Rother District Council's response to the Examiners Note (ED/5)

This note should be read in conjunction with the Schedule of Proposed Modifications to the Draft Charging Schedule which also addresses issues arising from the Examiner's Note (ED/5). Responses are given below in the order that they appear in the Examiner's Note (ED/5) received on 8th June 2015.

1. Council's position on Exemptions and Discretionary Relief from CIL

1.1 The Council the reserve the right to develop this policy in accordance with Para. 130 of the PPG (Reference ID: 25-130-20140612).

1.2 However, the Council considers the viability assessment was undertaken robustly and is compliant with the CIL Regulations and best practice. Therefore the Council maintain the CIL rates proposed are reasonable and would not undermine economic viability of development against achieving the wider planning objectives of the development plan.

1.3 As a consequence the Council will not be introducing a CIL Exemptions and Discretionary Relief Policy at this time.

2. Funding Gap Analysis

2.1 The funding gap was originally calculated In August 2014 in view of all known sources of funding but was later revised in Feb 2015 to reflect greater certainty over funding streams such as the Local Growth Fund and funding streams relating to High Speed Rail project.

2.2 The IDP (Feb 2015) indicates the cost of the Bexhill Hastings Link Road being £90-100m. For the purposes of the Funding Gap analysis the lower end of the range has been used (as advised by East Sussex County Council) hence the 10m discrepancy. ESCC have also advised that further increases in costs arising from the Link Road construction will come out of their Capital Spending Programme. The aggregate funding gap remains 5M.

2.3 The £124.25m funding sources identified for Transport (£114.25M and the additional £10M funding from ESCC's Capital Spending Programme) is derived from DfT funding for the Link Road, ESCC capital programme, and the Local Growth Fund.

2.4 The unlocking of Local Growth Fund monies are contingent on a robust business case being agreed by the SELEP. However, the South East Growth

Fund has identified a funding pot for Hastings and Bexhill junction improvements for Hastings and Bexhill and a definitive figure cannot be established at this stage for junctions solely in Bexhill from the Local Growth Fund. There is, though, a reasonable prospect that the estimated costs for the road junctions and the Town Centre traffic management improvements can be met from the funding sources as outlined above in paragraph 2.3.

2.5 For clarification on flood Risk, the 11m is attributed to Rother Eastern Tidal Wall and Freida Garden School site, Rye which is directly linked to development. This site is dependent on this critical piece of infrastructure in order for it to come forward. The remaining schemes are attributed to ongoing maintenance of coastal sea defences to 'hold the line' in accordance with the Shoreline Management Plan.

2.6 Funding for the 1st phase of the Countryside Park project was £400,000. Costs to further phases were updated for the Funding Gap Analysis Feb 2015 late in the day but the IDP was not updated to reflect the 4M. The error will be rectified in subsequent additions of the IDP.

2.7 For clarification it is proposed the following table 'Residual Funding Gap' is inserted in subsequent additions of the Funding Gap Analysis document (Total Aggregate Funding section, page 5) with the appropriate commentary to clarify the following:

1. Total infrastructure costs equates to £255,547,000m

2. Identified Funding Sources equates to £205,706,000m

3. The aggregate funding gap equates to £49,787,000m and justification for the introduction of CIL

With CIL income projected to be £32,400,000m[1] the residual funding gap will be **£17,387,700m** and will need to be found from other sources.

[1] The projected CIL receipts are based on applying the respective charges over the whole plan period to an average 85sqm dwelling.

Residual Funding Gap

Infrastructure	Infrastructure Cost	Identified Funding Sources	Aggerate Funding Gap
Transport	129,250,000	124,250,000	5,000,000
Education	15,167,000	60,000	15,107,000
Utilities	25,800,000	25,800,000	0
Sport and Rec	15,000,000	1,000,000	14,000,000
Flood Defence	65,000,000	54,000,000	11,000,000
Green Infrastructure	5,030,000	650,000	4,380,000
Environment	300,000	0	300,000
Total	**255,547,000**	**205,760,000**	**49,787,000**
Projected CIL Income			**32,400,000**
Residual Funding Gap			**17,387,000**

3. Infrastructure Delivery Plan and PBA Viability Addendum (Jan 2015)

3.1 The following typographical errors have been identified in the Infrastructure Delivery Plan and Viability Addendum (PBA Jan 2015) in the table below. The errors will be rectified in subsequent additions of the documents.

Erratum to the IDP and PBA Viability Addendum

	Page	Correction	Reason
Infrastructure Delivery Plan (IDP)			
	Page 16	Correction to Paragraph 6.1 to read: 'The identification of key infrastructure sectors is highlighted in [delete] Figure 2 [insert] Figure 3. Within those sectors it was important to breakdown the different infrastructure types and contact providers'.	Typographical error in relation to paragraph 6.1 of Section 6.0 (page 16) of the IDP (CIL/CD/005).
	Page 30	In relation to the Strategic Main Connection. Funding Column [delete] Not known – further work required and [insert] South East Water.	For clarification. Funding for the strategic mains connection will be funded by SE Water's Capital Investment Programme and will be subject to review in subsequent Water Management Plans
	Page 42	[delete] 407K [Insert] 4m	Correction to the cost figure attributed to Combe Valley Countryside Park. To correct a typographical error.
	Page 39 - 48	[delete] Core Strategy from banner headings between pages 39 to 48 in Appendix A for consistency and clarification.	Typographical error in relation to IDP Appendix A (CIL/CD/005).

Peter Brett Viability Addendum – January 2015			
	Page 18	Section 7 (page 18) of the January 2015 Peter Brett Viability Addendum – [delete] banner headings Table 6.1 / Table 6.2 and [insert] Table 7.1 / Table 7.2 to correct typographical errors.	Typographical error Section 7/page 18/Table 6.1 and Table 6.2

4. CIL Rates and CIL Income

4.1 To reconcile the recommendations set out in Section 7 of the Peter Brett 'Addendum to Viability Assessment (CIL/CD/002) and the Council's CIL Charging Rates as stipulated in Table 1 of the DCS (CIL/CD/001) please refer to the Cabinet Report: Consultation on the Draft Charging Schedule – 9th February 2015 (CIL/CD/027) paragraphs 17-24 which set out the reasoning to lower CIL rates at least in the early years of CIL in operation in the district.

4.2 The Council's proposed CIL rates aims to strike "*an appropriate balance*" between the desirability of funding infrastructure and the potential effect of the levy on economic viability of development across the district. Subsequently careful consideration has been given to setting a CIL rate which does not undermine economic viability of development against achieving the wider planning objectives of the development plan.

4.3 It follows, residential zones rates have been reduced by a proportion, c15% or £15 per sqm (whichever is the greater), relative to PBA's recommendations to ease the introduction of CIL, at least in the early years, and be more aligned with other Councils in the locality. The Council considers this to be positive arrangement that will enhance housing delivery in the district.

4.4 It should be noted in terms of anticipated CIL receipts, applying the respective charges over the whole plan period to an average 85sqm dwelling, the PBA recommendation is estimated to yield £36.9m from residential developments, while the discounted charge would yield an estimated £32.4m over the Core Strategy Plan period which ends 2028. This does not include an allowance for either administration or CIL receipts passed onto Town and Parish Councils.

5. Other finance costs (Paragraphs 4.2.39 – 4.2.42 PBA Addendum)

5.1 The reference to profit on development cost for the non-residential appraisals are correct and is not a typographical error. The different approach is standard industry practice created by the different drivers for commercial and residential development. House builders build to sale therefore they are concerned with achieving a margin on sale values and the rate they can turn around their capital. House builders do not monitor margin on costs the same way as commercial developers because their return on capital is achieved in a relatively short space. House builders can build a single house in around 4 months and have it sold. Essentially they can turn around their capital twice or three times in a space of year. Although the appraisal analyses the scheme as a whole, the industry monitors margin on sales (i.e. the rate PBA use in the appraisal) and the rate they can turn around their capital.

5.2 Conversely a commercial development may take a year or longer to build before any income is received (rent or sale). Therefore, developers and lenders are more concerned on the margin of costs being achieved as capital is not turned around as quick and the costs are where their exposure lies. In addition, the appraisal assumes that the asset is sold post construction; in reality not all commercial developers sell as some are also investors. Therefore a return on sales is not a relevant hurdle to achieve and is not monitored in the industry as a margin on sale is by the residential industry.