

# Variable Tariff Implementation Study

Produced by



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# 1. Executive Summary

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This report advises the Cambridgeshire Horizons Board on the option of implementing a variable rate planning tariff for Cambridgeshire, to improve upon the traditional Section 106 (“s106”) regime which secures contributions from developers towards infrastructure. Cambridgeshire is facing significant growth over the next 20 years, with over 70,000 new homes allocated to the County in the Regional Spatial Strategy, and faces a significant shortfall in funding to pay for the necessary transport and other infrastructure.

The initial phase of work examining the variable rate tariff was completed in June 2008, when the Board agreed to take the work on towards implementation. The primary justification for levying any planning tariff, or financial contribution or works secured under a S106 agreement, is to meet the costs of mitigating the impact of a development on its surroundings, primarily through the improvement of existing, or provision of new, types of infrastructure. Cambridgeshire Horizons and the Districts have engaged in a substantial amount of work quantifying the likely levels of infrastructure provision required to support the growth planned for Cambridgeshire over the next twenty years, which can be found in a range of documents, including the Integrated Development Plan (“IDP”) itself drawing on the earlier Long Term Delivery Plan, and Huntingdonshire District Council’s Local Infrastructure Framework.

The results of the work carried out to date, including this report, suggest that a tariff would offer the following key advantages:

- **Additionality:** the tariff would capture smaller developments that currently make no contribution to infrastructure (around 40% of planning applications), and could allow for greater levels of contribution than historically achieved. It would also regularise and increase the contribution from larger sites.
- **Certainty:** developers will be able to predict accurately the level of contribution required for their development. Local Authorities and infrastructure delivery agencies will have a more reliable stream of funding for infrastructure projects.
- **Clarity and speed:** lengthy and resource-intensive individual s106 negotiations will be avoided.
- **Equity:** all new development adds an element to the infrastructure deficit in the county, and yet the current system sees around 40% of new homes not contributing anything to this need. The tariff applies to every roof, and so captures the cumulative impact of smaller sites, and is a fairer approach compared to only collecting contributions from larger sites.

- **Sub-regional co-ordination:** a County-wide tariff allows for the pooling of a percentage of revenue for projects of strategic significance that benefit more than one area or district, such as the Cambridgeshire Guided Busway.
- **Leverage:** Once established, the larger and steadier revenue stream from the tariff could be used to leverage other sources of funding, such as prudential borrowing, investments from the Regional Infrastructure Fund, or local bonds.
- **Preparation for the Community Infrastructure Levy (CIL):** Regulations are in draft to implementation the CIL, following the passage of primary legislation last year. The tariff is effectively a prototype CIL, so transition to the new system will be easier and quicker for Cambridgeshire authorities than elsewhere.
- **Feasibility and legality:** Other tariff systems have been successfully implemented or are in process of implementation in Milton Keynes, Thames Gateway, Chelmsford, and Ashford, for example. Although the variable rate element adds a degree of complexity, there is no *prima facie* reason why it could not be delivered successfully, and on a sound legal footing, in Cambridgeshire.

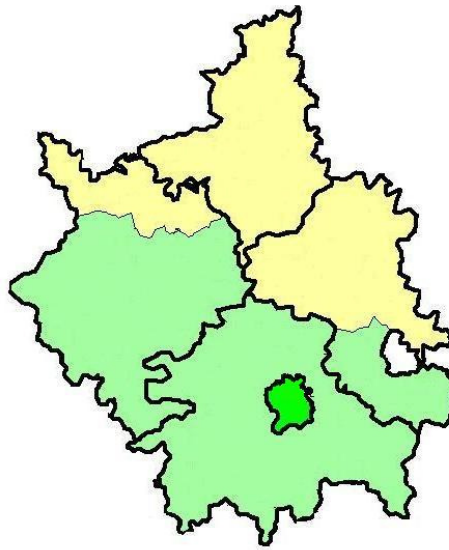
These conclusions are supported by a substantial body of work that has been undertaken over the last 9 months to:

- Understand the current status of Local Authority planning policies, especially Local Infrastructure Frameworks, which will influence the next steps towards implementation of the tariff;
- Revisit and extend the Long Term Delivery Plan and Carbon Appraisal to put together an Integrated Development Programme, a single document bringing together housing and economic aims for Cambridgeshire. This identifies, costs, and prioritises infrastructure projects required to achieve growth;
- Put together a model for the tariff's operation, including indicative tariff bands and maps;
- Test the model to ensure that it accurately reflects Cambridgeshire's characteristics;
- Suggest governance structures to allow the tariff to support local and County-wide infrastructure projects; and
- Outline the next steps towards implementing the tariff, including proposals to kick-start the countywide infrastructure fund and an outline of the consultation document to be taken forward.

## Overview of findings

The analysis presented in this report outlines a series of illustrations as to the potential level of ‘variable rate tariff’ contributions that could be generated across Cambridgeshire, depending on a range of assumptions with regards development economics in different parts of the County. These illustrative tariff levels are displayed in the map below.

Tariff Zone	Tariff Level
A	£22,500 – £12,500
B	£12,500 – £7,500
C	£10,000 – £3,000



Cambridge City and the surrounding area represent a higher value zone, where the analysis contained within this report indicates a tariff of between £22,500 and £12,500 per unit could potentially be levied.

The majority of South Cambridgeshire, Huntingdonshire, and the southern tip of East Cambridgeshire District Council, represent a medium value zone, where the analysis contained within this report indicates a tariff of between £12,500 and £7,500 per unit could be levied. Finally, Fenland, together with the north of Huntingdonshire and East Cambridgeshire represent a lower value zone, where the analysis suggests a tariff of between £10,000 and £3,000 per unit could be levied. However, as previously stated, these results are merely indicative, not definitive.

These illustrative tariff bands are also summarised in the table below, together with the respective level of affordable housing assumed in each of the development scenarios.

Area	Upper Bound	Lower Bound	Affordable Housing provision
Cambridge City	£22,500	£12,500	40%
South Cambridgeshire, southern parts of East Cambridgeshire, the majority of Huntingdonshire	£12,500	£7,500	35%
Fenland, northern Huntingdonshire, northern East Cambridgeshire	£10,000	£3,000	30%

The potential impact of these illustrative tariff bands for each of the Districts in Cambridgeshire is outlined in the following tables, using anticipated housing growth in 2008/09 and 2009/10. The figures below show the marked differential between tariff implementation and the business as usual scenario. It should however be noted that these figures are indicative and that the 2003-07 S106 figures do not take account of works in kind.

2008/09 REVENUE					
	Number of units projected	Average S106 cash contributions 2003-07	Business As Usual (Average 2003-07 contributions, 40% of housing units pay nothing)	Upper Band Tariff	Lower Band Tariff
Cambridge City	343	£5,000	£1,029,000	£7,717,500	£4,287,500
South Cambridgeshire	625	£4,000	£1,500,000	£7,812,500	£4,887,500
East Cambridgeshire	400	£2,500	£600,000	£4,000,000	£2,000,000
Huntingdonshire	753	£5,000	£2,259,000	£7,530,000	£3,765,000
Fenland	512	£2,000	£614,400	£5,120,000	£1,536,000
<b>TOTAL</b>			£ 6,002,400	£ 32,180,000	£ 16,276,000
<b>% Increase on Business as usual</b>				436%	171%

2009/10 REVENUE					
	Number of units projected	Average S106 cash contributions 2003-07	Business As Usual (Average S106 contributions 2003-7, 40% of housing units pay nothing)	Upper Band Tariff	Lower Band Tariff
Cambridge City	470	£5,000	£1,410,000	£10,575,000	£5,875,000
South Cambridgeshire	809	£4,000	£1,941,600	£10,112,500	£6,067,500
East Cambridgeshire	535	£2,500	£802,500	£5,350,000	£2,675,000
Huntingdonshire	800	£5,000	£2,400,000	£8,000,000	£4,000,000
Fenland	695	£2,000	£834,000	£6,950,000	£2,085,000
<b>TOTAL</b>			£ 7,388,100	£ 40,987,500	£ 20,702,500
<b>% Increase on Business as usual</b>				455%	180%

These tables suggest that, should the tariff be implemented at the low end of the indicative bands, S106 revenues could be nearly trebled. However, if the tariff is implemented at the higher end of the indicative bands, revenues could increase more than fivefold. This is due to the wider coverage (every new home contributes) and a higher average level of monetary contributions per site.

### Treatment of affordable housing

The steering group has spent some time considering how to treat affordable housing development in the context of the proposed tariff. The recommendations in this report are that schemes proposing only affordable housing should not be subject to any tariff, and that this exemption would also apply to rural exception sites (to avoid the risk that applying the tariff to such sites would simply have the effect of preventing development). The affordable element of mixed-use schemes would, however, be subject to the tariff.

## **Proposed Next Steps**

Should the CH Board decide to pursue a variable rate tariff, securing the involvement of the development and land owning community in the process going forward should be given high priority. It is important that their experiences and views are taken into consideration and a degree of consensus reached, so that tariff levels do not adversely impact upon development across Cambridgeshire. Pending board approval, the intention is for proposals for a variable rate tariff be put out to consultation later this year. It is recommended that, prior to beginning a formal consultation period, a degree of 'soft market testing' with the development community is carried out.

The analysis contained within this report, and the illustrative tariff bands presented are intended as a guide to the potential benefits of implementing a variable rate tariff across Cambridgeshire. The scope, geographic scale and timetable for the completion of this analysis, together with the availability of data and information has meant that elements of the review and analysis contained within this report will need to be re-examined before implementation. In particular, a "live" assessment of the residential market, using the Hometrack system, should be carried out alongside public consultation on the tariff, so that any tariff reflects, at the point of implementation, the state of what is currently a turbulent housing market.

## 2. Introduction

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Cambridgeshire is due to experience significant growth over the next 20 years, with over 70,000 new homes allocated to the County in the Regional Spatial Strategy. The Authorities are in the process, through a series of work streams, of identifying the likely cost of investing in the infrastructure required to mitigate the impacts of this development and meet low carbon objectives. The analysis undertaken to date indicates that the cost of that infrastructure is likely to be over £6 billion and that, while some of this infrastructure has identified funding sources, there are likely to be insufficient funds available to deliver the total package of infrastructure required to support planned growth. Furthermore, the timing of this infrastructure provision is likely to be critical in enabling many development sites across Cambridgeshire, with many schemes requiring significant up-front infrastructure investment to ensure delivery.

These barriers to delivery, if not addressed, could act to stifle future development and/or produce unsustainable outcomes for existing and new residents. As a first step towards addressing this infrastructure funding deficit, Cambridgeshire Horizons have considered potential solutions and identified the use of a s106 based 'tariff' approach, such as that adopted in Milton Keynes, as a possible means of improving the level, timing and certainty of developer contributions towards infrastructure costs. The likely introduction of the Community Infrastructure Levy ("CIL") adds a further justification for taking this forward now, as the implementation of a tariff system could leave Cambridgeshire better prepared to adopt CIL when it comes on stream. Cambridgeshire Horizons therefore commissioned PricewaterhouseCoopers LLP ("PwC") and Denton Wilde Sapte ("DWS") in March 2008 to review the potential for implementing a system of planning charges across Cambridgeshire, and in light of the evidence gathered, highlight the potential benefits of such a system, any barriers that exist to its implementation, and how they might be addressed.

This first phase of work was completed in June 2008. The conclusions of the study were threefold:

- firstly, that a planning charge system could generate significant additional funding for infrastructure provision as a result of expanding the coverage of developer contributions across the County;
- secondly, despite this increase in revenue collection, any tariff system would not be able to meet the full infrastructure funding gap identified by the Authorities; and,
- thirdly, that a standard rate tariff is unlikely to be implementable across Cambridgeshire due to the varying development economics across different parts of the County. It was therefore proposed to investigate a *variable rate* tariff, in which tariff levels would be set and applied to all 'new-build' residential development across Cambridgeshire according to the cost of the infrastructure required to mitigate their cumulative impacts, but adjusted to reflect the likely contribution developments in different parts of the region are able to make without compromising their economic viability.

It is important to note that securing developer contributions through planning tariffs is ultimately dependent on capturing an element of the increase in land value that arises as a result of the development process applied to a particular site. The scale of this potential value uplift is itself contingent on a number of factors, not least the market and any planning gain but also including site specific issues, all of which are considered in further detail in the main body of this report.

The report is divided into a number of chapters, which are summarised below.

### **Current planning policy overview**

This chapter details progress on Local Development Frameworks across the Districts of Cambridgeshire. Approach to Local Infrastructure Frameworks is of especial importance, as these documents will form the evidence base for local infrastructure needs. A summary of the current value capture method, section 106 agreements, and the forthcoming Community Infrastructure Levy (CIL) follow.

### **Explaining the tariff and its operation**

This chapter explains what a variable tariff is and the legal framework it operates within. The review mechanisms and approach to be taken to exceptional circumstances are detailed.

### **Sensitivity Analysis**

This chapter sets out potential tariff bands and maps, and explains the model and evidence used to generate them.

### **Establishing the tariff**

This chapter describes possible approaches to establishing the tariff's infrastructure fund, and how these might be taken forward.

### **Operating the tariff**

This chapter details the governance structures required by the tariff, and gives a short outline of the business plan that would determine how tariff revenues were used.

### **Way forward**

This chapter explains the next steps towards tariff implementation, outlining the public consultation process needed, potential timing and an summary of the consultation document.

### **Appendix A: Tariff Review**

This appendix sets out information on existing tariff systems used across the country, and was previously attached to the Variable Tariff Option Study presented to the Cambridgeshire Horizons Board in June 2008.

This study was commissioned by Cambridgeshire Horizons to provide illustrative examples of potential tariff contributions that a range of development scenarios could generate, based on a high level review

of the development economics observed across Cambridgeshire. The analysis undertaken, and illustrations presented, are necessarily indicative, and intended only to provide the Authorities with initial guidance as to the potential tariff levels the different Districts could levy under some assumed and stable residential market conditions.

### 3. Current planning policy overview

This chapter sets out the current context for the potential introduction of a tariff. Planning policy is formed at regional level by the Regional Spatial Strategy (RSS), which is put together by the regional assembly (EERA). The RSS identifies strategic housing and employment objectives and land allocations for the region. The East of England RSS was adopted in 2008 and sets out the need for 73,300 new homes in Cambridgeshire to 2021. The East of England RSS currently runs to 2021, and is currently under review in order to extend it to 2031. Local Development Framework Core Strategies must be in accordance with the RSS in order to be declared sound. RSS targets are thus implemented through local planning processes.

#### Local Development Framework Progress

The authorities in Cambridgeshire are all bringing forward Local Development Frameworks (LDFs). The table below shows the current stage for key parts of each LDF as of March 2009.

Local Authority	Development Plan Docs		Supplementary Planning Docs	
	Core Strategy	Site Specific Policies	Section 106	Infrastructure Framework
Cambridge City	Informal Preferred Options mid-2009, submission draft expected early 2010, adoption late 2010.	Currently information gathering. Issues and options end 2009, consultation end 2010, adoption end 2011	First adopted in 2002, most recent version adopted 2004. Under review, new version drafted. Adoption expected mid-2009. 2009.	Scoping a joint framework with SCDC.
South Cambs District	Adopted January 2007.	Submitted in January 2008, Inspector identified shortfall in housing numbers. Inspector to consider objection sites and issue report in August 2009.	Draft brief for work has been written.	Scoping a joint framework with City Council.
Huntingdonshire	Submission draft under examination, public	Options consultation September 2009,	In draft, being rewritten to take account of Local	Completed January 2009.

Local Authority	Development Plan Docs		Supplementary Planning Docs	
	Core Strategy	Site Specific Policies	Section 106	Infrastructure Framework
District	examination to begin March 2009. Adoption September 2009.	submission January 2011, adoption December 2011.	Infrastructure Framework and tariff. Consultation expected in June 2009.	
Fenland District	Issues and options consultation in 2006. Preferred Options October 2007. Submission summer 2009.	Issues and options consultation in 2006. Submission date TBC.	Existing SPDs on infrastructure themes with 10-15 dwelling thresholds for S106 contributions.	Preparing through 'Shaping Fenland' work, following Peterborough model.
East Cambs District	Preferred options May 2006, submission draft May 2008. Hearings April/May 2009.	Issues and options May 2006. Preferred options and submission TBC.	No S106 SPD currently, brief being drafted.	Brief in preparation, based on Huntingdonshire District's model. Completion expected end 2009.
County	Operate some standard charges (e.g. Area Transport Plans)			

### Value Capture

The current method for securing infrastructure required by new development through the planning system is the section 106 agreement. Named after the relevant portion of the 1990 Town and Country Planning Act, a section 106 agreement is defined in statute as:

*'...an agreement with any person interested in land in their area for the purpose of restricting or regulating the development or use of the land, either permanently or during such period as may be prescribed by the agreement.'*

Such agreements are widely used by Local Planning Authorities throughout the County to collect monetary contributions and works-in-kind to ensure that new housing developments are sufficiently supported by infrastructure. Circular 05/05 concerning Planning Obligations sets out six criteria that an obligation should satisfy:

*A planning obligation must be:*

- (i) relevant to planning;*
- (ii) necessary to make the proposed development acceptable in planning terms;*
- (iii) directly related to the proposed development;*
- (iv) fairly and reasonably related in scale and kind to the proposed development; and*
- (v) reasonable in all other respects.*

It is important to note that Circular 05/05 is a policy document rather than a statute. It is therefore a material consideration in the planning process, but can be outweighed by other material considerations. As developments have become larger and more complex, section 106 agreements have evolved into more sophisticated forms. Case law has shown that the requirements of circular 05/05 can be interpreted broadly, such that S106 agreements may follow the spirit rather than the letter of the circular.

Despite this, section 106 agreements have notable limitations and disadvantages that have become more pronounced as the economic downturn has affected developers. In a more risky financial environment, developers are more likely to challenge Local Authority section 106 requirements, as has been seen across the major sites on the Cambridge fringes recently. Moreover, section 106 agreements for large developments with build-out periods of a decade or more require considerable amounts of time and resources to be negotiated. Extensive monitoring is then required, which has not always been sufficient or successful in recent major developments at Arbury Park (now Orchard Park) and Cambourne.

Workshops and stakeholder discussions held in the latter part of 2008 have confirmed that the section 106 structure is not operating effectively for large developments now that the housing market is falling. Infrastructure contributions are much harder to extract when land prices are in decline. However, the build-out periods of the major sites are up to 25 years, within which time it is not unreasonable to expect house prices to rise again. There has been discussion of inserting review periods into section 106 agreements to revise contributions according to house price levels. How these reviews would fit into the legal framework of a section 106 has not yet been addressed. At the present, a signed section 106 remains static, a reflection of the circumstances in which it was negotiated.

The Department of Communities and Local Government has put forward proposals for a new system to widen but not wholly replace section 106. In 2004 this was posited as a Planning Gain Supplement, but more recently the outline legislation for a Community Infrastructure Levy (CIL) have been included in the Planning Act. The clauses enable regulations for CIL to be brought forward, which is expected to occur in 2010. Consultation documents have been published setting out the proposed structure of CIL and its relationship with the existing section 106 system.

CIL will be a standard charge, set by Local Planning Authorities on the basis of anticipated infrastructure need generated by development expected within the plan period. It will require each Local Authority to have a costed infrastructure schedule, setting out how much a development would pay by a standard quantum, such as number of housing units. It has been suggested that setting CIL at a level that would cover the whole infrastructure bill of expected development would render development unviable. CIL levels will therefore be subject to viability testing and independent examination by the Planning Inspector.

The Community Infrastructure Levy is not intended to completely supersede section 106 agreements, which would remain in a limited, residual form for affordable housing and site-specific issues. If implemented effectively, CIL should improve the speed, predictability and effectiveness of the planning system at funding infrastructure when and where it is most needed. Without detailed regulations, however, the impact of CIL cannot yet be accurately gauged.

## 4. Explaining the tariff and its operation

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The Variable Rate Tariff (VRT) will be a standard section 106 contribution, incurred on either a per unit of housing or floorspace basis. It will negate the need for detailed negotiations regarding specific infrastructure requirements for housing development, instead a standard contribution will be made to the projected infrastructure needs set out in Local Infrastructure Frameworks and the Integrated Development Programme.

### Setting the Tariff – Advice from Denton Wilde Sapte

The tariff must represent a charge which fairly and reasonably relates to the costs of providing infrastructure. It is the (accepted and, seemingly, uncontroversial) planning, economic and social reality that the sums raised by the tariff will not meet the total cost of the necessary infrastructure.

The Integrated Development Programme (IDP) identifies the sub-regional infrastructure costs which the new system is designed, in part, to meet. The IDP will need to be presented as a more up to date and sensitive analysis than the Long Term Delivery Plan, and its relationship to the Hunts Local Infrastructure Framework will need to be made clear. It will need to stand up to developer, and other, scrutiny. The infrastructure identified by it for delivery will need to be clearly related to the growth and other aspirations for Cambridgeshire. The tariff documents should explain whether and how estimates of cost and the programme for delivery would be updated.

In setting the tariff, the level of third party funding (public and private) which has been assumed must be clear. It is probably not necessary for a highly detailed figure to be included, because of the fact that developer funding through the tariff will not be making up the whole of the difference.

Other issues which will also need to be clear, not least because of the interaction with the deferred element of the charge, include:

- (i) The level (amount) of development which it is assumed will come forward in the relevant period. This must refer to development in respect of which VRT might be payable, and there will need to be recognition of the fact that receipts will not be evenly spread across the sub-region;
- (ii) The metric to be used – a decision appears to have been taken, at least for now, to consult on an option excluding commercial floorspace from the operation of the VRT. Clearly, if commercial floorspace is not charged then the infrastructure costs need will need to be adjusted to remove the cost of infrastructure required to support that commercial development. Although there has been some discussion of whether to apply a VRT by reference to the number of residential units in a development or to the square metres of residential floorspace being proposed, a decision has been taken<sup>1</sup> to consult on the basis that it applies to the number of units. This has a number of potential advantages:

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<sup>1</sup> Variable Tariff Officer Steering Group meeting of 29/01/09. Note that other options include charges by reference to the number of habitable rooms per dwelling, or the number of bedrooms, and potentially having different charges for different size dwellings.

- (a) because it has been used elsewhere, it is familiar to developers and does not as a feature appear to be controversial;
  - (b) it helps reinforces the 'additionality' point (and, arguably, does not distort it), which is one of the strategic reasons for introducing the tariff; and
  - (c) it avoids the risk that developers 'build small', so that the development which does come forward is able to create, or contribute to creating, balanced communities with a wide range of new houses to meet different needs.
- (iii) The position on the 'exception' schemes, ie. large, strategic sites. A fully reasoned decision needs to be taken on this. This is, largely, an issue of process rather than a financial one. The benefits of not delaying, or introducing uncertainty over, schemes which have already had a positive resolution from the relevant planning authority are likely to factor heavily in a decision to exclude such sites. Only if the decision on whether to include or exclude the very large strategic sites raises the prospect of capturing more than the cost of infrastructure – which appears highly unlikely - would it be relevant to the setting of the tariff. Instead the strategic issue is whether the imposition of a charge is likely to affect the prospects of delivery of houses in these sites.

### Discounts

There is a need to be clear about what is meant by 'discounts'. This does not refer to the generic reduction which is used to calculate the viable level of the charge<sup>2</sup>. This viability testing is examined in section 5, the Sensitivity Analysis. In the circumstances of the tariff there is no expectation that revenues will approach anything like costs.

In some circumstances, the amount payable under a tariff system in respect of a particular site is reduced because of the circumstances of that site. The potential or theoretical need for discounts arises from the desire to not to discourage development for which the application of the tariff would impose a burden which could not be borne commercially. The potential reasons considered for a reduction in this way include: unusual levels of contamination, the fact that the land is public sector land, the fact that a higher than required<sup>3</sup> level of affordable housing is being provided, the provision of on-site infrastructure serving the wider community and the provision of development land for social infrastructure.

The consensus at the meeting of the Variable Tariff Officer Steering Group on 02/12/08 was that discounts should be kept to a minimum, not least because of the benefits of simplicity and maintaining the integrity of the system. Another reasons may be that the tariff already represents a discount against 'total cost'. If the proposal to defer payment of some of the charge is adopted (see below), that may be a further reason for avoiding discounts.

It is agreed that schemes proposing only affordable housing should not be subject to any tariff (although it will nevertheless still create a demand<sup>4</sup>), and that this exemption should also apply to rural exception

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<sup>2</sup> As noted above the in principle agreement that the strategic sites should be excluded (and subject instead to a bespoke mechanism developed for that project) is a strategic issue, rather the application of a discount.

<sup>3</sup> Required by the prevailing policy

<sup>4</sup> Which means that the infrastructure requirements relating to affordable housing will have to be removed from the cost calculations on which tariff is based.

sites. In the current development market, it will need to be very clear why such "pure" affordable housing schemes enjoy this benefit as a matter of policy, in contrast to the affordable element of mixed schemes. The Steering Group has also discussed recognising, by way of a discount, the provision of land or infrastructure<sup>5</sup> as part of a development. No discount will be offered where the costs of contamination exceed what could be said to be 'normal' costs because this will have already been priced into the land price.

It will be necessary to justify these proposed discounts to test their robustness in the face of developer arguments that the same or similar arguments apply to their particular sites. This will be done in part by reference to current practice (which, it must be noted, varies among the local planning authorities<sup>6</sup>).

It will also be necessary to explain how the application of the tariff will take account of the provision of land for sub-regional infrastructure (or, less commonly, of some of that infrastructure itself) which serves new and existing development elsewhere, and has been (ideally) identified in the IDP, rather than simply meeting the needs of the residents of the new development itself.

### **Review mechanism**

The fact that receipts from the tariff will not meet the full anticipated costs is a matter of expediency; development would become unviable if charged the full costs. The same is true of contributions under the current system. It does not mean that there is no obligation for the collecting (planning) authorities to review the level over time in line with changing circumstances. If for no other reason, a review provides an opportunity to understand whether the tariff operates effectively and does not have an unintended consequence of preventing or reducing development. The basis of any review will, in large part, closely follow the methodology of the setting charge, so that any variables which change (e.g. average house price or average construction costs) can be updated.

The period for any review, the basis of it, and the basis on which any consultation will be carried out in respect of it should ideally be clear from the beginning, and the results of any review, together with the date from which any changes resulting from it come into force, should also be publicised.

Notwithstanding periodic reviews, consideration should be given to an annual indexation of the tariff. This is unlikely to be controversial in principle, not least because it reflects what currently happens in relation to section 106 agreements.

Finally, the review can be used as an opportunity not to ascertain if the tariff is numerically 'appropriate', but for a more wide-ranging examination of matters such as:

- (i) The need for infrastructure;

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<sup>5</sup> Where that benefits the community and/or where it meets a need identified by the IDP

<sup>6</sup> For example, Cambridge City Council applies part of its Public Open Space to 'pure' affordable housing schemes (e.g. open space requirements, public art), in contrast to other authorities in the sub-region.

- (ii) Some of the assumptions about rates of growth and development;
- (iii) The efficiency of its operation;
- (iv) Its effect;
- (v) How the impact of the tariff has improved delivery; and
- (vi) Progress towards implementing CIL, in due course.

### **Justifying the 'staggered or deferred charge'**

It is necessary to understand, particularly in the current economic circumstances, how the application of the tariff might affect development. This involves, in part, an examination of whether there are options for applying<sup>7</sup> the tariff which minimise the risk of making development unviable and therefore less likely to go ahead.

One option, which has been adopted by the London Thames Gateway Development Corporation, involves not capturing (deferring) the full amount of the VRT charge initially, but retaining the ability to recapture some or all of the difference where, during the lifetime of (usually large) developments, economic or other circumstances change to make the full contribution possible. The obvious change is, of course, increases sales price. As noted above, it must be distinguished from a discount<sup>8</sup>.

Such a mechanism will need clear and positive justification because it is likely to incite comment and resistance from developers and landowners. It has elsewhere been characterised as a tax, for which the local authorities have no express statutory mandate. That is a misunderstanding of the whole principle of the approach. The correct rationale is that the charging authorities<sup>9</sup> are, in the current uncertain economic climate (and notwithstanding that VRT is demonstrably related to infrastructure costs), willing to accept only a partial contribution towards infrastructure costs.

However, the right to seek to recoup that part of the tariff not initially required to be paid is preserved. The local authority's right to require it is deferred subject to a number of conditions. Where development will take a significant time to complete there is a prospect that the justification for reducing the amount payable will no longer apply at the end of the development. If the sales values of the units turn out to be significantly higher than anticipated some, or all, of that part of the tariff not collected (or "deferred") will be recovered. The deferred charge seeks only to introduce equity to the system. There is no element of the charging authorities seeking to 'cash in' on increased sales prices or land values; instead, the

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<sup>7</sup> Not setting

<sup>8</sup> Not least because 'discount' implies that the charging authority has given formally and finally up the right to secure the difference, which is not the case.

<sup>9</sup> The section 106 authorities.

deferred charge will recover some or all the assistance given to developers in the form of the initial decision not require payment of the full amount<sup>10</sup>.

The tariff will not, therefore, at any time cause developers to pay more than is reasonably related to the costs of providing the relevant infrastructure. It will however limit the extent of non-recovery that is given for units sold some time after permission is granted, and where that discount is no longer fully justified. It is accepted that, where schemes are completed quickly, there will be no such recapture.

There will need to be evidence that any deferral will be effective, i.e. that  $\alpha$  can be borne at the present time, whereas  $\beta$  cannot, and there will clearly be scrutiny of the reasoning behind a decision to adopt  $\alpha$ . The review mechanisms which will be required as part of the machinery of the tariff should provide the evidence for assessing whether the situation is such that the deferred/staggered charge should be recovered, and its amount. The principal factor determining whether the deferred part of the charge will be recaptured will be the extent to which economic circumstances, and sale prices, have improved.

Recapture, or the staggered payment, might attract criticism that it would lead to a damaging lack of certainty. That is really a misplaced fear and in any event can be managed (e.g. by making clear the thresholds for its application – for example, by making clear that no deferred charge is required from developments of less than a specified number of units<sup>11</sup>, or units which are completed within 3 years of the grant of planning permission). This will also provide an entirely appropriate incentive for prompt implementation. In the absence of a system for recapture, delay might in certain circumstances be unfairly rewarded.

The variable tariff will be set at a level that assumes a clearly identified level of public funding for the identified infrastructure. If public funding is secured for specific elements of infrastructure, and other necessary infrastructure is fully funded, the deferred element of the VRT will be appropriately reduced<sup>12</sup>. Consideration must also been given to the remote possibility of the combined total of public funding and tariff receipts exceeding the cost of infrastructure. Given the extent of infrastructure required in the area, and the limited contribution being made by development, this will be very unlikely. In any case, it can form part of any review procedure, and, if it happens, the charging authorities will need to make appropriate ex gratia repayments on a fair and equitable basis.

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<sup>10</sup> I am reasonably clear that there are no state aid issues associated with a discount in these circumstances, but we might want to spell out our reasoning on this issue in due course.

<sup>11</sup> Probably not relevant here, if all new units are to be subject.

<sup>12</sup> Similarly, it might be that the deferred element of the tariff payable by residential development will reduce by an appropriate amount if the tariff is subsequently extended to commercial development (or if other receipts funding the infrastructure are received).

## 5. Sensitivity Analysis

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This chapter seeks to provide a series of illustrations as to the potential level of 'variable rate tariff' contributions that could be generated across the county, depending on a range of development assumptions and related market and development economics.

### High Level Housing Market Review

In order to gain an initial understanding of the range of different development economics scenarios that can be found across Cambridgeshire, the first part of this chapter features a high level review of the Cambridgeshire residential market. It is now clear that the strong growth in residential sales values recorded prior to 2007 was followed by the end of a long period of increasing values in a buoyant residential market across the UK. House price surveys indicate that since late 2007 the pace of sales activity, together with house prices, fell sharply in the UK residential market, and this has been reflected across Cambridgeshire. It is not known when, or if, current adverse market conditions will improve, whether values have yet to hit bottom, or what the basis and norms of any recovery or future market conditions will be.

Given this uncertainty and volatility it has therefore been agreed that an analysis of market data recorded between the relatively stable period between 1996 and the end of 2006 should be used to inform the initial tariff calculations. As these market conditions have been used as the baseline to inform indicative tariff levels it is clear that similar market conditions will need to return in the medium to long term, to support developer contributions equivalent to the illustrative tariff levels outlined in the latter parts of this chapter.<sup>13</sup>

The purpose of the residential market review is twofold:

- to inform two key input assumptions of the sensitivity analysis, namely average residential private unit sales prices in different parts of the County and likely land values in different parts of the County; and,
- to identify broad geographical areas of consistent average sales values across Cambridgeshire where the application of similar tariff levels may be appropriate.

The review therefore begins by considering average residential sales prices for Cambridgeshire as a whole, comparing average prices to regional and national data from throughout the previous decade,

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<sup>13</sup> This does not mean, however, that specific 2006 market conditions would necessarily need to return before a variable tariff regime could be implemented, but rather that a higher degree of predictability of house prices would facilitate its introduction. A variable tariff could be introduced in the current market, but subject to a series of deferrals and discounts to take into account turbulent market conditions.

before looking more closely at the Districts themselves – comparing recorded sales prices between and within each District, with a particular focus on the levels achieved throughout 2006.

The review goes on to consider recent land sales prices. Reliable data is more difficult to obtain for average land sales prices than for residential sales prices. The examples of recent deals that feature in this report are based on information provided by the Districts and local property agents. The data obtained and reviewed is not comprehensive and should not be viewed as a full and detailed appraisal of average land sale prices across Cambridgeshire.

### **The Sensitivity Analysis**

The sensitivity analysis follows, building on the findings of the housing market review. It provides an examination of three development scenarios, which are broadly representative of development economics found across Cambridgeshire. The analysis is intended to provide a high level indication of the likely tariff contributions that these different development scenarios could generate under stable market conditions, without compromising the overall commercial viability of the scheme. As well as taking into account the findings of Section One, the development scenarios have been defined by a range of broader development assumptions – a full breakdown of which can be found at the end of this chapter.

The outputs of the sensitivity analysis are a series of “illustrative tariff bands” which provide a range of tariff levels that could be implemented given a market demonstrating a particular range of average sales prices and average land value. Once implemented, the tariff levied on developments would be set at a specific value depending market conditions at the time of introduction.

Due to the nature of the scope of work undertaken, and the fact that tariff proposals are still at an early stage, the analysis featured in this Section is necessarily indicative. The three development scenarios, and the ‘illustrative tariff bands’ they generate, aim to generally reflect the *range* of types of development and the related development economics that can be found across Cambridgeshire. There will be, however, some development scenarios that the sensitivity analysis does not take account of, including sites that require major remediation works. These scenarios have not been analysed as Cambridgeshire Horizons instructed that they are atypical of development in the County.

### **Indicative Tariff Maps**

A series of indicative tariff maps are presented, based on the housing market review and the tariff analysis set out earlier. The maps also reflect consultations with each of the Districts to sense check the underlying assumptions and to ensure that areas where high growth is planned for the future, and where sales prices are likely to increase on previous trends, have been taken account of.

These maps are intended as an initial guide for the Districts should they decide to pursue a variable rate tariff. They indicate that across Cambridgeshire as a whole, there are likely to be three main ‘tariff

bands'. Cambridge City and the surrounding area represent a higher value zone, with the majority of South Cambridgeshire, Huntingdonshire, and the southern tip of East Cambridgeshire District Council, representing a medium value zone. Finally, Fenland, together with the north of Huntingdonshire and East Cambridgeshire would support a lower value zone.

Each of the Districts, in consultation with the County, will need to finalise tariff proposals in its locality and the setting of the variable charge in across their jurisdiction. In light of current market volatility we would not promote the tariff levels or indicative maps contained in this document as a definitive proposal until further consultation with stakeholders, including developers, takes place, and a thorough housing market analysis is undertaken.

The chapter concludes with an analysis of recent s106 data provided by the Districts and Cambridgeshire County Council, for the years between 2003 and 2007. This involved collating the monetary contributions secured on individual sites from across the Districts, and presenting them on a contribution-per-residential unit basis.

While this analysis can be used as a sense-check for the indicative tariff levels and areas, it is important to understand its inherent limitations. The data featured in the analysis only represents a recent snapshot of s106 collections from each District. Many of the s106 agreements represented contained other items that are not included in the "value" placed upon the s106 package in this analysis. This is because the varying monitoring procedures across Cambridgeshire did not allow, for example, adequate pricing or valuation of works in kind, the provision of open space, or provision of affordable housing.

In addition, while the data presented does provide a high level guide, it should not be assumed that the values represent the maximum that a developer could have reasonably contributed to mitigating the impacts of the development in question. Rather, the data is a representation of historical levels of developer s106 contributions. Given the difficulties many Districts experience in dedicating the appropriate level of resources to negotiating s106 deals with developers it is possible that in many of the instances captured in the analysis a greater level of contribution could have been secured towards necessary infrastructure investment.

### **Residential market review**

This section features a high level review of the residential market in Cambridgeshire. The purpose of this review is twofold. First, it is intended to inform two key input assumptions of the sensitivity analysis, namely;

- Average private residential unit sales prices in different parts of the County
- Likely pre-planning land values in different parts of the County

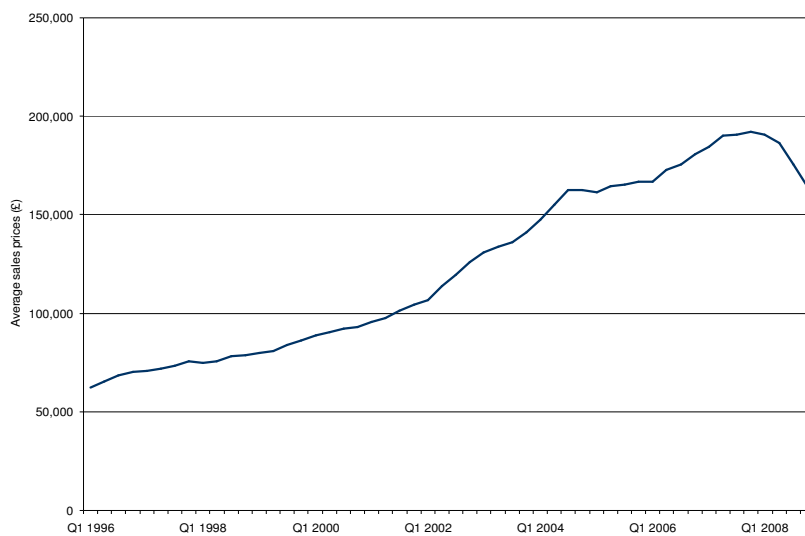
Second, it is intended to identify broad areas of consistent average sales values across Cambridgeshire where similar tariff levels may be appropriate. These identified areas have been used in the formulation of indicative illustrative tariff maps.

### Review of residential sales prices

The review begins by considering average residential sales prices for Cambridgeshire as a whole, comparing average prices to regional and national data from throughout the previous decade. The review then looks more closely at the Districts themselves – comparing sales prices between and within each District.

The review focuses on the period 1996 – 2006 as recent and current data would be distorted by a period of volatility in the residential property market and so be unrepresentative of general trends and the market norms observed over the past decade across Cambridgeshire. As Figure One below highlights, data from 2007 onwards recorded a significant drop in sales values across the UK that continued throughout 2008.

Figure One: Average UK house prices (1996 – 2008)



Source: Halifax House Price Index

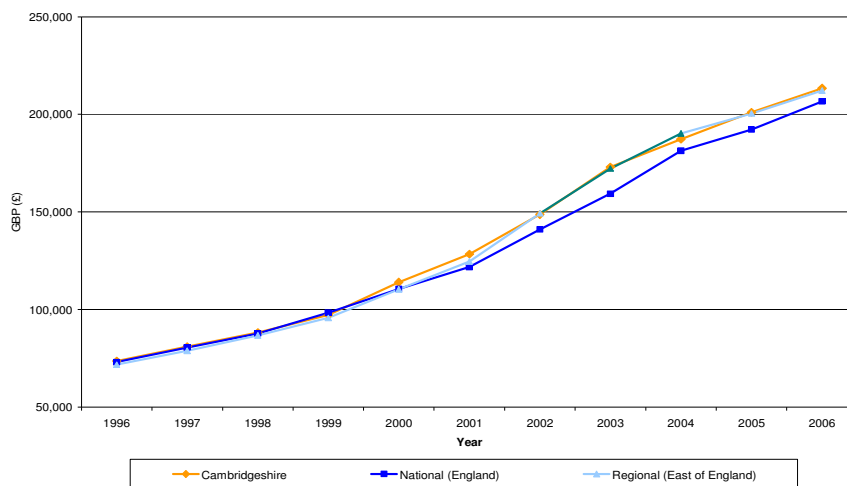
While not essential to the calculation of the tariff, it is likely that a degree of stability will need to return to the housing market before higher rates of development activity return and the illustrative tariff levels outlined become achievable in the marketplace. For the purposes of this review therefore, it was agreed with CH that it would be most appropriate to focus on data collected up to and including 2006 before the recent market turbulence began. It is advised that Hometrack be used to update the residential market analysis should any tariff proposal be introduced so as to ensure all tariff levels, or discounts applied to base tariff levels, reflect current development economics at the time of implementation.

For the remainder of this section, unless stated otherwise, all house price data displayed has been collected from the Land Registry House Price Index (“HPI”).<sup>14</sup>

### Average sales prices across Cambridgeshire

The Cambridgeshire residential market saw significant growth over the ten years between 1996 and 2006. As Figure One below demonstrates, this growth was broadly in line with that at a regional level and slightly above the national level. Average house prices across all unit types in Cambridgeshire increased from just under £75,000 per unit in 1996, to just under £230,000 in Q4 2006 – a rise of over £150,000 or 200% per unit.

Figure Two: Average house prices across Cambridgeshire (1996 – 2006)

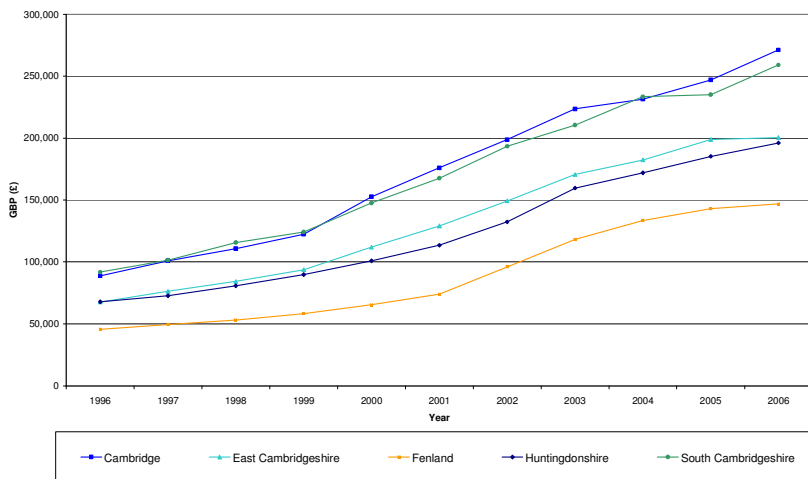


Source: Land Registry 2009

Reviewing the residential markets of the Districts reveals a broadly similar story of consistent growth between 1996 and 2006 at both ends of the residential market. In Fenland, which had an average sales price of just under £50,000 per unit in 1996, the average sales price had risen to just over £150,000 per unit by Q4 2006, while in Cambridge, average house prices rose from an average of around £90,000 per unit in 1996, to just under £300,000 per unit in Q4 2006 (see Figure Three below).

Figure Three: Average house prices across Cambridgeshire by District (1996 – 2006)

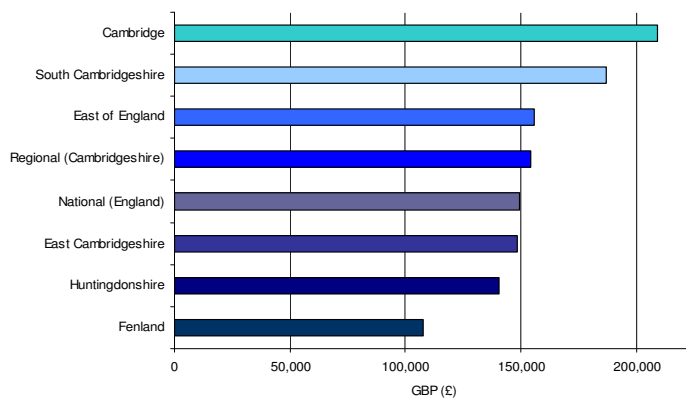
<sup>14</sup> Land Registry figures include sales of both new and existing house stock. Excluded from Land Registry figures are sales at less than market price (e.g. right to buy), sales below £1,000 and sales above £20m. For a more detailed set of explanatory notes on Land Registry data used in this report, see Appendix D.



Source: Land Registry 2009

While every District experienced strong growth between 1996 and 2006, it is worthy of note that Cambridge and South Cambridgeshire grew more strongly in absolute terms than other districts, outstripping the regional and national averages (see Figure Four below). This reflects the higher demand for housing within the City and surrounding areas compared to that of the wider region.

Figure Four: Average house price growth across Cambridgeshire (1996 – 2006)



Source: Land Registry 2009

### Review of average sales prices within each District

However, just as differences can be observed between the residential markets of the Districts, they can also be observed within the Districts themselves. As a result of a range of factors, including the location of existing population centres, the provision of infrastructure and the quality of transport links, the review of Land Registry data shows that within each District there are identifiable broad areas with relatively higher and lower value markets. In order to gain an insight into these areas, house price data across all

types of residential development by postcode from throughout 2006 has been collated and reviewed for each of the Districts.<sup>15</sup>

This element of the housing market review should be treated with a degree of caution. The limited scope of the review, and the use of average house prices over geographic areas that can encompass more than one neighbourhood or population centre, mean that it is possible that the results of the analysis could either fail to reflect some specific higher value developments in certain parts of each District, or, conversely, be distorted by the presence of such developments in otherwise low value areas. In addition, a further limitation is that many of the average sales prices observed are derived from relatively small numbers of transactions.

Table One below, highlights the key results of the housing market review, identifying broad areas that have experienced relatively consistent sales values throughout 2006.

Table One: average house price variation within Districts (2006)

<b>Cambridge City</b>	House prices in Cambridge City have, on average, been higher than those experienced across the rest of Cambridgeshire. The west of the City, including areas such as Trumpington and Newnham, experienced the highest average house prices during 2006, averaging just over £300,000 per unit. The North of the City, including areas such as Arbury and King's Hedges, experienced the lowest sales prices, averaging just less than £250,000 per unit.
<b>Huntingdonshire</b>	In Huntingdonshire, sales prices in 2006 were highest to the west of the District, including areas such as Sawtry and Ellington, averaging at over £275,000 per unit. Barring a few exceptions much of the rest of the District experienced house prices between £200,000 and £250,000 per unit.

<sup>15</sup> Not all properties are registered with their postcode (approximately 20% without). Average prices and volumes should therefore be regarded as sample information only.

<b>South Cambridgeshire</b>	<p>In South Cambridgeshire, average sales prices across the west of the District were generally between £200,000 and £250,000 per unit. However, the Land Registry data available for the wards that make up the remaining areas of South Cambridgeshire is based on very low numbers of transactions by comparison to the rest of this review. Due to the risk that this data is not based on a large enough sample to be sufficiently representative it does not feature prominently in this review or sensitivity analysis. South Cambridgeshire District Council's housing team provided separate average sales price data. While this data was based on different parameters to the Land Registry Data and so has also not featured in this review, it does highlight the fact that the higher sales value areas of South Cambridgeshire are predominantly in the south of the District, with lower sales values achieved in the north.</p>
<b>East Cambridgeshire</b>	<p>In East Cambridgeshire, average sales prices in 2006 were broadly similar to those found in the majority of Huntingdonshire. The south east of the District, in areas such as Bottisham, Burwell and Dullingham, witnessed average sales prices of between £200,000 and £250,000 per unit. Across the centre and the north of the District, however, average sales prices were lower. In Soham, Ely and Littleport, for instance, average sales prices were between £175,000 and £200,000 per unit.</p>
<b>Fenland</b>	<p>In Fenland, average sales prices per unit in 2006 were highest towards the centre and west of the District. In areas such as March and Whittlesey, average sales prices were generally around £175,000 per unit, with some recorded towards £150,000. Further north in the District, however, average sales prices were lower. Across Elm and Wisbech, for instance, average sales prices were just under £150,000.</p>

The results of the review set out in Table One indicate that there were three very broad areas of consistent average sales values across Cambridgeshire in 2006, subject to the limitations highlighted with regards the availability of data for South Cambridgeshire. These areas are summarised in Table Two below, together with the average unit sales prices observed in each.

Table Two: Summary of broad areas with consistent sales values across Cambridgeshire (2006)

Area of Cambridgeshire	Private residential sales price (Land Registry data)
Cambridge City and surrounding area	£300 – £250k
Majority of South Cambridgeshire, Huntingdonshire and East Cambridgeshire	£250 – £200k
Fenland and northern parts of Huntingdonshire and East Cambridgeshire	£200 - £150k

Table Two shows that in 2006, Cambridge City and the surrounding parts of South Cambridgeshire represented a higher value zone where residential sales prices averaged between £250,000 and £300,000 per unit. The remainder of South Cambridgeshire, the majority of Huntingdonshire and the southern part of East Cambridgeshire represented a medium value zone, where sales prices per residential unit broadly averaged between £200,000 and £250,000. Finally, Fenland, together with the north of Huntingdonshire and East Cambridgeshire represent a lower value zone, where the review suggests average residential unit sales prices averaged between £150,000 and £200,000.

It should be noted that as these sales prices are derived from Land Registry data, they are therefore made up of the recorded sales prices of both existing stock and new build. On the advice of real estate consultants, the average prices used in the sensitivity analysis have been inflated by fifteen percent so as to more accurately reflect the likely sales prices of new private units. Table Three, below, summarises the broad averages observed in this residential market review, and prices following adjustment to reflect new build prices.

Table Three: Estimated new build private residential sales prices

Area of Cambridgeshire	Private residential sales price (Land Registry data)	Private residential sales price (estimated new build units)
Cambridge City and surrounding area	£300 – £250k	£345k – £288k
Majority of South Cambridgeshire, Huntingdonshire and East Cambridgeshire	£250 – £200k	£288 – £230k
Fenland and northern parts of Huntingdonshire and East Cambridgeshire	£200 - £150k	£230 – £173k

The figures derived above have been used to frame the inputs to the sensitivity analysis, while the locations have been used in the geographical presentation of illustrative tariff bands.

### Review of land values

The final element of the residential market review involves a consideration of 2006 land values across Cambridgeshire. Land values are impacted upon by a wide range of varying factors, including, for instance, the size of the plot, the objectives of the person or persons selling the land, its proximity to existing settlements and infrastructure, the current use of the land in question, whether planning permission has been secured for the site, and whether significant remediation work is likely to be necessary to secure viable development.

As a result of these factors, and the confidential nature of many land transactions, reliable data is much more difficult to obtain for average land sales prices than it is for residential sales prices. There is consensus, however, that alongside average house prices, land values have fallen significantly since mid-2007. In some instances in the County, property agents have noted a fall of over 50% from mid-2007.

Table Four, below, presents a high level summary review of estimated average 2006 land values across Cambridgeshire based on recent consultations with the Districts and local property agents.<sup>16</sup> It is important to note, however, that as this data is largely anecdotal and not comprehensive, it should not be considered a detailed appraisal and assessment of average land values across Cambridgeshire. The relationship between land values and the condition of the wider residential market is complex and, given current market turbulence, it is very difficult to predict with any certainty the level of current or future land values. It is also important to note that all of the example land transactions referenced below reflect average prices of land with residential planning permission attached.

Table Four: average land value variation between and within Districts (2006)

Cambridge City	<p>Given the trends observed in average residential property sales prices in Cambridge compared to the rest of the County, it is not surprising that land values are also highest in the City. Evidence from local property agents indicates that the average land price across Cambridge City during 2006 was in the region of £6m per hectare. This is evidenced by the fact that the Cambridge University Press Site was sold to a Registered Social Landlord for around £6m per hectare.</p> <p>It has been advised by real estate agents that this average figure is likely to be disproportionately impacted by transactions involving sites near the city centre, which though rare, are worth substantially more than the majority of residential sites which are located on the periphery of the District.</p>
Huntingdonshire	<p>Following discussions with local property agents, typical 2006 land values in Huntingdonshire are estimated to have been in the region of £2.5m – £3m per hectare. It is advised that those sites which are located nearby to existing population centres, or which have better access to Cambridge City would be toward the higher end of this range, while those in more rural areas with poorer access to Cambridge would be toward the lower.</p> <p>Local property agents disclosed details of the following transactions:</p> <ul style="list-style-type: none"> <li>• A site of just over one hectare was sold in Thames Road, Huntingdon for £3.4m per hectare, assuming no affordable housing provision. The highest bid which included the required affordable housing provision of 29% was £2.67m per hectare.</li> <li>• A four hectare site in Godmanchester which was sold for £2.2m per hectare, assuming an affordable housing provision of 29%.</li> </ul>

<sup>16</sup> DTZ, a major global real estate advisor, undertook these exchanges with their network of local property advisors and contacts within the residential market across Cambridgeshire.

<p style="writing-mode: vertical-rl; transform: rotate(180deg);">South Cambridgeshire</p>	<p>Discussions with property agents indicate that average land values in South Cambridgeshire in 2006 were in the region of £2.5m to £3.7m per hectare. This is supported by evidence provided by local property agents, including, for instance, the fact that a site of around four hectares of land in Papworth, South Cambridgeshire was sold in early 2006 for around £2.5m per hectare.</p> <p>In addition, as with Huntingdonshire, it is advised that sites which are located nearer to existing population centres or offered better links to Cambridge City would likely have higher land values than the featured Papworth example, due to their relatively higher demand and anticipated sales prices.</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">East Cambridgeshire</p>	<p>Discussions with property agents indicate that average land values in East Cambridgeshire in 2006 would be in the region of £2.5m per hectare. This is supported by evidence provided by local property agents, including, for instance, the fact that sites near Thetford in East Cambridgeshire was trading at around this price per hectare in late 2006 / early 2007.</p> <p>As with examples in other Districts, it is advised that sites which are located nearer to existing population centres, or offered better links to Cambridge City, such as Ely, would likely have higher land values than the example above, due to their relatively higher demand and anticipated sales prices.</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Fenland</p>	<p>Land values in Fenland are considered to be, on average, considerably lower than in most other parts of the region. It was estimated that in 2006 average land prices across Fenland would likely be around £1m per hectare – a figure which reflects the lower levels of demand and anticipated sales values that are generally found across Fenland as well as the likelihood that significant additional site preparation work and upgrading of infrastructure is often required.</p> <p>It has been advised, however, that developable land in areas of relatively higher demand could be more expensive than this average suggests, although on the whole, the higher land values in select parts of this area will be averaged out with the more prevalent less well placed plots, which often attract a nominal value.</p>

Property agents have advised that these average land values would likely decrease by 20% if no planning permission is attached, but were nevertheless included in a regional or local development plan. Table Five below summarises the broad averages observed in this land value review, and their likely

corresponding price where planning permission has not been granted. For land with neither planning permission nor inclusion in a development plan values would be substantially lower across all of the Districts.

Table Five: Summary of estimated average land sales values with and without planning permission (2006)

District	Estimated 2006 average land value with planning permission (per hectare)	Estimated 2006 average land value without planning permission (per hectare)
Cambridge	£6m	£4.8m
South Cambridgeshire	£2.5m - £3.7m	£2m – £3m
Huntingdonshire	£2.5m – £3m	£2m – £2.4m
East Cambridgeshire	£2.5m	£2m
Fenland	£1m	£0.8m

It has demonstrated that average private residential sales prices across Cambridgeshire have tended to range from between £300,000 to £150,000 in recent years. It is more difficult to draw definitive lessons from the data available regarding land values and sales prices. Nevertheless, a range of broad averages can be identified within each District, and consultation with local property agents indicates that average land values per hectare can range from between around £6m (with planning permission) in Cambridge to around £1m in Fenland (with planning permission), depending on the size of the plot, its proximity to existing settlements and infrastructure, the current use of the land in question, and whether significant remediation work is likely to be necessary in order to develop on it.

### Tariff Sensitivity Analysis

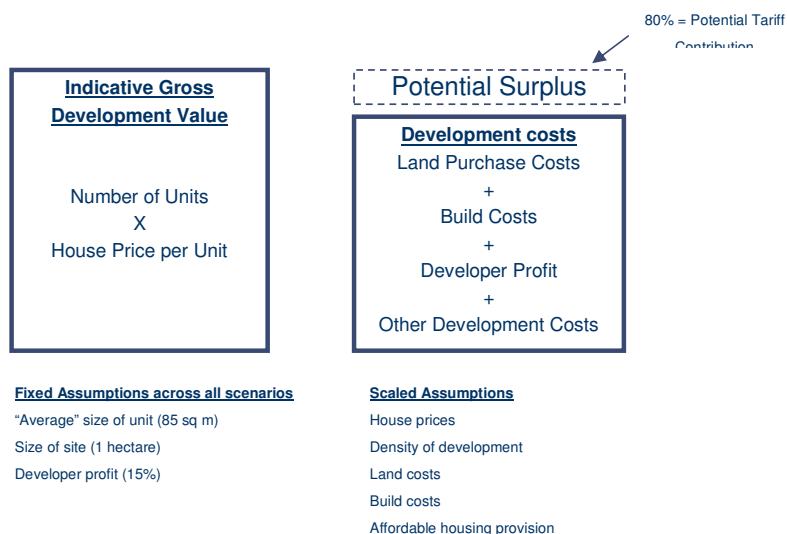
This sensitivity analysis provides CH and the Districts with a high level illustration of the likely tariff contributions that different development scenarios could generate, under stable market conditions based on 2006 residential values, without compromising development viability. These development scenarios have been defined by a range of assumptions, a full breakdown of which can be found later in this chapter.

It is important that any tariff levels set by the Districts do not have an adverse impact upon development across the region. The purpose of this sensitivity analysis, therefore, is to provide an indication of the likely tariff contributions that may be generated from different parts of the County.

A single hectare development model has been used to calculate the potential value uplift generated through securing planning permission on a range of illustrative sites. This model calculates an indicative gross development value for the hypothetical one hectare site, before subtracting a range of costs, including land purchase costs, construction costs, finance costs, developer's profit, allowances for contingencies, and sales and marketing costs, to leave a potential development surplus. For the purposes of this assessment, 80% of this potential development surplus is then divided by the number of

units being built to represent the potential tariff that the site in question could contribute on a per unit basis.<sup>17</sup> This calculation is illustrated below in Figure Five.

Figure Five: One hectare development model



Three development scenarios, reflecting the outputs of the residential market review and discussions with each District regarding affordable housing policies, have been tested using the model outlined above.

The key cost and revenue assumptions that vary between scenarios are as follows:

- the purchase cost of the land in question;
- the anticipated density of development;
- the anticipated unit sales price; and
- the provision of affordable housing.

Details on these development scenarios are presented in Table Seven below.

Table Seven: Development scenarios tested

Development Scenario	Purchase cost of land (hypothetical 1 hectare site)	Private residential sales price (85 sq m houses)	Anticipated density of development (units per hectare)	Provision of Affordable Housing (% of total residential)
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<sup>17</sup> It should be noted that if the Authorities implement a variable rate tariff, setting the level of likely development surplus to be captured by the tariff will be at their discretion. PwC advises that this decision would be best taken in consultation with the development community.

				provision)
A	£5 – £3.5m	£345k – £288k	80	40%
B	£3 – £1.5m	£288 – £230k	60	35%
C	£1 – £0.1m	£230 – £173k	35	30%

### Description of key variable assumptions

*Purchase cost of land:* The range of purchase costs for the development land set out in the table are based on those identified in the residential market review and discussions with local property agents. It is assumed the land is included within a development plan, but that no planning permission is attached at the time of purchase.

The range of land costs used across the scenarios reflects the cost differences between purchasing land in lower demand, lower value areas such as Fenland, as is illustrated by the relatively low land values in Development Scenario C, and purchasing land in higher demand, higher value areas such as Cambridge City, as illustrated by the higher figures in Development Scenario A. It has been assumed across all Development Scenarios that no exceptional remediation works are required to enable the site.

*Private residential sales prices:* The range of average sales prices reflects the values that underpin the three main, broadly homogenous, areas of new house build prices identified in the residential market review across the County as of 2006, following a 15% inflation so as to more accurately reflect the likely sales prices of new private units. The figures used in Development Scenario A broadly reflect the residential sales prices recorded in the urban environment of Cambridge City and the immediate surrounding area during 2006, while those in Development Scenario B broadly reflect those recorded across a mix of market towns and rural areas in South Cambridgeshire, Huntingdonshire and East Cambridgeshire. Finally, values in Development Scenario C broadly reflect the residential sales prices recorded in the largely rural, lower value areas to the north of Cambridgeshire.

*Anticipated density of development:* The range of assumptions for the density of development used across each scenario is based on advice provided by the Districts as to the average density of development experienced across existing and recently developed schemes, checked against information provided by independent development consultants as to the likely level of future densities across Cambridgeshire.

*Provision of affordable housing:* The range of affordable housing assumptions broadly reflects the different planning policy objectives of the Districts, and the ability of developments to support different levels of affordable housing where no social housing grant is assumed. It is assumed that the mix of affordable housing provided in each scheme is a sixty-forty split between social rented affordable housing and shared ownership. The values for the affordable housing in each scenario are set as 35% of the corresponding private unit price, in line with industry norms.

### Calculating illustrative tariff bands

In order to calculate a series of 'illustrative tariff bands' based on the Development Scenarios, the input assumptions presented above have been tested using the single hectare development model. Potential tariff bands have been illustrated by calculating an upper and lower bound site value that could be generated using these assumptions, so as to create a tariff band. For example, the upper bound for Scenario C has been calculated using an assumed land cost of £1m and a private unit sales price of £230,000, while the lower bound was calculated using an assumed land cost of £100,000 and a private unit sales price of £173,000. The illustrative tariff bands generated for all scenarios are displayed in Table Eight below.

Table Eight: Potential illustrative tariff bands

Illustrative Tariff Band	Upper Bound	Lower Bound	Affordable Housing provision
A	£22,500	£12,500	40%
B	£12,500	£7,500	35%
C	£10,000	£3,000	30%

These illustrative tariff bands can also be expressed on a per sq metre basis, as presented in Table Nine below.

Table Nine: Illustrative tariff Bands displayed on a per sq m basis

Illustrative Tariff Band	Upper Bound (£ per sq m)	Lower Bound (£ per sq m)
A	£265	£147
B	£147	£88
C	£118	£35

Ultimately, the basis upon which to levy any tariff regime is a policy decision for the Authorities to consider should proposals move forward. There are a number of potential advantages for either approach, as outlined in Table Ten below.

Table Ten: Potential advantages of levying the proposed tariff on a per unit or a per sq m basis

Potential advantages of levying the tariff on a per unit basis	Potential advantages of levying the tariff on a per sq m basis
A clear, convenient, and straightforward, basis on which to levy the tariff.	A clear, straightforward, basis on which to levy the tariff.

Allows the Districts and the developer to easily calculate the likely level of contributions they are going to receive and pay respectively. This is important in terms of setting out the business plan for the tariff	A greater degree of transparency, as takes into account differing unit sizes.
Reduces the marginal risk that developers are incentivised to 'build small', so that the development which does come forward is better able to create, or contribute to creating, balanced communities with a wide range of new houses to meet different needs.	A clearer link can be drawn between the likely number of occupants in a residential unit, and the developer financial contribution required to mitigate the impact of the development.

The potential impact of these illustrative tariff bands for each of the Districts in Cambridgeshire is outlined in the following tables, using anticipated housing growth in 2008/09 and 2009/10. The figures show the marked differential between tariff implementation and business as usual scenario. It should however be noted that these figures are indicative and that the 2003-07 S106 figures do not take account of the value of works in kind.

<b>2008/09 REVENUE</b>					
	<b>Number of units projected</b>	<b>Average S106 cash contributions 2003-07</b>	<b>Business As Usual (Average 2003-07 contributions, 40% of housing units pay nothing)</b>	<b>Upper Band Tariff</b>	<b>Lower Band Tariff</b>
Cambridge City	343	£5,000	£1,029,000	£7,717,500	£4,287,500
South Cambridgeshire	825	£4,000	£1,500,000	£7,812,500	£4,887,500
East Cambridgeshire	400	£2,500	£600,000	£4,000,000	£2,000,000
Huntingdonshire	753	£5,000	£2,259,000	£7,530,000	£3,765,000
Fenland	512	£2,000	£614,400	£5,120,000	£1,536,000
<b>TOTAL</b>			<b>£ 6,002,400</b>	<b>£ 32,180,000</b>	<b>£ 16,276,000</b>
<b>% Increase on Business as usual</b>				<b>436%</b>	<b>171%</b>

<b>2009/10 REVENUE</b>					
	<b>Number of units projected</b>	<b>Average S106 cash contributions 2003-07</b>	<b>Business As Usual (Average S106 contributions 2003-7, 40% of housing units pay nothing)</b>	<b>Upper Band Tariff</b>	<b>Lower Band Tariff</b>
Cambridge City	470	£5,000	£1,410,000	£10,575,000	£5,875,000
South Cambridgeshire	809	£4,000	£1,941,600	£10,112,500	£6,067,500
East Cambridgeshire	535	£2,500	£802,500	£5,350,000	£2,675,000
Huntingdonshire	800	£5,000	£2,400,000	£8,000,000	£4,000,000
Fenland	695	£2,000	£834,000	£6,950,000	£2,085,000
<b>TOTAL</b>			<b>£ 7,388,100</b>	<b>£ 40,987,500</b>	<b>£ 20,702,500</b>
<b>% Increase on Business as usual</b>				<b>455%</b>	<b>180%</b>

These tables suggest that, should the tariff be implemented at the low end of the indicative bands, developer contribution revenues could be nearly trebled. However, if the tariff is implemented at the

higher end of the indicative bands, revenues could increase more than fivefold. This is due to improvement both in terms of both a higher level of monetary contributions *and* greater coverage (as nearly every home would contribute).

### **Limitations of the analysis**

The illustrative tariff bands generated in this analysis have been calculated in order to capture a wide range of development scenarios. However, given the limited scope of this review, it is recommended that the anticipated scale and density of development, anticipated development costs, anticipated sales price of affordable units, and the assumed level of affordable housing provision should be reviewed in the light of the consultation, and before final tariff levels are set.

In addition, it is important to note that across all scenarios it has been assumed that no social housing grant is available. In reality, in more marginal sites a social housing grant may well be secured to support the viability of affordable housing and this is likely to have a positive impact upon a scheme's ability to make a tariff contribution. For example, should a social housing grant of £20,000 per affordable unit be secured in Development Scenario C then the revenue for that scheme would be boosted by over £200,000, so long as the other assumptions underpinning the analysis remained constant.

Furthermore, despite aiming to capture a wide range of development scenarios, there are variations that are not captured in the analysis. In particular, the analysis does not assess the development economics, and therefore the likely viable tariff contributions, of large, single units sold at an above average market price. Similarly, while an allowance has been made for site preparation and contingency costs across all development scenarios, the sensitivity analysis does not take into account the possibility of any exceptional, site specific, remediation costs or requirements.

In addition, it is understood that the tariff bands generated by this analysis may not be appropriate for very large or complex sites (such as Northstowe), for sites that are likely to have very significant impacts on existing infrastructure capacity required to be mitigated (such as Cambridge East), or for other exceptional circumstances. These types of developments and conditions are deemed to be, on the whole, atypical, and therefore were not included in the sensitivity modelling. It will be important therefore to ensure that, on the implementation of any tariff, the system includes some flexibility to allow a consultation process for developers seeking to invest and develop atypical sites where development economics are outside the norm. This could take the form of a bespoke tariff arrangement for very large sites, recognising their particular complexities. As a rule of thumb, sites of over a thousand units could be considered to fall into this category.

### **Indicative Tariff Maps**

In order to provide the Districts with guidance as to the potential tariff levels they could, under stable market conditions, be able to levy, this section applies the "illustrative tariff bands" based on development assumptions that reflect 2006 data. The maps which follow in this section are, therefore, indicative. Should the decision be made to implement a variable rate tariff across Cambridgeshire, it is

recommended that a more detailed analysis of the current residential market be undertaken for each District. Pending this, it would ultimately be for each individual District, with the support of CH and in consultation with the development community, to determine where particular tariff levels should be set. Any sales prices and land values referred to in this section are expressed in 2006 prices, and should not be considered as a reflection of current market performance.

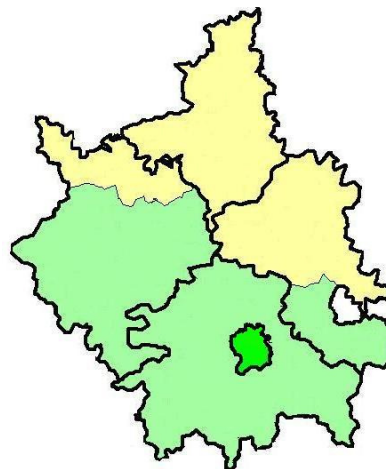
Tariff Zone	Tariff Level
A	£22,500 – £12,500
B	£12,500 – £7,500
C	£10,000 – £3,000

The illustrative tariff bands for each of the three development scenarios have been highlighted in a series of maps of Cambridgeshire and each individual District, according to the colour key to the left.

*County-wide indicative map*

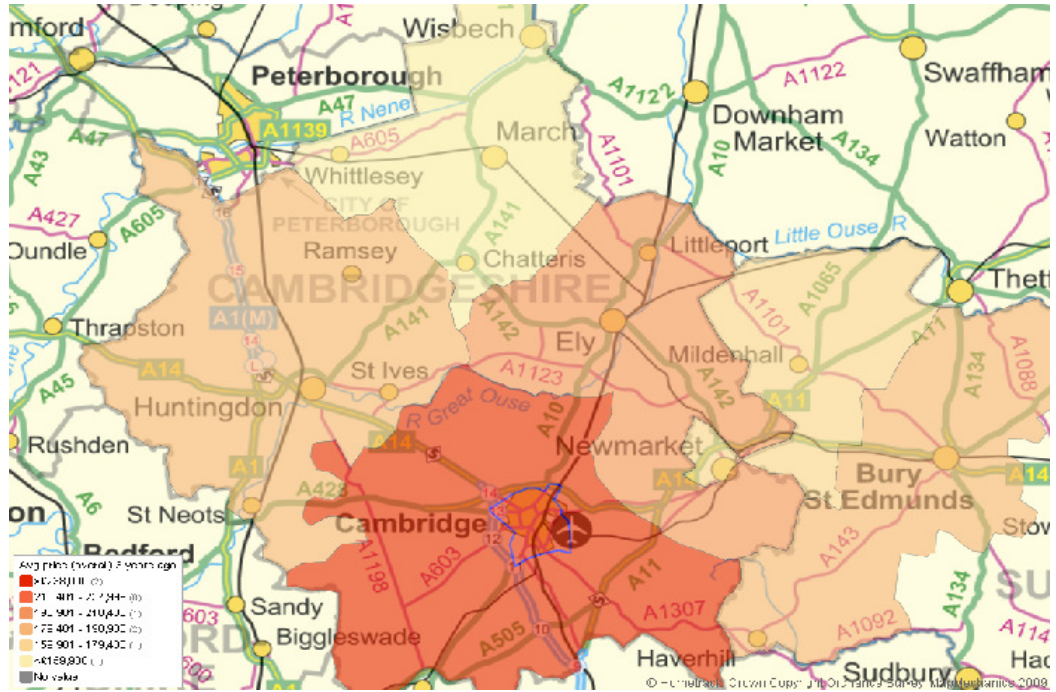
This indicative map of the County highlights the three main tariff bands that could, according to the assumptions used in the analysis in this report, be implemented across Cambridgeshire.

Cambridge City and the surrounding area represent a higher value zone, where the analysis contained within this report indicates a tariff of between £22,500 and £12,500 per unit could potentially be levied. The majority of South Cambridgeshire, Huntingdonshire, and the southern tip of East Cambridgeshire District Council, represent a medium value zone, where the analysis contained within this report indicates a tariff of between £12,500 and £7,500 per unit could be levied.



Finally, Fenland, together with the north of Huntingdonshire and East Cambridgeshire represent a lower value zone, where the analysis suggests a tariff of between £10,000 and £3,000 per unit could be levied.

The data informing the map above is drawn from Land Registry information. Other sources show a broadly similar distribution across the County, which gives reassurance about the robustness of the data. The map below shows the Hometrack house price data for 2006, for the housing sub-region. As can be seen, the distribution of prices is consistent with the indicative tariff map above.



Source: Hometrack, 2009

As stated previously, the assumptions that underpin each of the tariff bands are broad so as to capture as wide a range of development scenarios as possible, and have been based on a high level review of the residential market of 2006 only. As a result, it is possible that there are parts of each of the tariff bands highlighted where a higher or lower range of tariff levels would be more appropriate. To take this factor in to account, the narrative which accompanies the following indicative District maps highlights a series of potential exceptional areas which have been identified by each District, where a higher than anticipated tariff level may be appropriate should the quantum, location and scale of planned development offer the potential for greater than anticipated value uplift to occur. It is understood that these areas are likely to be concentrated around existing market town settlements, or on greenfield land.

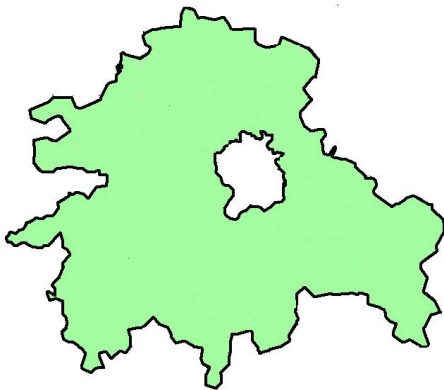
*Cambridge City*



Development within Cambridge is anticipated to be able to support a potential tariff contribution of between £22,500 and £12,500 per unit, according to 2006 market norms. Due to the scale of the District Council, and the width of the illustrative tariff bands, it was considered unnecessary to divide the City into more than one tariff zone. Nevertheless, the analysis contained within this report highlights that the southern and western parts of Cambridge City experienced higher average sales prices in 2006 than the northern part of the City.

Development could, therefore, be expected to generate higher potential tariff contributions in the south and west of the City, with lower contributions emanating from the north.

*South Cambridgeshire*



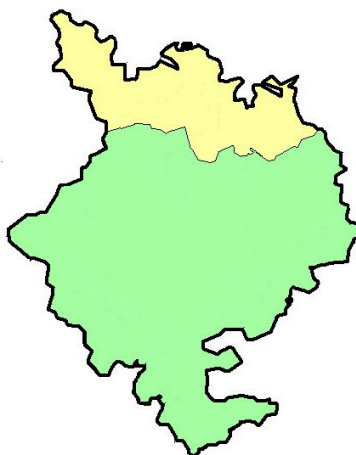
Mapping potential tariff levels for South Cambridgeshire based on 2006 market norms has been particularly challenging, given the lack of appropriate data available for much of the District. It has been assumed that the remainder of the District reflect values to the west of South Cambridgeshire, where, in 2006, average sales prices were between £200,000 and £250,000, and those broadly experienced in neighbouring Huntingdonshire and East Cambridgeshire District Council. It has been assumed, therefore, that development across the District could, pending 2006 development assumptions, generate potential tariff contributions in the region of £12,500 to £7,500 per unit.

However, data for 2007/2008 provided by the District Council implies that values are likely to be higher to the south of Cambridge City than the north, and it is anticipated that those areas that have good

access to the City will have higher values relative to other parts of the District, and thus may have the capacity to generate higher potential tariff levels.

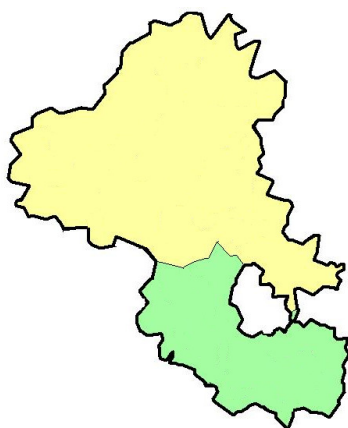
### *Huntingdonshire*

Huntingdonshire District Council has undertaken significant analysis of the local residential market, and, with the assistance of independent consultants, prepared an indicative tariff map of the District within their Local Investment Framework. The tariff zones identified in this report broadly concur with those featured in Huntingdonshire's analysis, with the potential for two tariff zones to be applied across the District. The southern and central parts of the District, including, for instance, St Neots, experienced higher sales values in 2006, averaging between £200,000 and £250,000 per unit. According to 2006 development assumptions, therefore, this area could potentially generate tariff contributions of between £12,500 and £7,500 per unit.



To the north of the District, average sales prices in 2006 were lower, with average sales prices in Ramsey and Stilton and Yaxley recorded at between £150,000 and £200,000 per unit. As a result, it is estimated that this area could potentially generate tariff contributions of between £10,000 and £3,000 per unit.

### *East Cambridgeshire District*



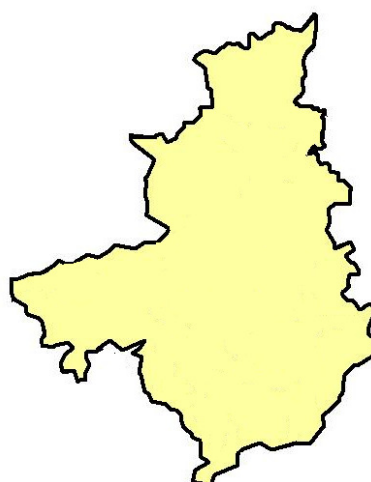
The analysis contained in this report indicates that, based on 2006 development assumptions, two tariff zones could be implemented in East Cambridgeshire. To the north of the district, Littleport experienced some of the lowest residential sales values in 2006, with prices generally lying between £150,000 and £200,000 across all unit types. Similar average sales prices were recorded to the north-west, in Haddenham and Sutton, and across the central part of the District in Soham and Isleham. According to the analysis in this report, development in these areas is only likely to be able to generate tariff contributions of between £10,000 and £3,000 per unit.

To the south of Littleport is Ely, one of the main conurbations in East Cambridgeshire. With good transport links to Cambridge, and a direct train line to London Kings Cross, significant growth is planned over the coming years. Residential values within Ely were on average between £150,000 and £200,000 across all unit types. However, the District believe that this may be too low a contribution, due to the anticipated density of planned development in and around Ely, as well as the fact that the majority of new development will be built on greenfield sites and so potentially able to generate significantly more value uplift than brownfield development.

In the south of East Cambridgeshire and in the areas surrounding Newmarket lie the higher value areas of the Swaffhams, Bottisham, Burwell, and Dullingham. Average house price sales in 2006 were between £200,000 and £250,000 across all unit types. This indicates that according to the analysis in this report, development could generate tariff contributions of between £12,500 and £7,500 per unit.

### *Fenland*

The average residential sales price across Fenland was between £150,000 and £200,000 during 2006 in all parts of the District. Areas of relatively higher value were towards the centre and west of the District. In areas such as March and Whittlesey, average sales prices were between £150,000 and £175,000 per unit. To the north of the District, however, average sales prices were lower. Across Elm and Wisbech average sales prices were just under £150,000. As a result, according to the assumptions featured in this report, development across the entire District could potentially generate tariff contributions in the region of £10,000 to £3,000 per unit.



Fenland District Council concur that the majority of the District is likely to support Band C illustrative tariff levels. It is held, however, that the development economics within the market towns of Chatteris, March and Whittlesey in the south, centre and west of the District have the potential to support a higher tariff level going forward. In these settlements, it is advised that the proposed urban expansions will be developed on mainly greenfield land which will enhance the likely value generated by the development, and thus, the level of potential residual site value.

### **Summary**

The analysis has emphasised once again the need for any tariff regime that is introduced across Cambridgeshire to have the capacity to be varied depending on the development economics of particular parts of the County. The residential market review highlights the wide range of average residential sales prices and land sale values found across Cambridgeshire. The sensitivity analysis demonstrates that differences of this nature can result in developments having different capacities to contribute to the provision of the necessary infrastructure required to mitigate their impact. Finally, the

indicative maps illustrate how the range of illustrative tariff bands generated by the sensitivity analysis might be applied across Cambridgeshire.

As stated at the outset, the analysis contained within this report is necessarily indicative, and it is intended only as a guide for CH, the Districts and the County as they continue to investigate the potential benefits of implementing a variable rate tariff across Cambridgeshire. The scope of our work, and the geographic scale the analysis covers, together with the availability of data and information has meant that elements of the review and analysis contained within this report will need to be examined in more detail should tariff proposals move forward.

### **S106 Analysis**

This section provides an overview of s106 contributions secured by the Districts between 2003 and 2007. This data was collected and analysed so as to gain an insight into the levels of developer contributions secured recently across the County. This analysis has involved collating the monetary contributions secured on individual sites and presenting them on a contribution-per-unit basis.

While this analysis can be used as a sense-check for any tariff regime that the Districts choose to implement (after all, it is important that a smooth transition between current arrangements and the tariff is possible), it is important to understand its inherent limitations. The data featured in the analysis only represents a recent snapshot of s106 collections from each District. Many of the s106 agreements represented in these illustrations contained other items that are not included in the “value” placed upon the package in this analysis, as the varying monitoring procedures across Cambridgeshire meant it was not possible to adequately price works in kind, the provision of open space, or proportions of affordable housing, for example.

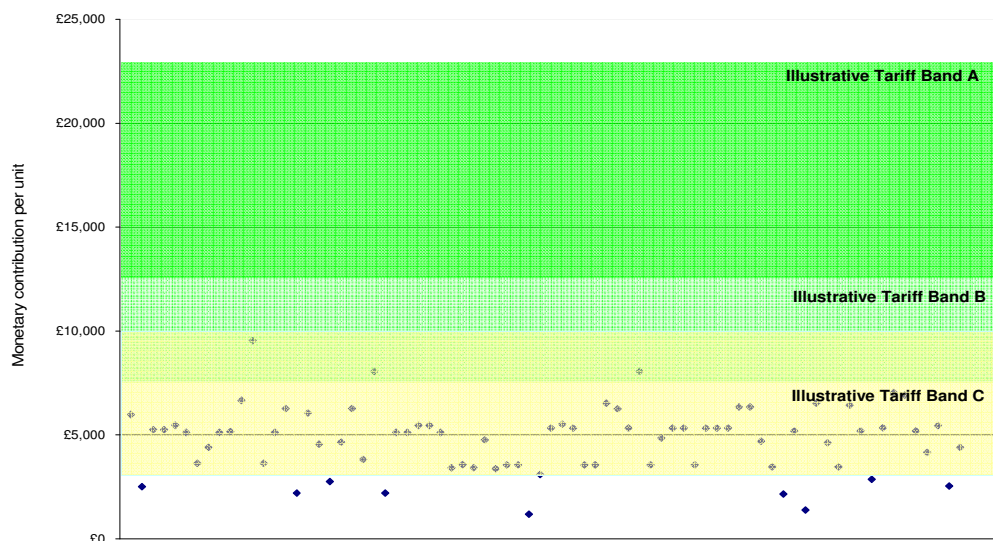
In addition, while the data presented does provide us with a high level guide, it should not be assumed that the values represent all that a developer could reasonably contribute. Rather, the data is a representation of what developers have been contributing following negotiations with the relevant District, subject to the limitations set out above. Given the inherent difficulties many Districts across Cambridgeshire have in dedicating the appropriate level of resources to negotiating s106 deals with developers, it is possible that in many instances contained within this analysis, a greater level of contribution could have been secured towards necessary infrastructure investment.

Each District was requested to provide as comprehensive a breakdown of their s106 negotiations during the period 2003 – 2007 as possible. Due to different s106 monitoring procedures existing in different parts of the region, the range and depth of data available varied between each District. The data was then collated, with the total value for the s106 deal divided by the number of units constructed in each development, and presented as a value per unit for each development. The results of this analysis are presented below for each District.

*Cambridge City Council*

As a consequence of their sophisticated monitoring procedures and Planning Obligation Strategy, Cambridge City Council were able to provide the most comprehensive set of data, covering over seventy separate s106 agreements secured across the period. These agreements covered a range of development scenarios, from single unit developments to the 200 units provided on the St Andrews Road development in 2003. Due to the development landscape of the City, it is noticeable that there were a significant number of single unit developments within the data that was analysed.

As the chart below demonstrates, the cash contribution per dwelling secured in Cambridge City during 2003 – 2007 ranged from lows of around £1,000 to a high of just below £10,000. On average, the cash contribution per dwelling from s106 contributions across this period was around £5,000, with a fairly even spread of figures above and below this average level.



In the majority of instances, such cash contributions represent only one part of the overall s106 agreement. It is important, therefore, to attempt to frame the results presented above in context. Following consultation with the District, it is possible to cite two key factors that have influenced the size of the monetary contribution per unit in Cambridge City.

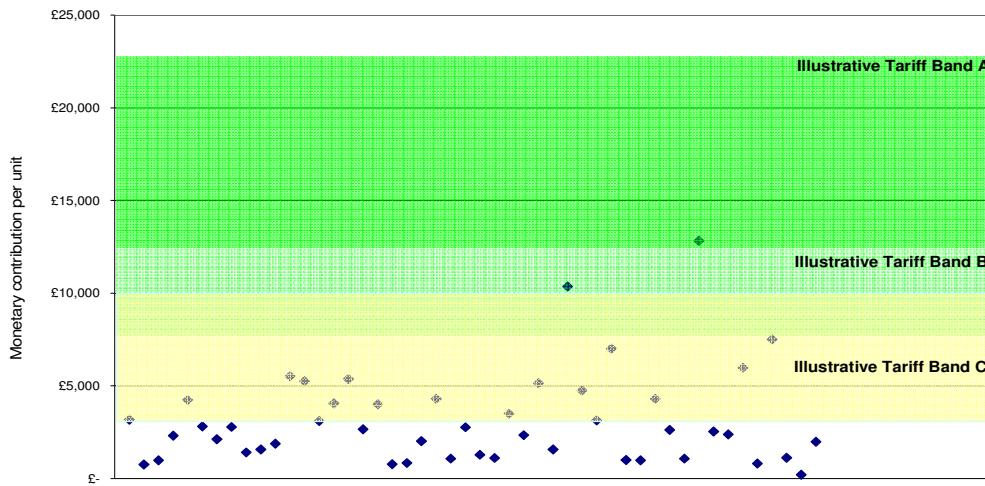
Firstly, the proportion of affordable housing has tended to influence the level of monetary contribution secured. It appears that where affordable housing is not provided, the monetary contribution tends to be greater and, conversely, where affordable housing is provided, the respective contribution tends to be lower. For example, in the 2004 development at Trumpington Road, no on-site provision was made for affordable housing, and the average contribution per unit, at over £8,000, being greater than the average for the District over the time period in question. However, it does need to be stressed that there are specific instances where this does not hold true. For example, in the 2005 development at the Hills Road Triangle site, affordable dwellings made up 23% of the total units developed, and a monetary contribution of over £7,000 was secured.

The second key factor that has influenced the size of the monetary contribution collected per unit through s106 is the District's standard charging regime. Under the terms of this regime, not only is no on-site provision of affordable housing required for developments of less than ten units, but education contributions are only sought for developments of more than four units.

*Huntingdonshire District Council*

Huntingdonshire District Council submitted comprehensive details of forty-eight s106 agreements. These agreements covered a range of development scenarios, with the number of units constructed on each site ranging from the 4 dwellings provided on the South Street site in 2003 to the 1,250 units provided on the Cambridge Road development in 2006.

As the chart below demonstrates, the cash contribution secured per dwelling during 2003 – 2007 in Huntingdonshire ranged from lows of around £200 per unit to a high just under £13,000 per unit. On average, the cash contribution per dwelling from s106 agreements during this period has been just over £5,000.



In the majority of instances, such cash contributions represent only one part of the overall s106 agreement. It is important, therefore, to attempt to frame the results presented above in context. Following consultation with the District, it is possible to cite two key factors that have influenced the size of the monetary contribution per unit in Huntingdonshire.

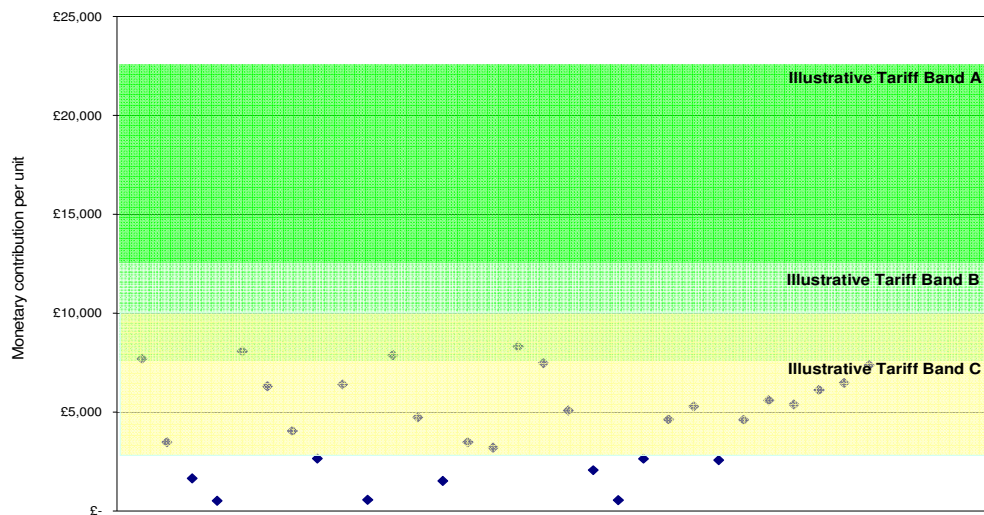
First, where community and recreation facilities were provided in addition to the monetary contribution, the monetary contribution was relatively low. For example, on the Mill Lane development in 2003, a recreation building worth an estimated £1 million was also provided, thus lowering the additional monetary contribution for other such facilities.

The second influential factor revolves around whether or not an educational contribution was secured. Not all sites have been required to make a contribution towards educational infrastructure. As a result, the monetary contribution secured in these agreements is unsurprisingly lower than the average collected by the District during this period.

*East Cambridgeshire District Council*

East Cambridgeshire District Council submitted comprehensive data of thirty s106 negotiations to be analysed. These agreements covered a range of development scenarios, with the number of units provided on each site ranging from the 2 dwellings provided on the Westbury Site Extension in 2003, to the 650 units provided on the Land at High Field Farm in 2004.

As the chart below demonstrates, the cash contribution secured per dwelling in East Cambridgeshire ranged from lows of around £500 to highs of just over £8,000. On average, the cash contribution per dwelling secured from s106 negotiations across the period 2003 – 2007 was around £2,500 per unit.



The data presented above represents a reasonably wide spread of cash contributions secured. It was cited by the District that one reason for this is the absence of a clear infrastructure plan for the District, which in turn makes negotiating with developers over what exactly is required to mitigate the impacts of the development in question more difficult.

However, in the majority of instances, such cash contributions represent only one part of the overall s106 agreement. It is important, therefore, to attempt to frame the results presented above in context. Following consultation with the District, it is possible to cite three key factors that have influenced the size of the monetary contribution per unit in East Cambridgeshire.

The first is the provision of Public Open Space (“POS”). Where POS is not provided on-site, a contribution towards off-site provision is usually secured through the s106 agreement. This means that for developments where some or all of the POS is provided on-site, the overall financial contribution contained within the s106 tends to be lower. Reliance solely on the figures for financial contribution can therefore be misleading, as the benefit of providing POS on-site is not captured. For example, the development between Duchess Drive and Centre Drive, Newmarket in 2005 had all of the POS provided on site, and consequently the s106 contribution per dwelling was only approx £1500. By contrast, the development at West End, Haddenham in 2007 did not provide any on-site POS and achieved a payment for off-site provision of £47,000, resulting in a per-dwelling s106 contribution of over £7000.

The second factor cited by the District revolved around whether an education and social infrastructure contribution was secured or not. Where they were not secured, this unsurprisingly led to smaller monetary contributions being made by the developer. For example, on Brown’s Site in 2003, no education or social infrastructure contributions were secured, with the average monetary contribution per dwelling over £1,000 below the average across the period.

The third is the provision of affordable housing. The District has disclosed that where affordable housing was provided on-site, a more lenient approach was taken to the provision of Public Open Space, and education and social infrastructure contributions, and the monetary contribution per dwelling for that development site was therefore lower. On schemes for affordable housing, developers have often only been required to provide 50% of the required POS, and have not been asked to contribute towards education and social infrastructure.

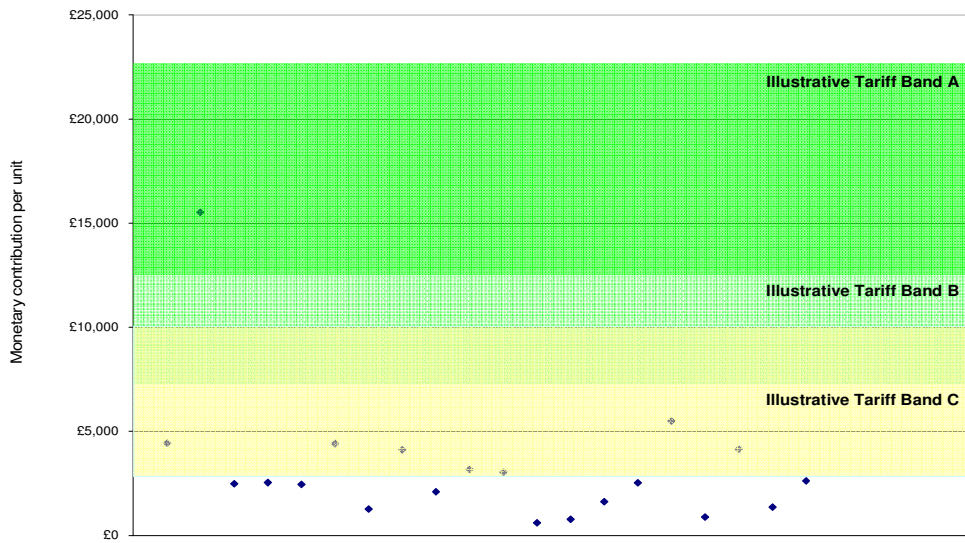
#### *South Cambridgeshire District Council*

South Cambridgeshire District Council submitted comprehensive data of twenty s106 negotiations to be analysed. These agreements covered a range of development scenarios, with the size of sites ranging from 5 units on the Green Street William site in 2005, to the 100 unit site on the Land between Bannold Road and Orchard Drive Waterbeach.

As the chart below demonstrates, the cash contribution secured per dwelling in South Cambridgeshire ranged from lows of around £600 to a high of over £15,000. On average, the cash contribution per dwelling secured from s106 agreements during 2003 - 2007 was just under £4,000.

The District is currently working to improve their s106 monitoring procedures. As in other Districts, the cash contributions highlighted above represent only one element of the s106 agreements analysed. The District has suggested that the key factor influencing the size of the monetary contribution secured is the provision of affordable housing, with the monetary contribution generally being lower depending on the size of the affordable housing provision allowed for. For example, on the Churchfield Avenue / Holme Way / Dale Way / Sunderlands Avenue development in 2006, seventy-five percent of the dwellings

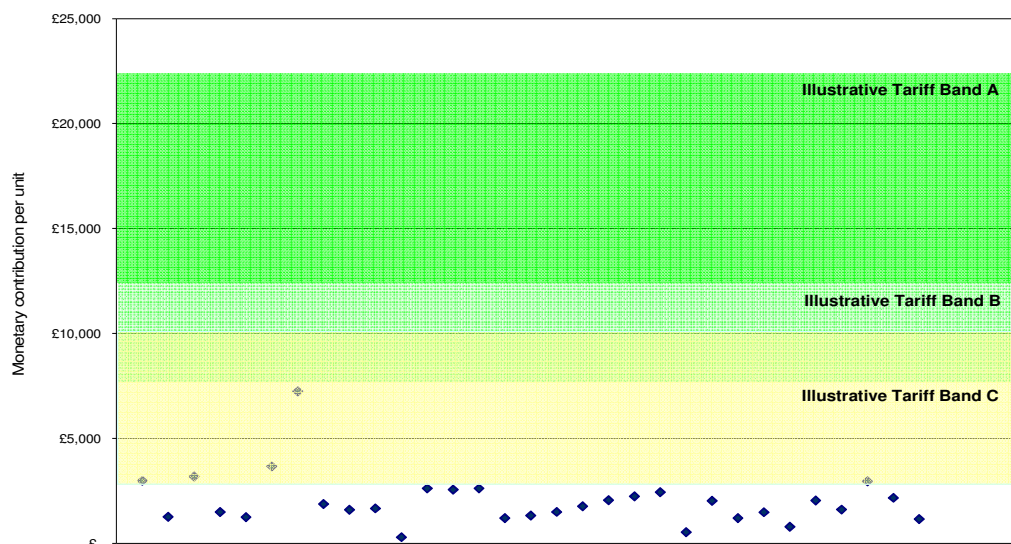
provided were affordable units. As a result, the corresponding monetary contribution secured through the s106 agreement was just over £600.



*Fenland District Council*

Fenland District Council submitted comprehensive data of thirty-one s106 negotiations to be analysed. These agreements covered a range of development scenarios, with the number of units provided on each site ranging from the 6 dwellings provided on the Land South East of Creek Road in 2005, to the 117 units provided on the Ramnoth Road site in 2005.

As the chart below demonstrates, the cash contribution secured per dwelling in Fenland during 2003 – 2007 ranged from a low of just over £300 to a high of over £6,000. On average, the cash contribution per dwelling from s106 contributions was just under £2,000.



However, in the majority of instances, such cash contributions represent only one part of the overall s106 agreement. It is important, therefore, to attempt to frame the results presented above in context. Following consultation with the District, it is possible to cite two key factors that have influenced the size of the monetary contribution per unit in Fenland

The first of these significant factors revolves around the provision of public open space. For example, on the Glendon Hotel and North Sutton Road site, a large provision of on-site public open space was made, with the resulting monetary contribution per unit being around £300. On the other hand, where no provision of public open space was made, such as on the New Road Chatteris site, the monetary contribution was subsequently higher, in this instance over £6,000 per unit.

The second key factor was whether or not a contribution towards education was secured. For example, on the Station Road site in 2006, no education contribution was secured and, subsequently, the respective monetary contribution per unit, at under £800, was lower than average for the District between 2003 and 2007.

The implications of the analysis presented should not be overestimated, and it is subject to the limitations outlined at the outset. Nevertheless, perhaps the most significant finding of the analysis is the concern held across the Districts during our consultation that there is significant scope to improve their s106 processes.

In particular, several representatives from across the Districts commented that approaching negotiations with developers with a more comprehensive infrastructure framework would allow them to set out more clearly the justification for why contributions levels need to be at a higher level than they have been historically.

**Example illustrative tariff calculation**

<b><u>Gross Development Value</u></b>
Private unit sales revenue
Affordable unit sales revenue
<b>MINUS</b>
<b><u>Original Land Cost</u></b>
<b>MINUS</b>
<b><u>Development Costs</u></b>
Private and affordable build costs
Sales and marketing
Pre-development costs
Landscaping costs
Stamp duty
Professional and other fees
Contingencies
<b>MINUS</b>
<b><u>Finance Costs</u></b>

MINUS

Developer Profit

EQUALS

Potential Development Surplus ("PDS")

80% of PDS divided by the number of units = potential tariff contribution

**Breakdown of Assumptions underpinning the tariff calculation**

The table below outlines the key development assumptions made when projecting the kinds of illustrative tariff bands that could be secured from a range of development scenarios. Where possible, these assumptions have been drawn from industry standards or broadly reflect the planning policies of the Authorities of Cambridgeshire. Where no such standard or policy exists, external cost and market agencies have been consulted and their input taken into consideration when formulating relevant assumptions.

Category	Assumption	Source / Explanation
<p>Development Density (Number of units per hectare)</p>	<p>A range of densities have been selected and tested to represent high-, medium-and low-density developments</p> <p>Development Scenario A: 60 Development Scenario B: 45 Development Scenario C: 30</p>	<p>This broad range is the output of consultation with each District and CH. This range is not intended to be comprehensive, but rather illustrates the kinds of development you might see across Cambridgeshire.</p> <p>When formulating illustrative tariff bands for each of the Districts, an assumption has been taken as to the most likely average development density for that area. In reality, this may not reflect all possible outcomes, emphasising the need for further work to be undertaken to refine potential tariff bands for particular areas..</p>
<p>Average internal unit size</p>	<p>85 square metres</p>	<p>This assumption is based upon the Quality Standards guidance issued by English Partnerships in 2008.</p> <p>Note that the mid-point between a standard three person two bedroom house (77 sq m) and a standard five person three bedroom house (93 sq m) has been used as the average unit size input for this model.</p>

<p>Proportion of affordable housing</p>	<p>A range of affordable housing provisions have been selected and tested to broadly represent the varying planning policies and development economics of different parts of Cambridgeshire</p> <p>Development 1: 40%</p> <p>Development 2: 35%</p> <p>Development 3: 30%</p>	<p>Affordable housing provision policies vary across the Districts, with requirements generally ranging between 40% and 30%.</p> <p>When formulating illustrative tariff bands for each of the Districts, an assumption has been taken as to the most likely average affordable housing contribution for that area. In reality, this may not reflect all possible outcomes, emphasising the need for further work to be undertaken to refine potential tariff bands for particular areas..</p>
<p>Sales price of affordable housing</p>	<p>35% of the open market value of equivalent private units</p>	<p>This assumption is based on broad industry standards, and represents a 60% social rented and 40% shared ownership split of affordable housing provision.</p> <p>In reality, the sales value of affordable units may well vary depending on the type of tenure, the location of the affordable housing, and the registered social landlord involved in the transaction.</p>
<p>Level of social housing grant</p>	<p>ZERO</p>	<p>It has been assumed that no social housing grant is available to all of the developments tested in this analysis.</p> <p>In reality, while not guaranteed, it is likely that all development would be eligible for some social housing grant to aid in the provision of affordable housing. This could enhance the likely viability of schemes and their ability to make tariff contributions.</p>

### Development Costs

<p><b>Pre-development costs</b> (Includes standard site preparation costs and the provision of on-site infrastructure where there are no significant, exceptional, remediation works required.)</p>	<p>7.5% of total build costs</p>	<p>Reflects industry norms*</p>
<p><b>Nominal build cost for private units</b> (Costs are "all in estimates", including materials, plant and labour, preliminaries, overheads, contingencies, profit and design fees, substructure, below ground and site drainage, site works, site and common infrastructure, professional fees, building control and planning fees, remediation of contamination, survey works, legal fees, finance costs, loose furniture and fittings)</p>	<p>£1100 per square metre for a private unit with a sales value of £210,000</p>	<p>This assumption is sourced from material within the Cyrill Sweett report commissioned by CLG and reflects building cost figures associated with industry standards for homes built to Code for Sustainable Homes ("CSH") Level 4. It is based on the mid level cost case for Detached houses (gif 102 sq m) at July 2008 prices. Following conversations with cost consultants, a number of additions have been made to the Sweet figures, to take into account a range of additional associated costs with developing residential units, including unit substructure, below ground and site drainage works and fittings and furniture.</p> <p>In addition, build costs have been scaled depending on the sales values of residential units to reflect varying qualities of design and finishing standards.</p>
<p><b>Nominal build cost for affordable units</b> (Costs are "all in estimates", including materials, plant and labour, preliminaries, overheads, contingencies, profit and design fees, substructure, below ground and site drainage, site works, site and common infrastructure, professional fees, building control and planning fees, remediation of contamination, survey works, legal fees, finance costs, loose furniture and fittings)</p>	<p>£1067 per square metre for a private unit with a sales value of £210,000</p>	<p>This assumption represents 97% of the build cost of constructing an equivalent private unit, which broadly reflects industry norms.*</p>

Landscaping and public realm costs	2% of total build costs	Reflects industry norms*
Utilities (Includes site connection and other initial associated costs. Does not include any allocations for site power generation etc.)	2% of total build costs	Reflects industry norms*
Sales and marketing	Equivalent to 3% of the revenue generated by the sale of private units	Reflects industry norms*
<b>Other Costs</b>		
Finance costs	An allowance of around 2.5% of total development and pre-development costs, as well as land purchase costs.	In order to provide an illustration of likely finance costs each of the scenarios has been modelled over time. This means that the assumption used for finance costs varies across different density scenarios to reflect the increasing scale and complexity of the sites in question.  In reality, where much larger schemes could be developed than those tested in this analysis, the level of finance costs is likely to increase significantly.
Developer profit	15% of total costs (excluding land purchase cost)	Reflects industry norms*. It is important to acknowledge that the level of profit a developer will expect can vary depending upon the complexity and risk associated with the scheme in question, as well as wider market conditions. As a result, it is likely that the anticipated level of developer profit for particular schemes might exceed the 15% assumed here.
Professional fees	7.5% of total build costs	Reflects industry norms*

(Fees paid to legal and technical experts throughout the development period)		
<b>Other fees</b> (project management costs and operational costs)	5% of total build costs	Reflects industry norms*
<b>Stamp duty</b>	4% of land purchase price	Reflects a statutory tax on land transactions
<b>Contingencies</b> (Calculated as a provision against price fluctuations in development and pre-development costs)	5% of total development costs and pre-development costs	Reflects industry norms*
<b>Other Development Assumptions</b>		
'New build premium'	15%	In order to convert the average sales prices derived from the residential market review into meaningful estimates of the average sales price of newly built private units, it is necessary to apply a price inflator. The value of fifteen percent was recommended by cost consultants as a broad industry standard*
Potential development surplus split	80% towards tariff 20% to developer	In calculating the proportion of the potential development surplus that it might be possible for the tariff to collect it was deemed reasonable to treat the tariff as an additional development cost, and, hence, prudent to assume that only around 80% of the surplus would be used as a tariff contribution. It should be noted that should the Authorities implement a variable rate tariff, setting the level of likely development surplus to be captured by the tariff will be at their discretion. PwC advises that this decision would be best taken in consultation with the development community.

\* It must be acknowledged that the exact figures and proportions used in industry do vary, sometimes significantly. This variation is often the product of the specifics of each particular scheme and the methodology used to estimate the equivalent costs. The assumptions cited above are thus prudent estimates that may or may not reflect the specifics of each future development that occurs within Cambridgeshire.

### ***Notes on Land Registry Data***

The average residential sales prices presented in Section One of this report are drawn from the Land Registry House Price Index (“HPI”). The following Appendix provides a series of explanatory notes on the content of this data, and the broad assumptions that it is based upon.

The Land Registry HPI captures changes in the value of residential properties. The HPI is published by Land Registry using sales data collected on all residential housing transactions, whether for cash or with a mortgage, in England and Wales since January 1995. Indices are produced at a national level as well as for the various regions, counties and London boroughs.

The Land Registry HPI is derived from all residential property transactions registered with Land Registry since January 1995, with the following exclusions:

- all commercial transactions
- transfers, conveyances, assignments or leases at a premium with nominal rent which are:
  - ‘right to buy’ sales at a discount
  - subject to a lease
  - subject to an existing mortgage
  - to effect the sale of a share in a property
  - by way of a gift
  - by way of exchange
- under a compulsory purchase order
- under a court order
- to Trustees
- vesting deeds
- transmissions or assents of more than one property
- leases for seven years or less

All data represent simple averages. No weighting or adjustment is applied to reflect any seasonal or other factors.

Volume of sales for the current period can now be accurately compared with the equivalent period in the previous year as the figures for both average prices and volumes for the earlier period are reproduced from the report issued at that time i.e. over an identical data collection period.

In addition, where the number of sales is fewer than 3, no average price is shown, and it must be noted that where the volumes shown are small the average price may not be representative.

Not all properties are registered with their postcode (approximately 20% without). Average prices and volumes should therefore be regarded as sample information only.

Because of the small volume of sales for these areas, the HPI would not always provide a reliable measure of price movement. This may become possible as the amount of data increases.

## 6. Establishing the tariff

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In order to initially establish the tariff, each Local Authority would need to prepare a Local Infrastructure Framework. Currently Huntingdonshire District Council have completed such a document, and the other districts are at varying stages of the process of developing one. In addition, the Integrated Development Programme would require Local Authority endorsement as an accurate reflection of sub-regional and strategic infrastructure requirements. With this evidence base in place, a Business Plan can be prepared.

Also critical to establishing the tariff is a central repository – in effect a Tariff Revolving Fund ('TRF' or 'the Fund'). This will allow the tariff receipts to be collected and distributed, and is likely to be administered by the County Council and managed in a similar manner to the Housing Growth Fund. Monies would be allocated from the TRF to meet the "strategic" and "local" infrastructure requirements set out in the tariff business plan, supported by the Integrated Delivery Programme, and each District's Local Investment Frameworks. This chapter explores some of the key issues surrounding this approach. It is intended only as an initial high level commentary and it will be important to give further detailed consideration of the opportunities and risks relating to the proposed Fund in advance of implementation.

### **Pooling tariff contributions**

Under the arrangements described above, developer contributions arising from the tariff would be pooled. It is likely that consolidating the collection, prioritisation and distribution of funds in one fund will make for more efficient allocation of investment and afford the TRF the flexibility to meet a range of infrastructure funding requirements in a timely fashion. In principle, and depending on the quantum of cash in the fund at any one time, funding for key items of enabling infrastructure could be provided at the outset of the development lifecycle out of receipts already received from other schemes. Investment could therefore be prioritised depending on need at a particular time and not be dependent on securing developer contributions related to a particular site. These monies would then be repaid by the developer as the scheme is built out and begins to generate revenues from property sales and value uplift. Such an approach could facilitate the development of previous 'difficult' schemes facing constraints on up-front infrastructure investment. In addition, as the Fund matures it would remove, to some extent, the dependence of funding enabling infrastructure on the directly 'local' housing market. This could potentially improve or accelerate wider development viability and therefore facilitate future growth and investment.

### **Potential Delivery Arrangements**

Adopting a tariff system with pooled contributions would represent a significant break from the status quo as it loosens the link between the money that the developer pays as a s106

contribution and the equivalent investment in infrastructure used to mitigate the impact of the site in question. The Community Infrastructure Levy would also loosen that link, as have existing tariff arrangements in other parts of the country. During the development of this report there has been some concern amongst Authorities that in implementing a tariff regime and moving away from a site specific s106 agreement, a large degree of 'infrastructure delivery risk' would be transferred from the developer to the Districts. In practical terms, however, the position may not change significantly from existing practices. Under a future tariff system, elements of infrastructure, and particularly site related infrastructure, could continue to be provided directly by developers with a consequent reduction or off-set in the related tariff contribution.

Similarly, those infrastructure works likely to be procured and delivered by the Authorities or other public sector bodies are likely to be those identified in the IDP and Business Plan. It is unlikely that individual developers would take responsibility for many of those projects/works that are delivered by the public sector under the current system, and in any event, developers or other private sector organisations could be contracted to provide procurement and delivery expertise therefore offering the potential for risk transfer.

To the extent that Authorities take on any additional delivery risk, that risk can be managed and mitigated against. Suggested "risk management measures" include:

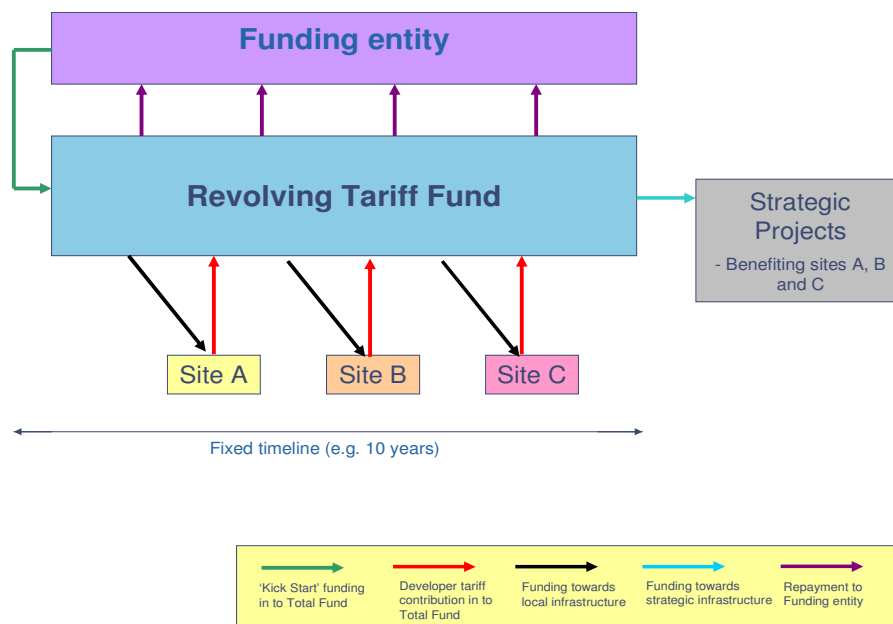
- A central procurement hub, managed by Cambridgeshire County Council, designed to improve the efficiency of procurement by creating a centre of excellence predicated on the experience and expertise gained in delivering the investment programme. A hub could also reduce overall procurement costs through the efficiencies offered by scale and pooled procurement and would reduce the procurement burden placed on individual Authorities; and,
- As mentioned above, where practicable and appropriate, allowing developers the opportunity to procure and deliver infrastructure in return for a reduction in the amount of variable rate tariff charged.

#### **Initial financing of the Revolving Fund**

A key issue in the start-up and initial phase of the TRF will be the source and availability of funding to pump-prime the Fund. This initial TRF funding will be important to ensure that the Fund can immediately begin to achieve its purpose of financing enabling infrastructure. Identifying and procuring this initial funding is a key challenge as on start-up and in its early years of operation the TRF will have received insufficient tariff receipts to meet the demand for up-front enabling infrastructure provision across the sub-region. The alternative would be for the Fund to collect tariffs from developments without a significant enabling infrastructure requirement until sufficient funds are collected to support investment in sites requiring

infrastructure investment. This process could, in theory, take a number of years, particularly in the current uncertain market, and would substantially reduce the effectiveness of the TRF in its initial operational phase. To address this critical issue there is a requirement for additional start-up funding in order to “kick start” the TRF and enable it to achieve its objectives. The broad structure of this kind of arrangement is illustrated by Figure One below.

**Figure One: illustration of potential Revolving Tariff Fund**



The ‘Funding Entity’ signifies the provider of initial finance. Possible funding entities are outlined below.

Without identifying the likely scale of initial enabling infrastructure funding that the tariff is anticipated to provide, it is not possible at this stage to estimate the likely level of up-front funding the Fund could require. It is possible, however, to frame a series of options and key issues for CH, the County Council, and the Districts to consider should they decide to move forward with tariff proposals for Cambridgeshire.

***On what basis could funding be provided?***

To be effective the TRF must have sufficient financial capacity to operate in a “banker role” whereby it provides either up-front finance, or finance raising guarantees, say to a local authority, to facilitate infrastructure investment. Given the credit crunch and the turbulence in the financial markets it is not feasible to expect the private sector to provide the TRF’s initial start-up funding. TRF start-up finance is therefore likely to take the form of either a grant or a loan from a public sector body. The terms and conditions attached to this finance will depend

on the issuing authority or agency. For example, will the funding provider require a return on their investment, target a break-even position, or willing and able to provide a grant or subsidy to the Fund?

In addition, consideration must be given as to the length of time over which initial start-up finance would need to be repaid and in what kind of increments. A clear timeframe for funding infrastructure projects should be set out in the business plan along with a funding plan to ensure that appropriate levels of finance are directed towards key projects. In addition, in the short to medium term, tariff-generating developments will need to be identified and the quantum and timing of tariff receipts predicted. This analysis will provide the basis for a TRF funding and cashflow projection that would underpin any case for investment made to a funding entity.

***What kind of organisations may be willing to fund the TRF?***

There is a range of avenues for CH to explore in identifying potential sources of up-front financing for the TRF. They include:

- **The Homes and Communities Agency (“HCA”).** The Government, as part of its attempts to stimulate the economy and restore confidence and stability to the housing and regeneration market has stated that early and decisive interventions are needed to maintain activity and support key development projects. The Pre Budget Report (HMT 2009) announced plans to bring forward £775m of housing and regeneration capital spend, mainly for repair and maintenance work and to support vulnerable projects. Much of the funding will be routed through the new Homes & Communities Agency (“HCA”). HCA has already put in place emergency measures to help fast track projects, such as a £200m national clearing house for procurement of unsold housing stock, buying land from stricken housebuilders, bringing forward PFI and other housing programmes, and greater funding flexibility. Meanwhile, HCA, the Regional Development Agencies (“RDAs”), the government regional offices and local authorities are helping identify key projects to be targeted under these new measures. In this context it will be important to test HCAs appetite for investing in the TRF, offering as it does, an opportunity to stimulate delivery of enabling infrastructure and assist in getting projects moving, whilst at the same time providing an assurance that any initial investment will be paid back over time or recycled into further investment in the sub-region.

Horizons has already suggested to HCA that £10m could be used to kick-start the tariff, as part of their draft Prospectus. This avenue of funding should be pursued, given that the aims and objectives of the TRF and the plans for investment and growth in Cambridgeshire are fully aligned with the HCA's mission and objectives. The Cambridgeshire TRF could act as a pilot for similar infrastructure funding initiatives in

other growth areas and provide HCA with the opportunity to secure a relatively 'quick win' in its drive to stimulate investment and activity in the housing market.

- **The East of England Development Agency (“EEDA”).** The regional development agency, EEDA, is currently developing proposals for a Regional Infrastructure Fund (“RIF”). The RIF is designed to create a mechanism to promote strategic infrastructure investment with a primary focus on the unlocking of regional economic growth. This objective, together with the revenue generating nature of the variable rate tariff enabling the TRF to repay over time any initial RIF investment, means that the EEDA RIF could be well placed to act as a source of funding to underpin the initial phase of the TRF. We understand, however, that the availability of EEDA RIF funding to the TRF is considered unlikely in the short term, given that the primary focus of the RIF will be on the provision of funding for projects that have been through the Regional Funding Allocation process. Such a condition is likely to rule out investment in the TRF and therefore the ability of the Fund to qualify for access to RIF funding should be clarified as soon as possible.
- **Local authority prudential borrowing.** Another alternative source of public sector finance is through the Public Works Loan Board (“PWLB”). In this option the Districts could join together to individually raise an appropriate level of debt through the PWLB in order to finance the early phases of the TRF. Any loans raised through the PWLB would need to be carefully structured to reflect the timing of infrastructure funding requirements and tariff collection and hence repayment profiles in order to minimise interest charges and maximise the funds available to the TRF to invest in the sub-region. As for all options the tariff arrangements would need to be sufficiently robust to ensure that the Districts can be confident that PWLB loans will be repaid over a predictable timeframe.

Should the decision be taken to implement a variable tariff along these lines, then it is advised that further work would be required to explore these issues in greater detail before finalising arrangements, with a view to maximising efficiency and value for the Authorities of Cambridgeshire. In particular a detailed projection setting out the timing, source and application of funds and a short, medium and long term cash flow forecast will need to be prepared. Such an analysis would provide evidence as to the overall funding capacity of the TRF based on the likely timing and level of tariff receipts and infrastructure investments in the start-up phase. This analysis could then be used to support a more detailed application for start-up funding from a suitable source or sources and should also be able to demonstrate the ability for the Fund to become self-sustaining within a reasonable timeframe, with the initial investment then to be repaid over time.

## 7. Operating the tariff

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The Cambridgeshire Horizons Board has given the go-ahead for preparation of the proposal for a tariff and outline Business Plan. A Countywide tariff will require coordination and fund management across the County, possibly by one lead organisation. It is important that the mechanisms for ensuring value for money and for monitoring and managing risks to public funds and output delivery throughout the programme are robust.

All projects within the programme would be undergo appraisals and must be subject to ongoing monitoring of expenditure and delivery. Where public funds are to be used, the public sector must apply appropriate funding approval and scrutiny. Projects led by other delivery agencies will be expected to conduct their own appraisal processes and seek formal approval through their normal funding structures.

Financial planning and forecasting is an important part of the Business Plan process and expenditure/receipts will be monitored and reviewed against the Business Plan on an ongoing basis. The financial and operational management of the tariff arrangements must be robust and will be subject to appropriate audit mechanisms.

### **Tariff Governance**

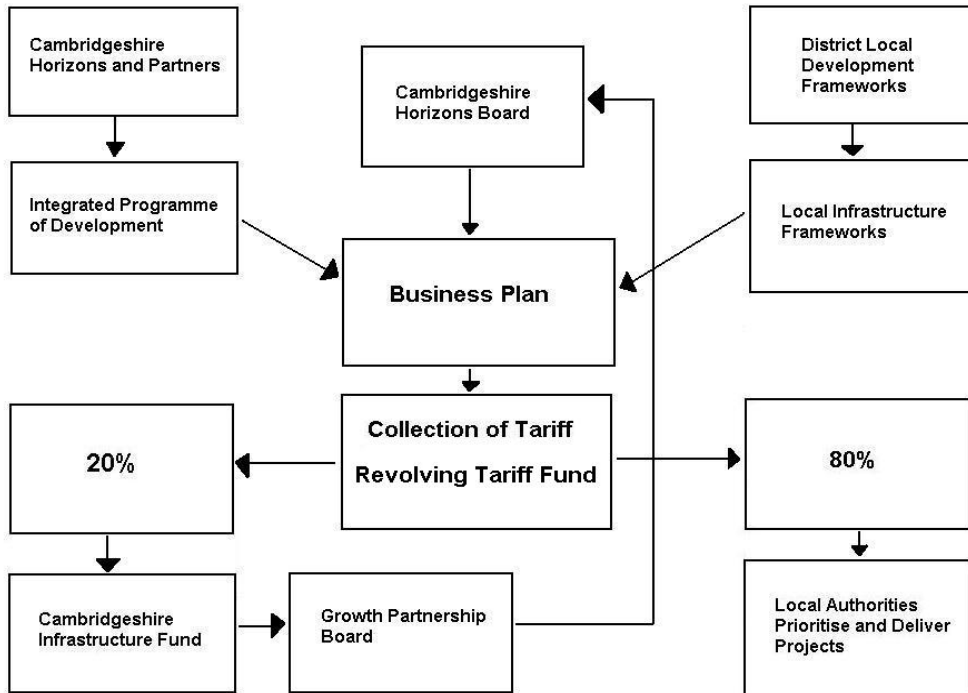
A management structure that incorporates delivery partners to manage the Business Plan is needed. The option suggested is to use the existing Cambridgeshire Horizons structures, which cover the whole of the County. The split between local and sub-regional infrastructure funding is subject to consultation and agreement between the partners. For the purposes of this analysis, an 80/20 split has been assumed in favour of local infrastructure.

The 80% for local infrastructure would be project managed in the same way as current S106 revenues. Given the increased level of receipts, resources for project delivery may need re-examination. The 20% of the receipts for countywide infrastructure projects would be managed by the tariff partners, through structures already established by Cambridgeshire Horizons for the Housing Growth Fund.

The Housing Growth Fund (HGF) is an unringfenced grant awarded to growth areas, based on an assessment of their Programmes of Development. The tariff's countywide component could be administered in the same way. The HGF arrangements have delivered projects in 2008-9, and will be continued in 2009-11. The roles and responsibilities for HGF are as follows:

- Cambridgeshire County Council is “the Authorising Body” that receives from Government, and holds, HGF monies. It has responsibility for validating and authorising the claims of the five District Councils, Cambridgeshire Horizons, and any other receiving partner organisations. The County Council self-authorises its own HGF claims.
- Cambridgeshire Horizons is “the Responsible Authority” for the Cambridgeshire HGF and is also responsible for recording and monitoring the programme expenditure to the Growth Partnership Board and the Cambridgeshire Horizons Board.
- Monitoring reports are submitted by Cambridgeshire Horizons to the Growth Partnership Board (previously the HGF Steering Group) at monthly intervals. This Board includes director-level representatives of all five Districts and the County Council, in addition to the Director of Joint Planning. Cambridgeshire Horizons chairs and administers the GPB.
- The Programme of Development, which sets out the projects to receive HGF, is prioritised and approved through the Cambridgeshire Horizons Board. The Horizons Board includes Local Councillors from all Local Authorities. The Growth Partnership Board reports progress to the Horizons Board on a quarterly basis.

A potential governance structure for the Variable Tariff is shown here, incorporating Local Authority statutory planning policy and HGF programme management.



A plan of delivery for each item of infrastructure, grouped into 'sub-programmes' including transport, community, open space, will be put in place that will match 'bottom up' infrastructure requirements and phasing with 'top down' strategic priorities and policy issues. This will help to ensure ownership of delivery and risks at all levels. The project management structure must be robust and accountable, providing a high level of scrutiny.

The Growth Partnership Board will provide overall direction and management of the Countywide programmes of work within the Business Plan. GPB will report directly to the Cambridgeshire Horizons Board and will receive reports on the delivery of each sub-programme. Specific projects will be managed on a day-to-day basis by project teams and project managers, and it is currently envisaged projects will be delivered in the same way as under existing arrangements.

Appropriate levels of corporate assurance will need to be given on all projects, which may be specific to the delivery agency for a particular project. The key responsibility of the delivery agencies and project managers is to ensure the project produces the required outputs, to the required standard of quality and within the specified constraints of time and cost.

Specific elements of the Housing Growth Fund programme management process are detailed below. These will be reviewed to determine their appropriateness for the Tariff.

- The best project management practice principles of PRINCE2 have been used in preparation of Project Initiation Document (including a project plan and forecast spend profile) and a Business Case for each project.
- A funding agreement has been completed for each project between the claimant, the County Council, and Cambridgeshire Horizons. The agreements cover Year 1 (2008/09) only. The agreements set out the broad principles of the process for claiming HGF monies.
  - The County Council copies its own (self-authorised) HGF claims to Cambridgeshire Horizons for monitoring/reporting purposes.
  - HGF claims by District Councils and other partners are submitted to Cambridgeshire Horizons for verification against the project plan, recording and monitoring purposes. Claims have to be accompanied by copies of invoices from suppliers, consultants and contractors, and a brief description of any internal labour costs.
  - After checking claims against project plans, Cambridgeshire Horizons forwards the partners' claims and its own claims to the County Council for authorisation and onward transmission to the County's finance team for payment direct to the claimants.
  - The County Council allocates payments to the appropriate partners in a reasonable period of time (by BACS – normally a 3 day processing cycle).
  - Claims may be submitted on a monthly or quarterly basis.

### **Project Delivery – Advice from Denton Wilde Sapte**

One of the aspects of the proposed tariff which has provoked most comment is, not surprisingly, that of delivery. The local planning authorities involved are keen to understand the implications for them of any tariff arrangement, in so far as it will impose an obligation on them to deliver the infrastructure for which the tariff has been collected.

### **Legal obligation to deliver**

The discussion of governance earlier in this chapter suggests the option of splitting responsibility for collecting tariff between the local planning authorities (district councils) and the County Council. In this model both the district councils and the County Councils are able to raise funds using section 106 of the Town and Country Planning Act 1990<sup>18</sup>.

It is important to remember that, until the authorities have gone through the necessary processes to enable them to levy CIL, the legal mechanism by which they will be imposing the

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<sup>18</sup> There are still some outstanding questions, however, about how the "80:20" ratio is to be collected, monitored and maintained, and about responsibility for administering the strategic funds raised, as well as accountability.

tariff, and through which they will have the ability to enforce its payment, will continue to be section 106 obligations. Most developers will seek an obligation in those agreements (similar to that which is already commonly found in Cambridgeshire and throughout the rest of the country) that the planning authorities:

- spend the funds raised for the purposes<sup>19</sup> for which they were paid; and
- repay anything which is not so spent after an agreed period, typically 5 or 10 years<sup>20</sup>.

These repayment obligations have, until recently, rarely been invoked. In the recent past, however, there has been much greater scrutiny of whether and how planning authorities to whom contributions have been paid for specific purposes have used those contributions. Where they have not been used, at all or in full, developers and landowners now have expectations that they will be repaid. Repayment can be enforced through an application to the High Court.

This obligation must not be viewed with any fear. There will need to be something of a change in attitudes on the parts of both local planning authorities and developers, whereby they no longer see contributions as being for specific purposes, but towards a range of purposes all of which have some connection to the development proposed.

However, any future obligation will be no more legally onerous than that which is currently imposed. It will, however, need to be made clear in the drafting of the section 106 agreement that the payments made will be used to fund the project in the delivery plan (called, in the case of tariff, the Business Plan). This is consistent with the legal and policy tests relevant to the use of section 106 obligations<sup>21</sup>.

### **Procurement**

Questions have also been raised around procurement. The concern is that where the amount of tariff payable in respect of a particular development is reduced because the developer provides certain infrastructure, then, if the cost of that infrastructure exceeds the relevant thresholds, it should be subject to the procurement regime because it consists of 'public works'.

The tariff will be structured so that no developer has the right to provide infrastructure in lieu of payment (works in kind), not least because it will only be part paying for the infrastructure and the authorities will need to be confident that gap funding is available and that other more

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<sup>19</sup> If the purpose is defined as the provision of VRT funded infrastructure then there will be a reasonable level of flexibility.

<sup>20</sup> This period may need to be extended given the length of the infrastructure delivery programme.

<sup>21</sup> Which are dealt with elsewhere at chapter 3.

important planned infrastructure is not being displaced. On a case-by-case basis works in kind may be agreed. A factor to be taken into account is whether that would engage the procurement process. As a rule of thumb if the infrastructure is primarily serving the development then it is unlikely that an obligation to provide that infrastructure will be subject to the procurement regime. However, if the need for the infrastructure is largely unrelated to the development (a public opera house to serve a commercial scheme, for example) then that is likely to be subject to procurement requirements.

### **Delivery Risk**

Another issue which has been raised relates to what has been termed "delivery risk". The concern of the various authorities is that a tariff will expose them to the risk associated with providing infrastructure, in contrast to the current position, where that risk is often borne by the developer<sup>22</sup>. It is important to examine, in close detail, whether this fear is justified.

The first point to make is that, in many cases, the position will not change from that which currently exists. The authorities should, as part of ensuring the efficacy of the tariff, have made clear in advance what will continue to be covered by "normal" section 106 obligations. The situation in the future will, as now, involve a mix of the client providing onsite works and the Council providing others.

In relation to those works or infrastructure which the authorities will be providing, these are largely those which will have been identified in the IDP and Business Plan. It is unlikely that individual developers will take responsibility for many of those projects/works under the current system (not least because they will not have the land to do so), and it is assumed that the authorities will be responsible for them. In these circumstances, the likelihood is that the authorities will have to accept a reasonable endeavours obligation to provide the proposed infrastructure in accordance with the approved delivery programme (which may change from time to time). This should be an acceptable obligation for the authorities.

To the extent that there is an additional risk, that can be managed. Indeed, part of that management will be integral to demonstrating the efficiency of the VRT system. Suggested "risk management measures" include:

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<sup>22</sup> The risk is borne by the developer in the sense that unless the infrastructure has been provided there are often limitations on the occupation of the development.

- (a) A central procurement hub, designed to improve the efficiency of procurement, reduce its cost and take the burden away from individual authorities (some of whom may not have the resources to meet the internal costs associated with procurement). [One issue which has been raised is whether the funds raised by tariff can be used for discharging the procurement and other associated costs of providing the infrastructure, and the answer is that they can.];
- (b) By giving developers the opportunity, in appropriate cases to provide the infrastructure themselves in return for a reduction in the amount of the VRT.

One element of risk that will be taken by the authorities is the risk of delivering infrastructure in accordance with the programme. If developers are paying VRT then they can, legitimately, argue that there should be no restrictive conditions preventing development/occupation after the programmed date for delivery of the required infrastructure. The authorities will have to accept that, other than in exceptional cases, there is a political risk that development is proceeding but that because of a public sector "failure" to meet the published delivery programme, the required infrastructure is not in place.

## 8. Way forward; consultation process, timing and outline of consultation document

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In order to proceed with a Variable Rate Tariff, the next stage would be a public consultation exercise. Given the current unprecedented housing market volatility it is recommended that, alongside the consultation exercise, an updated residential market analysis be undertaken by Cambridgeshire Horizons, using its access to the Hometrack Housing Intelligence System ahead of introducing the tariff. This will ensure that the setting of initial tariff levels reflect market conditions at the time of implementation.

It is advised that, should the Board decide to pursue a variable rate tariff, securing the involvement of the development and land owning community in the process should be a high priority. It is important that their experiences and views are taken into consideration and a degree of consensus reached, in order that tariff levels facilitate and not adversely impact upon development across Cambridgeshire. It is therefore recommended that prior to the beginning of a formal consultation period, CH, the Districts and the County carry out a programme of soft market testing on the proposals from the development community and landowners. Soft market testing will provide valuable feedback on the proposals and assist in refining the analysis to date and should contribute toward the effective introduction and setting of different tariff levels across the County.

The intention is for proposals for a variable rate tariff to be put out to consultation later this year. As a result of the County Council elections period of purdah, consultation will need to take place after June 2009. It will run for approximately eight weeks. A successful consultation exercise, and suitable progress with Local Infrastructure Frameworks and the IDP, could allow a tariff system to be up and running across the County in 2010.

### **The Consultation Document**

The Consultation Document for the Variable Tariff will set out the strategic objectives for the growth partnership in Cambridgeshire and how a variable tariff will help achieve these. It will evidence the infrastructure needs at local and sub-regional level, set out the resulting funding requirements, and examine the available sources of funding beyond developer contributions. It will then describe the tariff levels and bands, explain the financial and programme management arrangements, set out cash flow forecasts, and provide the legal framework for tariff operation. It will also provide a brief risk management analysis, and set out the process by which risk will be managed on an ongoing basis.

Finally, a draft Business Plan will give broad details of how the money collected will be spent, against which major projects and headline areas of expenditure, and over what timescale. Again, this will be split between local and sub-regional programmes.

The Business Plan will be owned by the partnership of organisations operating the tariff.

### **Suggested structure for the Consultation Document**

#### Executive Summary

#### Strategic Objectives

- Facilitate delivery of sustainable growth in line with stated policies
- Improve certainty for developers and local authorities
- Fairer approach to value capture as all homes contribute
- Ensure timely provision of infrastructure
- Simplify and speed up processes (as compared to negotiated s.106)
- Allow pooling of revenue for sub-regional infrastructure projects
- Explore methods of using tariff to leverage other funding sources

#### Delivering Strategic Objectives

- Completion of evidence base on infrastructure needs (IDP)
- Setting out infrastructure priorities
- Adoption of tariff across the County
- Description of partnership delivery structures

#### Infrastructure Requirements

- Evidence base justifying infrastructure needs at local and sub-regional level
- Evidence of those needs - drawing on research already done at local and sub-regional level (aim would be to use Huntingdonshire's Local Investment Framework as the example for the former, and the Integrated Development Programme for latter)
- Broad description of other funding sources expected to meet some of these needs
- The split between local and sub-regional infrastructure
- The agreed infrastructure funding priorities

#### Tariff Operation

- Proposed tariff bands and levels
- Understanding of initial funding requirements (tariff 'float')
- Tariff cashflow forecasts
- Programme management at local level
- Programme management at sub-regional level
- Financial management systems
- Legal framework
- Risk management
- Review arrangements
- Management of exceptional sites

#### Business Plan

- Governance
- How the monies collected will be spent
- Key programmes and projects
- Timetable for delivery
- Suggested review periods

Set out below are more detailed recommendations for the scope and structure of the sections.

### **Strategic Objectives**

This section of the Consultation Document will set out the rationale behind the variable tariff, as summarised below.

The growth partnership across Cambridgeshire has a series of strategic objectives agreed through the Cambridgeshire Horizons Board and included in the Cambridgeshire Horizons Business Plan 2008 – 2011.

The tariff will assist in achievement of these objectives, by providing a larger, more regular supply of funding for infrastructure. It will also allow a far more planned and co-ordinated partnership approach to delivery, as well as simplifying and speeding up the S106 process.

### **Delivering Strategic Objectives**

This section will map the path to achievement of the tariff's strategic objectives, including steps required to establish an operable tariff system:

- Completion of the proposals, including robust evidence base and agreed priorities for infrastructure provision;
- Consultation exercise, including discussion with developers;
- Agreement on adoption route;
- Process for adoption.

### **Infrastructure Requirements**

This section will provide the evidence base for infrastructure need in Cambridgeshire, including:

- Understanding of infrastructure needs at local and sub-regional level
- Agreed split between local and sub-regional infrastructure
- Agreed infrastructure funding priorities.

The tariff will be based on the evidence base provided by the Integrated Development Programme (being prepared by EEDA, Cambridgeshire Horizons and the Greater Cambridge Partnership) and local authorities' Infrastructure Frameworks. This section of the Consultation Document will summarise the IDP and five LIFs, and provide a prioritised schedule of infrastructure projects. In addition, it will set out the agreed split of tariff revenues between local and sub-regional infrastructure projects.

The IDP and LIFs set out the total infrastructure costs associated with growth, to which the Business Plan will add the anticipated tariff contribution. Any funding excluded from the tariff should be identified here.

An outline Infrastructure Requirement Schedule is shown below.

<b>Infrastructure</b>	<b>Tariff contribution £m</b>	<b>Other funding £m</b>	<b>Total £m</b>
<b>Local</b>			
Schools			
Community			
Open space and recreation			
Etc			
<b>Strategic</b>			
Transport			
Higher and Further Education			
Health			
Drainage			
Etc			

### **Tariff Operation**

The method of tariff operation will be set out in this section.

- Understand level of funding requirements
- Understand infrastructure needs at local and sub-regional level
- Assess development economics of different parts of housing market
- Agree split between local and sub-regional infrastructure
- Agree infrastructure funding priorities
- Tariff bands and levels
- Tariff cashflow forecasts
- Programme management at local level
- Programme management at sub-regional level
- Delivery arrangements (procurement, design, construction)
- Financial management
- Legal framework
- Risk management
- Review arrangements
- Management of exceptional sites

Analysis of a potential programme management system for the tariff can be found in chapter 7 on Operating the tariff.

Also included in this section will be an examination of possible future links to the Community Infrastructure Levy.

### Tariff cashflow forecasts

This section will set out the total estimated capital funding requirement for the Business Plan period, against anticipated tariff receipts based on realistic housing delivery trajectories. These trajectories will be informed by developers.

This section will also identify any infrastructure that is to be delivered as 'Works in kind' by developers, the cost of which would be deducted from tariff contributions upon completion of the development to which the infrastructure relates. The current assessment of any implications on "works in kind" flowing from the Roanne ruling will need to feed into this section.

	To date	2010/11	2011/12	2012/13	Etc	Total
<b>Tariff income (net of Works in Kind credits)</b>						
<b>Works in Kind</b>						
<b>Project expenditure</b>						

### Legal Framework

The tariff will be underpinned by a legal framework comprising:

- An overarching section 106 Framework Agreement (at least until the Community Infrastructure Levy legislation is adopted) which sets out the arrangements between developers, landowners and local planning authorities with regard to payment and allocation of tariff funds
- Site specific section 106 Agreements which provide more detailed site specific arrangements, including a list of potential items to be delivered as 'Works in Kind'

### Risk Management

Management of risk throughout the tariff structure will be essential to the successful delivery of infrastructure by this process. A formal risk assessment process will be carried out for all programme areas, and for each individual project. The Cambridgeshire Horizons risk management process will be able to inform this.

The Consultation Document could include some high level risks (and suggested mitigation processes for these risks) relating to achieving the overall objectives of the programme:

Public sector funding.

- Central Government funding for strategic infrastructure not forthcoming
- Additional funding (Cambridgeshire Horizons?) for local infrastructure is not secured

Tariff income

- Tariff receipts are not forthcoming from developers
- Tariff income lower than anticipated as result of market forces

Costs

- Tariff income does not adjust in the light of changing market (cost) conditions
- Costs for individual items higher than anticipated
- Cost overrun on individual items

Timing

- Tariff income delayed
- Timing of projects changes

Legal

- Challenge to the section 106 arrangement

Housing delivery

- Market delivery

### **Business Plan**

This section will set out how the monies collected will be spent. This will necessarily be high-level, but major projects would be included (had the tariff been in operation some years ago, the Cambridgeshire Guided Busway would have been a good example).

Broad categories of infrastructure at local and sub-regional level would be included, and broad timeframes set out. Detailed understanding of timing of delivery of particular elements of infrastructure to enable development would still form part of planning conditions negotiations.

## Appendix A: Tariff Review

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The following Appendix provides a snapshot of existing and emerging standard planning charge or tariff schemes from across the UK. A factsheet has been compiled featuring the key features of each scheme, including when it was first implemented, what kind of properties qualify for the charge, specific payment mechanisms and review dates. This information previously appeared in the Variable Tariff Option Study, which concluded in June 2008.

The tariffs covered in this section are as follows;

- Ashford Borough Council
- Bedfordshire County Council
- Cambridge City Council
- Chelmsford Borough Council
- Corporation of London
- Crawley Borough Council
- Dartford Borough Council
- Eastleigh Borough Council
- Kingston Upon Hull City Council
- London Thames Gateway Development Corporation
- Milton Keynes City Council
- Peterborough City council
- Reigate and Banstead Borough Council
- Southampton City Council
- Waverley Borough Council
- West Berkshire Council
- Westminster Borough Council
- Winchester City Council

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## Ashford Borough Council

### Introduction

The Core Strategy proposes a 'strategic tariff' to secure contributions to help fund the strategic physical infrastructure necessary to support the sustainable growth of the Ashford Growth Area. Policy CS8 sets out the justification, and identifies what the tariff will be used for. An SPD is proposed, which will presumably give more detail about the working of the tariff.

The projects and infrastructure for which the tariff will be used includes strategic energy projects, drainage and flood prevention projects, strategic landscape and recreation, strategic road and transport provision, town-wide facilities and education.

### Basic Facts

Issue	Approach
Date first implemented	Not yet implemented
Residential charge	Figure not yet published (SPD)
Commercial charge	N/A
Other development	N/A
Payment mechanism	Not specified – presumably will form part of the SPD
Payment dates for commercial development	Not mentioned (but see below)
Long Stop Date	Not mentioned
Off set provisions	Not mentioned, but policy CS8 refers to open book discussions on 'abnormal circumstances'
Security	Not mentioned
Exclusions from liability?	Specifically <u>no</u> minimum threshold: even single units will be subject. However 'local needs housing' will be excluded (on the basis that existing residents will not be placing additional demands on infrastructure).
Development plan support (including SPD)	Policy CS8 and SPD (not yet published)
Total amount to be collected	Not specified
Percentage of overall infrastructure budget to be collected (if known)	Not known, but is recognised that it will be only a portion of the total costs.
Infrastructure delivery approach	Proceeds from the tariffs will be applied to projects identified in the merging Delivery Plan for Ashford's Future. The actual projects will be agreed with all stakeholders, including landowners and developers. There is an expectation that all

Issue	Approach
	parties will co-operate to secure commitments by central Government and service and infrastructure providers to a "timely and joined up delivery process".
Review dates	Every 3-5 years, following consultation with landowners and developers
Approach to Affordable housing	See above
Other important features	This will not replace site-specific contributions, for matters such as open space, renewable energy measures, affordable housing etc. The guidance states that the tariff must be set at a level which does not undermine confidence or the incentive to develop, but does not go on to specify how this will translate into reality, other than to acknowledge the level of site specific contributions.

**Introduction**

In March 2007, Bedfordshire County Council set out a standard charging approach to securing contributions for investment in infrastructure to support education, and transport links. Standard formulae have been produced to provide the developer with an indication of the contribution that will be expected, based on the size and type of development. Issues not covered by the guidance will be negotiated on an individual basis.

**Basic Facts**

Issue	Approach
Date first implemented	March 2008
Residential charge	Yes – the size of the tariff varies depending on how many bedrooms the property has, its location, and the need for any new roads, open space, education facilities etc.  Different calculations are used and chronicled in the SPD to identify need and subsequent deductions to determine an appropriate level of contribution in the context of that need.
Commercial charge	N/A
Other development	N/A
Payment mechanism	Contributions may be made in kind by works being carried out by the developer or by payment.  Different payment dates apply for different kinds of infrastructure e.g. education contributions early or staged payments are required to keep pace with the completion of the development to enable provision to be in place when pupil numbers rise.  In most cases, payment being linked to construction of the last house on a development is unlikely to be acceptable.
Payment dates for commercial development	N/A
Long Stop Date	Not specified
Off set provisions	Not specified
Security	Not specified
Exclusions from liability?	Certain proposals exempt if it can be proved by the developer that a tariff would jeopardise the viability of the proposed scheme.
Development plan support (including SPD)	It is hoped that the relevant parts of the Developer Contributions arrangements will be incorporated into the District's SPD.

Issue	Approach
Total amount to be collected	N/A
Percentage of overall infrastructure budget to be collected (if known)	N/A
Infrastructure delivery approach	Not specified
Review dates	Arrangements will be reviewed on a bi-annual basis and revised pending any significant changes in the national policy framework (e.g. CIL)
Approach to Affordable housing	30% of housing will be affordable, delivered by the developer.
Other important features	N/A

## **Cambridge City Council – Planning Obligations Strategy**

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### **Introduction**

The Planning Obligation Strategy SPD provides the framework for negotiation and use of planning obligation money across Cambridge City. The three main objectives are stated to be to provide mechanisms to:

- Secure new infrastructure or improvements to existing infrastructure;
- Mitigate the impacts of development; and
- Address needs identified to accommodate the City's growth.

The draft strategy was published and available for consultation in 2007 and it is anticipated that it will be adopted as SPD in early 2008.

The POS does not operate on a 'per dwelling' or square metre basis. It sets out a number of areas which developments are required to address (e.g. transport, community facilities, education). The approach to calculating contributions varies according to the purpose of the contribution - for example, a contribution towards primary and secondary school provision will be required for every development of four or more dwellings, whereas a contribution towards community safety will be required only on residential developments of 20 or more units. This approach, although it should make it possible to ascertain the likely level of contributions for any particular development, does not conform to the standard approach seen elsewhere.

Two points worth mentioning:

- (a) in relation to each broad head of contribution the POS set out a "framework" for the use of contributions. Some of these provide more details than others. However, Appendix A to the POS gives details of how projects were selected as being included as those for which funding is sought, and how contributions will be allocated.
- (b) the preference in most cases, and certainly in the Areas of Major Change, is for on-site provision.

**Introduction**

Chelmsford BC has consulted on a draft supplementary planning document (SPD) relating to their core strategy and development control policies. The draft SPD proposes a standard charging approach for off site infrastructure, in addition to site related contributions under current national policy guidance. The off site contribution is calculated through use of standard charges and/or formulae. Whilst infrastructure requirements are assessed for all new development proposals, in most instances, planning contributions obtained through the standard charges and/or formulae will only apply to development which creates a net increase in units. In the cases of changes of use, and extensions to existing commercial or leisure development, these will be liable to standard charges where the new use, or the intensification of use, places additional demands on supporting infrastructure. Where proposals result in the redevelopment of existing sites within the use class, standard charges would only be liable for the additional development.

**Basic Facts**

Issue	Approach
Date first implemented	Underwent consultation until September 2008.
Residential charge	<p>.Yes – there are three different contribution zones, each with different tariff levels.</p> <ul style="list-style-type: none"> <li>• Borough-wide = £5,182 per dwelling</li> <li>• Chelmsford urban area = £6,422 per dwelling (flood zone 1) or £5,222 per dwelling (flood zones 2 and 3)</li> <li>• New North Chelmsford Neighbourhoods Contribution Zone = 16,829 per dwelling</li> </ul>
Commercial charge	<p>Yes – again, there are three different contribution zones, each with different tariff levels</p> <ul style="list-style-type: none"> <li>• Borough-wide zone = £2.77 per sq m</li> <li>• Chelmsford urban area zone = £41.38 per sq m (flood zone 1) or £48.30 per sq m (flood zone 2 and 3)</li> <li>• New North Chelmsford Neighbourhoods zone = £93.11 per sq m</li> </ul>
Other development	N/A
Payment mechanism	<ul style="list-style-type: none"> <li>• Where both residential and commercial development are contributing to infrastructure schemes through standard charges, this is based upon a 75:25 ration (residential 75, commercial 25) of the total standard charges contribution.</li> <li>• All development will contribute to the identified Borough-wide infrastructure and then either to the Chelmsford Urban or North</li> </ul>

Issue	Approach
	Chelmsford Neighbourhood depending on the location of the development.
Payment dates for commercial development	Not specified
Long Stop Date	Not specified
Off set provisions	Not specified
Security	Not specified
Exclusions from liability?	N/A
Development plan support (including SPD)	N/A
Total amount to be collected	N/A
Percentage of overall infrastructure budget to be collected (if known)	Varies depending on infrastructure type and development zone, but overall appears to be a majority.
Infrastructure delivery approach	<p>Delivery responsibilities split depending on specific infrastructure projects – either Chelmsford Borough Council and a range of central partners (e.g. Highways Agency etc) or Essex County Council.</p> <p>All infrastructure to be delivered by 2015, with some being delivered by 2011. Other investment will be ongoing.</p>
Review dates	Not specified
Approach to Affordable housing	35% of residential contributions dedicated to affordable housing provision
Other important features	All development will contribute to the identified Borough-wide infrastructure and then either to the Chelmsford Urban or North Chelmsford Neighbourhood depending on the location of the development.

## Corporation of London

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### Introduction

The special circumstances of the City, particularly with its low levels of housing, high land prices and limited opportunities for large housing development, have led to the development of an approach at variance with that advocated in the London Plan for the rest of London. There is a simple, easily applied 'planning obligation figure' which applies to development of commercial and residential space above certain thresholds. The relatively limited role of the Corporation in providing infrastructure has also influenced the strategy.

### Basic Facts

Issue	Approach
Date first implemented	Adopted June 2004
Residential charge	£70 per square metre of additional gross floorspace
Commercial charge	£70 per square metre of additional gross floorspace
Other development	As above
Payment mechanism	Secured by section 106 obligations
Payment dates for commercial development	Not specified
Long Stop Date	Not mentioned
Off set provisions	The SPD is keen to stress the flexible approach which will be taken to planning obligations, including suggesting that it might be possible to avoid the 'planning obligation figure' by on-site provision.
Security	Not mentioned
Exclusions from liability?	There are <u>indicative</u> thresholds as follows: Commercial: 10,000 square metres provided that there is also an increase of 2000 square metres or more Housing: 15 dwellings or 0.5 hectares
Development plan support (including SPD)	Policy IMP3 of the adopted UDP (2002) and see London Plan
Total amount to be collected	Not specified
Percentage of overall infrastructure budget to be collected (if known)	Not specified
Infrastructure delivery approach	Not set out. The SPD envisages that benefits will be primarily spent on 'local community facilities' (educate, health, street

Issue	Approach
	scene) with the rest on affordable housing (30%) transport improvements (15%) and training (5%). The SPD accepts that pooling of contributions will take place, with the Corporation managing a pool to be spent on transport, housing, training and regeneration projects located in the City and City fringes.
Review dates	"Periodic"
Approach to Affordable housing	25% of on-site units to be affordable or a number equivalent to 33% if provided off site, either by provision or cash-in-lieu.
Other important features	N/A

## Dartford BC - Kent Thameside Strategic Transport Programme

### Introduction

Dartford BC introduced a development tariff in July 2007. It initially applied to residential development and, in the 6 months to January 2008, had secured commitments totalling £2.1 million. The purpose of the tariff is to finance a programme of transport schemes.

In January, the Council reviewed the tariff following further consultation, including with the developers of smaller schemes, and the progress of discussions between a number of parties. The scope of the tariff was extended (i.e. applied to a greater number of developments) and greater clarity provided as to how the infrastructure for which it is intended will be provided.

### Basic Facts

Issue	Approach
Date first implemented	July 2007 (refined approach adopted January 2008)
Residential charge	£5,000 per residential unit
Commercial charge	<b>B1(a); B1(b)</b> : £5000 per 100 sq m. <b>B1(c); B2:</b> £3,500 per 100 sq m.
Other development	<b>B8:</b> £1750 per sq m. <b>Hotel:</b> £450 per bedroom. For all other types of non-residential development, a financial contribution will be based on traffic generation (on an "amount per trip" basis) estimated by any Transport Impact Assessment required.
Payment mechanism	In relation to residential developments, the tariff is payable on the date on which work is commenced. A more flexible approach applies to larger, phased schemes, the intention being that 25% of the total payable is payable on commencement, with other payments being made until the whole is paid by the time development is 50% complete
Payment dates for commercial development	Not specified
Long Stop Date	Not specified
Off set provisions	
Security	None
Exclusions from liability?	Thresholds have been set as follows: <b>Residential</b> - 2 units or above (net gain) <b>B1(a); B1(b)</b> - 100 sq m. <b>B1(c); B2</b> – 140 sq m. <b>B8</b> – 280 sq m.

Issue	Approach
	<b>Hotel – 10+ bedrooms</b>
Development plan support (including SPD)	No obvious link
Total amount to be collected	£175 m
Percentage of overall infrastructure budget to be collected (if known)	£101 m (=57%)
Infrastructure delivery approach	Largely governed by agreement between various parties (see below)
Review dates	The amount is revised each April in accordance with the Construction Price Index
Approach to Affordable housing	No exclusions.
Other important features	The tariff will be managed through an operating framework, embodied in an agreement between Kent County Council, Dartford Borough Council, Gravesend Borough Council, Department for Transport and CLG. The agreement covers delivery, as well as imposing obligations in respect of the use of contributions and borrowings (where needed). It also imposes obligations on the Borough Councils to optimise sustainable transport and to keep tariff policies under review

**Introduction**

Eastleigh Borough Council are currently consulting on a tariff strategy (published March 2008), part of which incorporates standardised charges already adopted by Hampshire County Council (Education and Transport). The charge has been assessed on the level of infrastructure required to support the predicted housing growth to 2012. Notably, a tariff approach is not advocated in areas such as community safety, environmental improvements, health provision, employment training, energy and climate change costs (off-site renewable /decentralised energy supply), footway and cycleway provision, nature conservation and biodiversity. All contributions are index linked.

The aim of the SPD is to provide guidance on the proposed type and level of contributions to be sought, and set out the framework and background to the obligations. The SPD will be a material consideration in determining planning applications once adopted.

**Basic Facts**

Issue	Approach
Date first implemented	Draft SPD (for consultation) published in March 2008. Aspects of the standard charge have already been implemented by Hampshire County Council (Education (March 2007) and Sustainable Transport (September 2007)) and by the Borough Council (Community Infrastructure)
Residential charge	<p>Series of standardised charges for education, transport, community infrastructure, public open space and play areas, public art.</p> <p>Level of charge based on anticipated need for infrastructure to support average housing completions of 591 dwellings per year from 2007 to 2012. Standard charge calculated on the basis of occupancy levels and hence increases depending on the number of beds in the unit.</p> <p>The level of the standardised transport charge is assessed on the number of multi-modal trips per dwelling multiplied by a specified cost per trip (based on average of larger developments in Hampshire)</p> <p>Public Open Space: a basic charge will be levied together with an additional charge depending on the level of deficiency in open space provision in the zone in which the development is located. Contributions include commuted sums.</p>
Commercial charge	<p>Series of standardised charges for transport, community infrastructure, public open space, public art</p> <p>In general terms, the level of the charge is based on the size of the commercial development and the use class into which it falls (B1m B2, B8 etc).</p> <p>The level of the standardised transport charge is assessed on the number of multi-modal trips per 100sqm of floor space for a specified use multiplied by a specified cost per trip (based on average of larger developments in Hampshire).</p>

Issue	Approach																		
Other development	No information																		
Payment mechanism	Options on up front payments (where financial contributions only are required) or payments secured through s. 106 agreements/unilateral undertakings. No information on the triggers.																		
Payment dates for commercial development	Information is limited, but appears to be prior to commencement of development where secured under a section 106 agreement																		
Long Stop Date	No information																		
Off set provisions	No information																		
Security	No information																		
Exclusions from liability?	<p>Thresholds:</p> <table border="1"> <thead> <tr> <th></th> <th><i>Residential</i></th> <th><i>Commercial</i></th> </tr> </thead> <tbody> <tr> <td>Transport</td> <td>1 unit</td> <td>Any net increase in floor area</td> </tr> <tr> <td>Public Open Space, Play Area</td> <td>1 unit</td> <td>Any net increase in floor area</td> </tr> <tr> <td>Community Infrastructure</td> <td>Net increase of 1 unit and above (NB: includes flat conversions, houses in multiple occupation, bedsits)</td> <td>N/a</td> </tr> <tr> <td>Public Art</td> <td>10 or more units</td> <td>Applications of 1000sqm or more</td> </tr> <tr> <td>Education</td> <td>10 or more units (excluding 1 bed units/elderly accommodation) where additional capacity required</td> <td>N/a</td> </tr> </tbody> </table> <p>Scope to negotiate away from starting contributions if developers can demonstrate (on open book basis) that development not otherwise viable.</p>		<i>Residential</i>	<i>Commercial</i>	Transport	1 unit	Any net increase in floor area	Public Open Space, Play Area	1 unit	Any net increase in floor area	Community Infrastructure	Net increase of 1 unit and above (NB: includes flat conversions, houses in multiple occupation, bedsits)	N/a	Public Art	10 or more units	Applications of 1000sqm or more	Education	10 or more units (excluding 1 bed units/elderly accommodation) where additional capacity required	N/a
	<i>Residential</i>	<i>Commercial</i>																	
Transport	1 unit	Any net increase in floor area																	
Public Open Space, Play Area	1 unit	Any net increase in floor area																	
Community Infrastructure	Net increase of 1 unit and above (NB: includes flat conversions, houses in multiple occupation, bedsits)	N/a																	
Public Art	10 or more units	Applications of 1000sqm or more																	
Education	10 or more units (excluding 1 bed units/elderly accommodation) where additional capacity required	N/a																	
Development plan support (including SPD)	Strategy in the form of a draft SPD to form part of the Local Development Framework																		

Issue	Approach
Total amount to be collected	No information
Percentage of overall infrastructure budget to be collected (if known)	No Information
Infrastructure delivery approach	Where no specific scheme is mentioned on which a particular contributions is to be expended, that contribution will be allocated to an appropriate local scheme identified within Council's Community investments strategy. In appropriate cases contributions will be pooled to meet the combined impacts of a number of schemes/
Review dates	Play area commuted sums reviewed in April every year. Otherwise no information, but given that the infrastructure assessment is based on predicted housing completions to 2012, any review will presumably take place before that date if the targets change, or as of that date.
Approach to Affordable housing	35% of housing delivered on sites capable of accommodating 15 or more dwellings will be affordable, delivered by the developer. Affordable housing will be required on smaller sites if such sites are located in parts of the Borough with the highest level of need, where the location is particularly sustainable, or in parts of the borough where the number of sites accommodating 15 or more units is likely to be limited.
Other important features	N/a

## Kingston upon Hull City Council – Standardised Charge for City Centre Public Realm

### Introduction

The standardized charge is intended to help finance the creation of capacity required to accommodate additional activity from all types of development. It is considered that all types of development in the whole city will put pressure on the City Centre, and so all types will finance public realm improvements in the City Centre. A standard charge is used to reduce the time in negotiating section 106 obligations, provide certainty for developers, acknowledge the role of the City Centre in driving the sub-regional economy and to provide fairness and transparency in meeting the costs of providing city Centre public realm capacity.

### Basic Facts

Issue	Approach
Date first implemented	Unclear
Residential charge	Density 30-59 units per hectare - £25 per sq metre Density 60+ units per hectare - £40 per sq metre NB: no distinction is made between City Centre and rest of city development
Commercial charge	There is a 'menu' of different types, according to use class. For example: <b>B1(a) prime offices:</b> £25 per sq metre in City Centre £15 per sq metre in rest of City <b>A1 prime comparison retail:</b> £75 per sq metre in City Centre £50 per sq metre in rest of City
Other development	See above
Payment mechanism	Secured by Section 106 obligations
Payment dates for commercial development	Secured by Section 106 obligations
Long Stop Date	Not given
Off set provisions	The need to apply the standard charge flexibly, and to treat each development on its merits, is recognised. No specific 'off-set' provisions are mentioned
Security	Through Section 106 obligations
Exclusions from liability?	New development or change of use of floor area of 200 sq metres or above except convenience retail, where the threshold is 50 sq metres
Development plan support (including	CCAAP9 and CCAAP39

Issue	Approach
SPD)	
Total amount to be collected	£42,423,949
Percentage of overall infrastructure budget to be collected (if known)	
Infrastructure delivery approach	Not given
Review dates	Annually
Approach to Affordable housing	No distinction made
Other important features	The standard charge is based on a contribution per square metre of the gross floor area of qualifying development not exceeding but being broadly equivalent of 10% of the average land values in the City (for each type of use). The 10% threshold reflects a conclusion that a 10% impact on land values is a level at which the cost of contributions would not have an adverse impact on local land markets.

## London Thames Gateway UDC (London Riverside and Lower Lea Valley Tariff)

### Introduction

The London Riverside and Lower Lea Valley Tariff has been promoted by the London Thames Gateway Development Corporation as a fundamental part of its strategy for the regeneration and redevelopment of its area. It has been developed in close consultation with the development industry, and with the support of Communities and Local Government. The legacy of industrial activity in the UDC's areas, together with their location means that the costs of development will vary greatly both between London Riverside and the Lower Lea Valley, and within each of these areas. If a standard charge was imposed to recoup the full cost of the necessary infrastructure, it would make development unviable. The proposed solution is to charge a discounted sum which has been set at a level so as not to impact on the viability of development. However, if the viability assumptions underlying the discounted level of charge prove overly pessimistic, there are mechanisms to recoup an appropriate part of the discount. A revised Planning Obligations Community Benefit Strategy was adopted in July 2007. Following further consultation, a number of changes to that strategy have been adopted, however the final Strategy Document has yet to be published.

### Basic Facts

Issue	Approach
Date first implemented	Adopted as of 2 July 2007
Residential charge	<p>Standard Charge necessary to meet total proposed infrastructure costs (based on 2007 prices) has been assessed at:</p> <ul style="list-style-type: none"><li>▪ £28,800 (Lower Lea Valley) and</li><li>▪ £22,600 (London Riverside)</li></ul> <p>This has been discounted to reflect viability to:</p> <ul style="list-style-type: none"><li>▪ £10,000 (Lower Lea Valley) and</li><li>▪ £6,000 (London Riverside)</li></ul> <p>Position to be reviewed in 2009 and every subsequent second year (see also <i>Other Important Features</i> below)</p>
Commercial charge	Initially none – position to be kept under review
Other development	N/A
Payment mechanism	<p>25% of Discounted Standard Charge due on implementation of development. Payment is payable within 20 working days of the end of the quarter in which the permission is implemented</p> <p>75% of Discounted Standard Charge due on</p>

Issue	Approach
	completion of each commercial unit. Payment is payable within 20 working days of the end of the quarter within which the commercial unit was completed
Payment dates for commercial development	N/A
Long Stop Date	All outstanding payments (at a revised level) are payable on the 10 <sup>th</sup> anniversary of implementation.
Off set provisions	Draft 106 agreement provides that provision of infrastructure otherwise covered by tariff payments by the developer can be offset against tariff payments.
Security	Notice provisions which, if activated, mean that at any time after a specified number of units have been completed LTGDC may require security (to be provided by a bank via bond or cash deposit).
Exclusions from liability?	Initially no charge will be imposed on residential units completed within 2 years of the date of the planning permission, or on schemes of 99 or fewer residential units.
Development plan support (including SPD)	No, but the Planning Obligations Community Benefit Strategy (adopted March 2008) will be a material consideration in determining applications.
Total amount to be collected	£509 million in the Lower Lea Valley area and £765 million in the London Riverside area less any funding provided from the public purse.
Percentage of overall infrastructure budget to be collected (if known)	The level of the Standard Charge (before discount) is set to recoup 100% of infrastructure budget. In reality this amount will not be achieved, and shortfalls will be met through public funding.
Infrastructure delivery approach	LTGDC will collect the contributions. Funds will be passed to other authorities/delivery partners.
Review dates	Every second year, next review to commence in 2008 for adoption in 2009.
Approach to Affordable housing	35% of housing will be affordable, delivered by the developer.
Other important features	An important (and contentious) feature of this strategy is the mechanism for recapturing part

Issue	Approach
	<p>of the discount where the market assumptions on which it is based prove overly pessimistic.</p> <p>For developments of 100 or more units, if developed sale values exceed those used to justify the discounted part of the standard charge, developers are required to pay a proportion of the difference in relation to any unit completed more than 3 years after the date of the planning permission to LTGDC. The total charge may never exceed the level of the full standard charge.</p> <p>The developer may opt for one of three recapture mechanisms at the time of entering into the s. 106 agreement:</p> <p><i>Deferred Part of the Standard Charge:</i> a charge drawn from a fixed scale of charges which increases in proportion to the increase in average sales value for the previous year;</p> <p><i>Fixed Deferred Charge:</i> A fixed charge set at the date of entering into the 106 agreement</p> <p><i>Prevailing Discounted Standard Charge:</i> the most recently adopted level of the discounted standard charge (to be reviewed every second year) when paying the outstanding 75% of the discounted standard charge on completion of a residential unit.</p> <p>Other contentious issues included:</p> <ul style="list-style-type: none"> <li>▪ the correct level of the standardised charge (given the wide discrepancies in residual land values across the LTGDC area), and the need to take account of public funding when assessing that level.</li> <li>▪ delivery mechanisms for infrastructure</li> </ul>

**Introduction**

The Milton Keynes tariff is probably the best known standard contributions system. It was promoted by the Milton Keynes Partnership which is comprised of English Partnerships (in its capacity as the Urban Regeneration Authority) and Milton Keynes Council, with the active support of developers acting through Milton Keynes Forward. The approach is often dismissed as "Milton Keynes specific". In fact the broad approach could be applied anywhere, and it offers a good example and holds many lesson for the development of future proposals.

**Basic Facts**

Issue	Approach
Date first implemented	The first site specific agreement incorporating the tariff arrangements was completed on 22 July 2005.
Residential charge	£18,500 per house, known as the "Per Unit Contribution".
Commercial charge	£260,795 per hectare out of centre. £40 per square metre of gross external area of buildings comprising commercial units in 'neighbourhood centres'.
Other development	N/A
Payment mechanisms - residential development	<p>10% of the Per Unit Contribution in respect of a reserved matters area is due within 10 days of an "Implementable Consent" (when the consent can be implemented with a few exclusions);</p> <p>15% of the Per Unit Contribution in respect of a reserved matters area is due on Implementation of that area; and</p> <p>75% of the Per Unit Contribution for all units completed in the previous quarter within a reserved matters area is due within 10 working days after the next quarter day.</p> <p>A default payment of 10% of the Per Unit Contribution payable in respect of 10% of the units consented if the first reserved matters application has not been submitted within 18 months of the outline. This is offset against future payments.</p>
Payment mechanisms - commercial development	<p>Payments are made in relation to each unit:</p> <p>25% on implementation;</p> <p>25% on practical completion; and</p> <p>50% on occupation.</p>

Issue	Approach
Long Stop Date	All outstanding payments (based on the amount of development consented) must be paid by 2021 or 2016 (depending on size of application) with some flexibility to accommodate satisfaction of any Grampian conditions
Off set provisions	Provision of infrastructure otherwise covered by tariff payments by the developer can be offset against future tariff payments.
Security	Security (e.g. bond, charge or guarantee) can be called for at any time after 2016 if URA not reasonably satisfied that landowner will be able to pay outstanding contributions (provisions allow for information regarding payment ability to be requested)
Exclusions from liability?	Developments of 9 or fewer dwellings, office /industrial/retail developments of less than 1000 sqm floor space and any development on a site of less than 1 hectare
Development plan support (Including SPD)	Milton Keynes Urban Development Area Tariff SPD (adopted November 2007)
Total amount to be collected	£310m plus land for specified community uses to be provided at nil value
Percentage of overall infrastructure budget to be collected	<p>Strategic Infrastructure – tariff will cover mostly capital costs only (NB: both capital and maintenance costs of public open space will be covered, and some other sectors <i>may</i> receive revenue funding)</p> <p>Local Infrastructure: tariff will meet 75% of costs.</p> <p>Strategic infrastructure is that identified for delivery in the rolling programme and which is fully funded by tariff payments and Government funding to the URA. Local infrastructure is that identified in the rolling programme and which is funded in part by other bodies, e.g. schools.</p>
Infrastructure delivery approach	<p>EP (as URA) collects tariff contributions and has a best endeavours obligation to deliver strategic infrastructure and a reasonable endeavours obligation to deliver local infrastructure.</p> <p>Infrastructure is delivered through Milton Keynes Partnership (a partnership between the URA and Milton Keynes Council) via a Business Plan and a set of Delivery Plans</p>

Issue	Approach
	<p>setting out who delivers what and when over 5 years. A Project Management Board oversees the Delivery Plans and Joint Delivery Teams (comprising established agencies with statutory and lead delivery responsibilities for infrastructure in the Milton Keynes area) manage elements of the Delivery Plans.</p>
<p>Review dates</p>	<p>SPD to be reviewed as and when necessary to reflect changes to tariff and planning obligations, e.g. arising from new detailed studies on infrastructure requirements or relevant amendments to national policy advice.</p> <p>For any landowners bound into the Framework Agreement which do not have planning permission five years after the date of the Framework Agreement there is an opportunity to review the agreement.</p>
<p>Approach to Affordable housing</p>	<p>30% of housing will be affordable, delivered by the developer. SPD stipulates that this comprises 25% social rented and 5% new build homebuy. Under the framework agreement the mix is: 25% Social Rented Housing, 15% Shared Ownership Housing, 5% Reduced Cost Housing and 5% Low Cost Market housing.</p>
<p>Other important features</p>	<p>A force majeure clause was negotiated into the agreement due to the longstop requirements.</p>

**Introduction**

Peterborough City Council is currently undertaking a review and consultation process on a draft revised planning obligation strategy in order to improve the method by which they obtain developer contributions. The new strategy will provide a transparent and simpler process, explaining how the contributions will deliver the required infrastructure in each area of the council. There will be general principles explaining how the contributions sought will be calculated, which will be based on the type of development and other relevant factors.

**Basic Facts**

Issue	Approach
Date first implemented	Not yet implemented
Residential charge	Yes – charges vary depending on whether the development is made up of flats or houses, and the number of beds each has. Maximum charge is £9,000 per unit, for 5+ bedroom houses, the minimum is £1,200 per unit for 1 bedroom studio flats.
Commercial charge	Yes – charges vary depending on the kind of commercial developments.
Other development	<ul style="list-style-type: none"> <li>• Assembly and leisure charged at £8 per sq m.</li> <li>• Non-residential institutions (places of worship, clinics, museums etc.) negotiated on a case-by-case basis,</li> </ul>
Payment mechanism	In some cases it will be necessary to accumulate financial contributions will be accumulated over a number of years before infrastructure is delivered. However it is not reasonable for this money to be held indefinitely and so agreements will normally include a provision for the Council to retain financial contributions for a period of 10 years. After this time, any contributions that have not been spent or committed will be returned to the developer, unless agreed otherwise.
Payment dates for commercial development	For large commercial schemes, or residential schemes of 15 dwellings or more, the Council may consider requests from developers for phased payments.
Long Stop Date	Not specified
Off set provisions	Not specified
Security	Not specified

Issue	Approach
Exclusions from liability?	[In particular, whether there is a minimum threshold of any type – size of site, number of units etc.]
Development plan support (including SPD)	Not specified
Percentage of overall infrastructure budget to be collected (if known)	Not specified
Infrastructure delivery approach	Not specified
Review dates	Charges will be reviewed every year to take into account of development viability (capturing land values and construction costs) and the dynamics of the local property market, together with the evolving infrastructure requirements set out in the Council's Integrated Development Programme.
Approach to Affordable housing	Not specified
Other important features	To help deliver infrastructure from a variety of developments and funding sources, financial contributions will be 'pooled' separately for city-wide infrastructure, for the city centre infrastructure, and for the five Neighbourhood investment areas.

## Reigate & Banstead Borough Council – Horley Infrastructure SPD

### Introduction

The Horley Infrastructure SPD aims to secure the provision of infrastructure or financial contributions by developers on a cost-per-dwelling basis to all development making up the strategic requirement for 2600 dwellings permitted after April 2001. Transport, education, community facilities and affordable housing make up the bulk of the infrastructure to be provided.

### Basic Facts

Issue	Approach
Date first implemented	Adopted January 2006
Residential charge	Depends on location (figures per dwelling <i>excluding</i> amounts for affordable housing): <b>NE neighbourhood</b> - <b>£23,747</b> <b>NW neighbourhood</b> - <b>£21,041</b> Small urban sites - £13,058
Commercial charge	n/a
Other development	n/a
Payment mechanism	The usual rule is that contributions are payable on commencement of development, but other timings can be agreed
Payment dates for commercial development	n/a
Long Stop Date	The contributions per dwelling include an allowance of 7% for non-collection (which "may become repayable" if all 2600 dwellings contribute.
Off set provisions	Not mentioned
Security	Through section 106 mechanism
Exclusions from liability?	No minimum
Development plan support (including SPD)	Policy Hr1 Hr3
Total amount to be collected	Not specified
Percentage of overall infrastructure budget to be collected (if known)	Not specified
Infrastructure delivery approach	Not specified
Review dates	Contributions are indexed

Issue	Approach
Approach to Affordable housing	25% of housing will be affordable, delivered by the developer.
Other important features	<p>NB1: the figures include a pro-rated amount towards a new leisure centre.</p> <p>NB2: childrens' play space capital and maintenance contributions will be collected on a site-by-site basis.</p>

**Introduction**

Surrey County Council seeks developer contributions in respect of small-scale development based on variable occupancy levels. There is no flat 'amount per unit' charge, but the amount payable uses specified rates (per occupant) multiplied by an assumed number of occupants. Assumed occupancy rates for residential units of various sites are given, and the 'occupants' of new non-residential developments can be calculated using given rates for floor area per worker. By capturing small-scale development (larger schemes will be negotiated on a site-by-site basis) the tariff aims to address cumulative impact.

**Basic Facts**

Issue	Approach
Date first implemented	Not clear
Residential charge	Examples: <b>Education:</b> £2699 per occupant <b>Transport:</b> £718 per occupant in defined town centres £1333 per occupant outside defined town centres <b>Libraries:</b> £92 per occupant <b>Play space:</b> £576 per occupant etc
Commercial charge	As for residential, except no contribution for education
Payment mechanism	Secured by section 106 unilateral obligation
Payment dates for commercial development	According to section 106 obligation
Long Stop Date	None given
Off set provisions	Unlikely
Security	Through section 106
Exclusions from liability?	Affordable housing is exempt, as are house extensions. In relation to non-residential extensions, the tariff will not be payable where the extension falls below the area per standard worker
Development plan support (including SPD)	Derived from 05/05
Total amount to be collected	Not known
Percentage of overall infrastructure budget to be collected (if known)	Not known

Issue	Approach
Infrastructure delivery approach	A protocol will be developed to enable dispersal of funds to the District Councils. Pooling will take place and the County Council will publish details in the Annual Monitoring Report
Review dates	Not given
Approach to Affordable housing	Exempt
Other important features	One interesting feature is the transparency in connection with the way in which rates have been calculated

### Introduction

West Berkshire adopted their 'Delivering Investment from Sustainable Development SPG (Core Guidance and several individual Topic Papers) in 2004 and hence is an early approach to creating a tariff. Developer contributions are required for a range of infrastructure needs. Standardised sums payable on a per-unit bases are required only for the four areas of public libraries, transport (for commercial proposals), healthcare and open space. These are areas where in the Council's view the impacts of the development are reasonably predictable and hence it is relatively straight forward to assess costs. Other areas such as education and transport (for residential proposals) are left to negotiation. Thus the statement in the Core Guidance that "in all cases contributions will be agreed through negotiation based on the provisions of this SPG" may not be a guarantee that the Council is willing to be flexible in relation to the areas where it is able to set standardised sums. The scheme has no lower threshold for application in residential development on the basis that even one residential unit will have an impact, particularly if viewed cumulatively. The SPG aims to help developers identify the level of contributions at an early stage and to speed up the negotiation process.

### Basic Facts

Issue	Approach
Date first implemented	SPG was adopted 27 September 2004
Residential charge	<p>The total 'Tariff' contribution is made up of a number of standardised charges set out in individual 'topic papers' for <i>libraries, healthcare and open space</i>.</p> <p><i>Education and Special Needs Education</i> (currently under consultation) does not have a standardised charge mechanism, but elements of the calculation (e.g. child yield/dwellings of a set size) appear to be standardised.</p> <p>Contributions for other infrastructure (including Transport) are negotiated on a site-by-site basis. By limiting the tariff approach to certain areas, the Council retains the freedom to negotiate site specific contributions for more volatile issues (such as education and transport). The Core Guidance document notes that schemes of over 200 dwellings may generate a need for contributions of 'a special character'.</p>
Commercial charge	<p>Tariff composed of a series of standardised charges for: <i>transport, open space, libraries</i>.</p> <p>Contributions for other infrastructure are negotiated on a site-by-site basis.</p>
Other development	Negotiated on a site-by-site basis
Payment mechanism	In general terms both the residential and commercial standardised charges are

Issue	Approach
	<p>calculated on the basis of the cost of providing recommended levels of per-person floor space of relevant infrastructure.</p> <p>For residential contributions, this costs is translated into a per-unit cost by applying a Dwelling Occupancy Rate (derived from DCLG statistics) as a multiplier. As a result larger units with higher occupancy rates have higher standardised charges.</p> <p>In the case of open space, the relevant topic paper breaks the figure down into contributions for different types of open space allowing some elements of the contribution to be carved out in certain circumstances (see below).</p> <p>The commercial unit standardised charges is calculate by multiplying the per-person cost of providing the required infrastructure floor space by the number of employees accommodated in any unit (applying a standard Floorspace : Employee Ratio for the relevant use). This results in a per unit contribution which varies depending on the proposed use.</p>
Payment dates for commercial development	No information in standard form 106. It appears that dates are negotiable.
Long Stop Date	N/A
Off set provisions	None.
Security	None
<p>Exclusions from liability? - Residential:</p> <p style="text-align: center;">- Commercial:</p>	<p>Contribution obligation for residential units applies to all developments irrespective of size subject to following:</p> <p><i>Education and Special Needs:</i> housing designed to be occupied by people aged 55 or over and developments consisting solely of 1-bed flats or studio apartments;</p> <p><i>Open Space:</i> special needs housing (including sheltered housing) – Council will not seek contributions towards playing fields and equipped play space. One bedroom dwellings – no contribution towards equipped play space.</p> <p>Contribution obligation triggered by units of above approximately <b>200m<sup>2</sup></b> of B1 office floorspace (or equivalent for other Use</p>

Issue	Approach
	Classes) subject to following exception: <i>Open Space</i> : no contribution if public open space provided on site
Development plan support (including SPD)	SPG adopted September 2004 and updated April 2007
Total amount to be collected	No information
Percentage of overall infrastructure budget to be collected (if known)	No information
Infrastructure delivery approach	No information.
Review dates	Costs basis is reviewed annually. Factual updating and comprehensive review is undertaken "when the need arises"
Approach to Affordable housing	A minimum of 30% of housing will be affordable, delivered by the developer. The expected tenure mix is 70:30 affordable rented accommodation : new build homebuy. The obligation to provide affordable housing is triggered by a development on specifically allocated housing land or developments on unallocated land of 15 or more dwellings or of 0.5 or more hectares.
Other important features	Early draft of strategy included an obligation on commercial units to contribute towards affordable housing.  Developers suggested site remediation costs should be taken into account.

## Introduction

The City of Westminster's recently adopted SPG on Planning Obligations requires fixed contributions calculated on the basis of published formulae (relating to the number of units or floor space) for certain areas. Formulae for different obligations are outlined within the strategy, further formulae are in the process of being developed. The strategy allows funds to be pooled but requires a clear audit trail of expenditure. The Council is willing to consider a reduced level of contribution in exceptional cases, where a developer demonstrates that the level sought by the Council would render the development unviable. The policy forms part of an adopted SPG and will eventually be translated into an SPD as part of the local planning framework.

## Basic Facts

Issue	Approach
Date first implemented	1 January 2008
Residential charge	<p>The residential charge is the sum of standardised charges for monitoring (£500), open space, community facilities, education (Child yield –30% discount x DfES pupil cost / place), parking (£1000 for each new unit), health (HUDU model (not yet adopted)).</p> <p>Contributions for public realm, open space and community facilities (and in exceptional cases CCTV) are negotiated on a site specific basis applying formulae.</p>
Commercial charge	<p>The commercial charge is the sum of standardised charges for monitoring (£500), CCTV (£10/m<sup>2</sup> for offices) and public realm (£150/m<sup>2</sup> for offices, £67/m<sup>2</sup> other commercial).</p> <p>Contributions for open space are site specific.</p>
Other development	Entertainment developments will be charged standardised CCTV costs (£50 / m <sup>2</sup> ).
Payment mechanism	<p>The standard form s. 106 agreement suggests that payments are due prior to commencement. All payments are index linked.</p> <p>In general terms standardised charges are based on formulae using floorspace (commercial units) or unit numbers (residential).</p>
Payment dates for commercial development	Prior to implementation (monitoring fee to be paid on completion of legal agreement)
Long Stop Date	N/A
Off set provisions	Public realm schemes and highway works beyond reinstatement implemented by developers at their cost may be off-set against

Issue	Approach																								
	<p>the contribution.</p> <p>On-site provision of open space in larger commercial /residential schemes "may negate any requirement for a contribution towards open space"</p> <p>On-site provision of agreed health facilities offset against offsite provision costs.</p>																								
Security	N/a																								
Exclusions from liability?	<p>Thresholds vary depending on the nature of the contribution. In summary:</p> <table border="1" data-bbox="689 613 1198 1254"> <thead> <tr> <th data-bbox="689 613 858 669"></th> <th data-bbox="858 613 1034 669"><u>Commercial</u></th> <th data-bbox="1034 613 1198 669"><u>Residential</u></th> </tr> </thead> <tbody> <tr> <td data-bbox="689 669 858 725">Monitoring:</td> <td colspan="2" data-bbox="858 669 1198 725">all development</td> </tr> <tr> <td data-bbox="689 725 858 860">CCTV:</td> <td data-bbox="858 725 1034 860">1000m<sup>2</sup> (offices) 50m<sup>2</sup>(other)</td> <td data-bbox="1034 725 1198 860">N/a</td> </tr> <tr> <td data-bbox="689 860 858 949">Public Realm:</td> <td data-bbox="858 860 1034 949">200m<sup>2</sup></td> <td data-bbox="1034 860 1198 949">50 Units</td> </tr> <tr> <td data-bbox="689 949 858 1061">Open Space:</td> <td data-bbox="858 949 1034 1061">£1000 m<sup>2</sup> other</td> <td data-bbox="1034 949 1198 1061">50 units / 25 three bed family units</td> </tr> <tr> <td data-bbox="689 1061 858 1117">Education</td> <td data-bbox="858 1061 1034 1117">N/a</td> <td data-bbox="1034 1061 1198 1117">50 units</td> </tr> <tr> <td data-bbox="689 1117 858 1173">Parking</td> <td data-bbox="858 1117 1034 1173">N/a</td> <td data-bbox="1034 1117 1198 1173">5 units</td> </tr> <tr> <td data-bbox="689 1173 858 1254">Health</td> <td data-bbox="858 1173 1034 1254">N/a</td> <td data-bbox="1034 1173 1198 1254">To be determined</td> </tr> </tbody> </table>		<u>Commercial</u>	<u>Residential</u>	Monitoring:	all development		CCTV:	1000m <sup>2</sup> (offices) 50m <sup>2</sup> (other)	N/a	Public Realm:	200m <sup>2</sup>	50 Units	Open Space:	£1000 m <sup>2</sup> other	50 units / 25 three bed family units	Education	N/a	50 units	Parking	N/a	5 units	Health	N/a	To be determined
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Development plan support (including SPD)	SPG adopted in January 2008 connected to the Local Plan. Reference will be made to S106 formulae for public realm and other contributions and options for delivery of those contributions in the draft City Management DPD.																								
Total amount to be collected	No information available																								
Percentage of overall infrastructure budget to be collected (if known)	No information available																								
Infrastructure delivery approach	<p>Managing and monitoring of pooled funds will be achieved by reporting planning obligations through the Annual Monitoring Report.</p> <p>Westminster has established an interdepartmental network of officers from departments across the City Council to raise</p>																								

Issue	Approach
	<p>awareness of responsibilities related to s.106 expenditure.</p> <p>No further information on delivery.</p>
Review dates	To be reviewed after first year of operation and then as further guidance evolves
Approach to Affordable housing	Subject to a threshold of 10 or more units or a site area of 0.3 hectares, 30% of proposed housing units for developments within central Westminster will be affordable, with 50% for developments elsewhere.
Other important features	<p>Education contribution also payable for off-site affordable housing provisions.</p> <p>There was a concern that tariff approach would lead to refurbishment being preferred over redevelopment in some circumstances.</p> <p>Economic viability issues (assessed on individual basis at developer's expense) may lead to reconsideration of contributions.</p> <p>Residential threshold original set at 10 units and raised to 50 in line with certain policy and following consultation</p>

**Introduction**

Winchester City Council has adopted a tariff strategy for recreational space (children's play and sports areas only). The strategy requires a contribution where there is a local deficiency in recreational provision, either in terms of inadequate land supply, or in terms of inadequacies in existing facilities measured against the Local Plan Standard. This establishes the minimum amount of land (in hectares) required for residential use for every 1000 residents. The cost of providing the land then translates into a per-unit charge based on the number of beds in each proposed residential unit. Funds paid into a scheme operated by the City Council. The strategy treats the six wards of Winchester as a single area, hence funds can be used anywhere in the town. Certain funds are reserved for use by District and Parish Councils within their areas.

**Basic Facts**

Issue	Approach
Date first implemented	2007
Residential charge	<p>Charge set in three bands: A (high level contribution where short fall of recreation and in parish ) B (lower level contribution where sufficient land exists, but there is scope for improvements to that land) and 0 (no deficiency considered to exist).</p> <p>Total contribution made up of standardised sums (subject to bands) for Children's play areas and for Sports Grounds.</p> <p>Level of charge increases with the number of bedrooms in the residential unit. In relation to on site provision, developers are also required to pay:</p> <ul style="list-style-type: none"> <li>▪ 12 months maintenance costs;</li> <li>▪ a fixed commuted sum of £7.43m<sup>2</sup>;</li> <li>▪ provide a bond to secure completion of works.</li> </ul>
Commercial charge	N/A month
Other development	N/A
Payment mechanism	No information available (presumably 100% of the contribution is payable prior to implementation of the development).
Payment dates for commercial development	See above
Long Stop Date	N/a

Issue	Approach
Off set provisions	Amount of contribution for off-site provision reduced proportionally if developer able to provide part of play/sports ground requirement on-site.
Security	N/a
Exclusions from liability?	No minimum number of units threshold. However, the 0 band is applicable where there is no deficiency in the local recreational space provision
Development plan support (including SPD)	none
Total amount to be collected	N/a
Percentage of overall infrastructure budget to be collected (if known)	N/a
Infrastructure delivery approach	City Council and Parish Councils are main providers of facilities. Funding system operated by City Council and areas of funds are reserved for correlating geographic areas.
Review dates	Contribution scales reviewed annually in March
Approach to Affordable housing	N/A
Other important features	N/A