Northern Parishes zone. The £300 psm CIL charge for schemes below the affordable housing threshold does seem reasonable for all but the most unlikely scenarios. For schemes above the affordable housing threshold, the results were mixed. The most likely scenarios of housing schemes on BLV3 and BLV4 land showed generally strong viability results, able to accommodate the proposed £150 psm charge with a good degree of headroom.

*Conclusions – 'non-strategic' CIL charging zones*

56. Overall, I am satisfied that the residential development CIL zones and their respective charges will not put development across these areas at risk. While the Council's process of blending and refining the results to determine its proposed CIL rates may not be altogether transparent, the CIL Guidance (Paragraph: 019 Reference ID: 25-019-20140612) does make clear that there is no need for the charges to exactly mirror the evidence, and I can find no indication to suggest that scheme viability will be unduly compromised.

*The strategic sites results and charging zones*

57. The results of the strategic sites modelling were presented in a slightly different manner to the 'notional' scheme appraisals (although it measures the

same underlying value variable). Rather than generate a 'maximum CIL' amount, the modelling generates a residual land value after all development costs (including the proposed CIL rates) have been deducted. This is then compared to the value of the BLV with an added 25% 'buffer'. For example, BLV4 would be increased from £0.4 million / gross hectare to £0.5 million and if the residual land value exceeded £0.5 million / gross hectare the Council would judge that to be 'viable' and able to support its proposed CIL charge.

58. The Council's CIL approach to strategic sites has evolved over time. Initially, in its Draft Charging Schedule published in May 2013, only the largest strategic site at Warfield was separately zoned with its own specific charge (£200 psm at that time). The other five sites would have been subject to prevailing charges from the wider zones. As the proposals have been evolved and finessed, through the later definition of six strategic site zones, this has created a certain sense of 'winners and losers'. For example, the Blue Mountain site would, under the initial proposals (May 2013) have incurred a £220 psm charge, but, as currently proposed, it would now be subject to a £150 psm charge. By contrast, the Warfield site has increased from an initial £200 psm to £220 psm. However, this is, to a large degree, simply a product of the iterative process of evolving CIL proposals. There are also other factors that impact on viability across the six sites, such as variations in net developable area (e.g. Blue Mountain is significant lower than Warfield). The key issues are the possible impacts on viability at these sites and the overall reasonableness of the approach.
59. The Council has undertaken appraisals at different time points. The most recent and up to date were produced just before the Hearing. These indicated that all six sites were sufficiently viable to support the proposed CIL charge and return a residual land value in excess of the respective BLV, with the 25% buffer added.
60. Dealing first with the TRL site, which was the one site where the higher BLV3 was employed, the testing indicated a RLV of £817k / gross hectare (rounded) which would exceed BLV3 with a 25% buffer applied (which would be £812.5k / gross hectare). Although the margin above the test yardstick is limited, the Council has also calculated (in slightly earlier evidence) that CIL, expressed as a percentage of development costs, would be 3.92% on this site, which in my view is reasonable. Considered in the round with all other factors, the £150 CIL charge for this strategic site zone is justified, and I do not consider that it will put this development at risk. The whole site is, in any event, likely to receive an Outline planning permission in advance of the CIL regime coming into effect.
61. Moving next to the four other strategic sites where a £150 psm CIL charge is proposed, the testing comparator here is a RLV of £500k / gross hectare (BLV4 plus a 25% buffer). The test results indicated that all four would comfortably pass this RLV. The actual test results (rounded) were Broadmoor - £894k / gross hectare; Amen Corner North - £559k / gross hectare; Amen

Corner South - £669k / gross hectare and Blue Mountain - £559k / gross hectare. Expressed as a percentage of development costs, CIL would represent, in the same order, 3.92%, 4.2%, 4.27% and 3.8%. Although the Broadmoor RLV may appear as something of an anomaly, I understand this is a complex development involving cross funding of a new hospital facility. Overall, when considered in the round with all other factors, I consider the £150 CIL charge for these site zones to be justified and reasonable. I do not consider that development will be put at risk.

62. Land at Warfield would be subject to the highest CIL charge of £220 psm. The testing revealed if this level of CIL were applied, the RLV would surpass the £500k per gross hectare testing threshold, although only just. The actual RLV result was £500,921 / gross hectare. Views were expressed that this is too tight. In terms of CIL as a percentage of development costs, the Council's evidence indicates this would be 5.77% which could, in my view, appear a little on the high side. The Council has run some recent sensitivity analyses employing slightly higher sales values than those employed in its earlier modelling, which demonstrate that the RLV would then comfortably exceed the critical £500k / gross hectare level.
63. The Council's evidence does indicate that viability would be maintained but it does also demonstrate that the infrastructure burden on this site will be slightly higher than other strategic sites. However, on balance, I do not consider the differences are so great as to amount to being unreasonable or that development will be put at undue risk. It is important to recognise that the critical benchmark is BLV4 and the test results confirm that the RLV will achieve that with a not insignificant (25%) buffer. That will be further enhanced, perhaps considerably, by an acknowledged improvement in sales values, although I have applied limited weight to the Council's most recent projections, as these are not underpinned by the more comprehensive empirical evidence used in the substantive modelling exercise. I have also considered developers' views on profit levels, elements of higher value land within the site and other matters but, overall, I do not consider that these would combine to change my conclusions. In essence, this is an attractive and viable development site which, based on the evidence, can sustain the £220 CIL charge with a good element of headroom.

*Conclusions – strategic sites CIL charging zones*

64. I am satisfied that the strategic sites CIL zones and their respective charges will not put development across these areas at risk. However, the Council would be well advised to monitor carefully the local impacts of these charges on these strategic developments given their critical importance.

### **Older persons' residential accommodation – viability appraisal findings and proposed CIL zones and charges**

65. The Council's testing of notional retirement / sheltered / Extra Care accommodation schemes indicated that these were generally less viable than conventional residential schemes. However, the patterns of viability across the sub-market areas broadly matched those for conventional housing. Schemes were not viable in central and outer Bracknell and the zero CIL in these areas is justified. In the sub-markets comprising the Northern Parishes (which for this development type would include four of the strategic sites) the majority of viable schemes could readily sustain the proposed £100 charge, often with considerable headroom. In the Crowthorne / Sandhurst area (which for this development type would include two of the strategic sites) schemes were only comfortably viable on lower value land. However, here the evidence indicated that the proposed £75 psm charge could be accommodated.
66. There was some confusion over the terminology and description of the types of development that the Council intends to cover with these charges. I am able to resolve that through minor modification recommendations. This will give effect to the Council's stated intention to apply the lower CIL charges to a range of accommodation types for older people, including variants where care is provided.

### **Commercial CIL – viability appraisal evidence and proposed CIL charges**

67. The Council tested a range of commercial development types. Office, industrial and warehousing, hotels and Class D1/D2 developments were found to be not viable, and therefore unable to support CIL charges.
68. The Council's testing of notional retail developments revealed differing results dependent on location and type. High street (comparison) retail development in Central Bracknell was not sufficiently viable in current conditions to support a CIL charge. Outside of the town centre, 'convenience based supermarkets and superstores and retail warehousing' development types were found to be viable, although the maximum CIL achievable was highly sensitive to operator covenant strength. Smaller independent retail schemes were not viable, but adjustments to the rents and yields to reflect mainstream operators resulted in very significant 'maximum CIL' rates, ranging from £787psm - £932 psm depending on current use value. For larger format stores the range was £474 psm - £617 psm.
69. The Council seeks to differentiate these development types not just by description but also by size, using the floor space threshold associated with Sunday trading laws (280 square metres). Whilst the evidence does not demonstrate that this floor space quantum represents an absolute viability watershed, it is nonetheless a good proxy, particularly with regard to where low and high covenant strengths are likely to sit. Based on the evidence, the Council's proposal to impose a £100 psm CIL charge on 'convenience based



supermarkets and superstores and retail warehousing’ development types, appears to be well within the range that such developments could comfortably support. Indeed, there would be a substantial viability buffer. In any event, the Council does not anticipate significant retail development in the foreseeable future.

**Overall Conclusions**

- 70. The evidence demonstrates that the overall development of the area, as set out in the Bracknell Forest CS and SALP, will not be put at risk if the proposed CIL charges are applied. In setting the CIL charges, the Council has used appropriate and available evidence which has informed assumptions about land and development values and likely costs. The CIL proposals are anticipated to achieve a significant level of income which will help to address a well evidenced infrastructure funding gap.
- 71. The Council has requested that I consider making a number of minor ‘post submission’ modifications which are reflected in my recommendation EM2. I have also included a modification to clarify the scope of the charges for residential accommodation types for older people. Subject to these minor modifications, I conclude that the Bracknell Forest Council Revised Draft Community Infrastructure Levy Charging Schedule satisfies the requirements of Section 212 of the 2008 Act and meets the criteria for viability in the 2010 Regulations (as amended). I therefore recommend that the Charging Schedule be approved subject to the modifications set out in Appendix A.

<b>LEGAL REQUIREMENTS</b>	
National Policy/Guidance	The Charging Schedule complies with national policy/guidance.
2008 Planning Act and 2010 Regulations (as amended)	Subject to the Examiner’s specified minor modifications, the Charging Schedule complies with the Act and the Regulations, including in respect of the statutory processes and public consultation, consistency with the adopted Bracknell Forest Core Strategy (2008) and the Sites Allocation Local Plan (2013) and is supported by an adequate financial appraisal.

*P.J. Staddon* Examiner

Attached: Appendix A - Modifications that the Examiner specifies so that the Charging Schedule may be approved.

## **Appendix A**

Modifications that the Examiner specifies so that the Charging Schedule may be approved.

These modifications should be read in conjunction with Examination Document PSD3 'Revised Draft Charging Schedule – Including Proposed Post-Submission Modifications.'

Modification No.	Modification
EM1	<p>Page 3</p> <p>Left hand column – delete - 'Residential Care Accommodation' and insert 'Specialist residential accommodation for older people including sheltered housing, retirement housing, Extra Care Housing and residential care accommodation.'</p> <p>Footnote – delete footnote 1 (and renumber footnote 2 accordingly).</p>
EM2	<p>Pages 1,3,5 and 6</p> <p>For the avoidance of doubt, the highlighted (yellow) changes are accepted.</p>