



Borough of Poole CIL Viability

Addendum - Review of the Tender Price Index
on Proposed CIL Rates

On behalf of:



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Appendix A BCIS All-In Tender Prices Index

Introduction

- 1 With the indexation of CIL charges adopted in Poole Borough for Residential Dwellings - Zone A (Sandbanks, Canford Cliffs, Branksome Park and Lilliput) now exceeding the proposed changes to CIL in the submission Draft Charging Schedule submitted to the Planning Inspectorate in July 2018 for examination, this addendum note considers a revision to the proposed CIL charges.
- 2 This is to allow for an indexation rate increase in the draft charging schedule in line with the adopted CIL charges. In doing so, this addendum note identifies the impact that this would have on the viability of development within the borough of Poole before considering any recommendation for changing the Draft Charging Schedule CIL rates.

Currently Adopted CIL Rates

- 3 The Borough of Poole Council have adopted a Community Infrastructure Levy charge schedule, which commenced on 2nd January 2013. These rates are shown in **Table 1**.

Table 1 Adopted CIL rates in Poole Borough, at January 2013

| | CIL rate per sqm |
|-----------------------------------------------------------------------------------------|------------------|
| Residential Dwellings - Zone A (Sandbanks, Canford Cliffs, Branksome Park and Lilliput) | £150 |
| Residential Dwellings - Zone B (Town Centre) | £100 |
| Residential Dwellings - Zone C (Rest of Borough) | £75 |
| All other developments | £0 |

- 4 The Planning Policy Guidance for CIL identifies in Paragraph: 049 Reference ID: 25-049-20140612 that:

“In calculating individual charges for the levy, regulation 40 (as amended by the 2014 Regulations) requires collecting authorities to apply an index of inflation to keep the levy responsive to market conditions. The index is the national All-In Tender Price Index of construction costs published by the Building Cost Information Service (BCIS) of the Royal Institution of Chartered Surveyors.”
- 5 CIL Regulation 40 states that the indexation of CIL needs to be based on the All-in Tender Price Index figure for the 1st of November of the preceding year, as noted below:

$$\frac{R \times A \times I_p}{I_c}$$

where—

- A = the deemed net area chargeable at rate R;
- I_p = the index figure for the year in which planning permission was granted; and
- I_c = the index figure for the year in which the charging schedule containing rate R took effect.

(6) The value of A in paragraph (5) must be calculated by applying the following formula—

$$\frac{C_R \times (C - E)}{C}$$

where—

- C_R = the gross internal area of the part of the chargeable development chargeable at rate R;
- C = the gross internal area of the chargeable development; and
- E = an amount equal to the aggregate of the gross internal areas of all buildings which—
 - (a) on the day planning permission first permits the chargeable development, are situated on the relevant land and in lawful use; and
 - (b) are to be demolished before completion of the chargeable development.

(7) The index referred to in paragraph (5) is the national All-in Tender Price Index published from time to time by the Building Cost Information Service of the Royal Institution of Chartered Surveyors(a); and the figure for a given year is the figure for 1st November of the preceding year.

6 The application of this indexation formula has increased the adopted CIL rates in Poole each year since its adoption. **Table 2** shows the adopted CIL rates that are currently applicable to future developments within Poole. Over time, and given this requirement to index rates, some of these rates are higher than the proposed changes in CIL rates sought through submission of the Poole Draft Charging Schedule to the Planning Inspectorate in July 2017 for examination.

Table 2 Adopted CIL rates in Borough of Poole Indexed at November 2017

| | CIL rate per sqm |
|-----------------------------------------------------------------------------------------|------------------|
| Residential Dwellings - Zone A (Sandbanks, Canford Cliffs, Branksome Park and Lilliput) | £216.96 |
| Residential Dwellings - Zone B (Town Centre) | £144.64 |
| Residential Dwellings - Zone C (Rest of Borough) | £108.48 |
| All other developments | £0 |

Current Draft Charging Schedule CIL Rates

7 Owing to the positive changes in market conditions since the adopted CIL charges were introduced in 2012, the Borough of Poole Council have reviewed these charges and on 30th July 2018 submitted a Draft Charging Schedule along with the evidence base, and all of the representations received through consultations, to the planning inspectorate for examination. The proposed charges are shown in **Table 3**.

8 The latest Draft Charging Schedule that was published in July 2017 has sought to increase the amount of chargeable CIL within all area except the town centre. This was based on the viability evidence in the Poole Borough Council Local Plan and CIL Viability Study Update Report prepared by PBA in July 2017 (ED07).

Table 3 Draft Charging Schedule, July 2017

| Use | Zones | Charge | Areas |
|---------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|-------------------------------------------------------------------|
| Residential (C3 Use excluding retirement housing) | A | £200 | North Poole, Lilliput / Branksome Park, Sandbanks, Canford Cliffs |
| | B (i) | £60 | Poole town centre – excluding Twin Sails Regeneration Area |
| | B (ii) | £0 | Poole town centre – Twin Sails Regeneration Area |
| | C | £100 | Central Poole |
| Retirement / Assisted Living Housing | A | £100 | North Poole, Lilliput / Branksome Park, Sandbanks, Canford Cliffs |
| Retail (A1 Use) | £200 - Retail development outside the boundaries of Poole town centre, District Centres, Local Centres and neighbourhood parades, as set out in the Poole Local Plan – Pre-Submission Draft Policies Map (2017). | | |
| All other developments | £0 | | |

- 9 Since the Draft Charging Schedule was published, the Regulation 40 annual indexing of CIL has resulted in the adopted CIL rates in some areas to have increased beyond the soon to be examined Draft Charging Schedule rates, as identified earlier in **Table 2**.
- 10 The differences in the adopted (indexed) and recommended CIL rates are shown by comparing **Table 2** with **Table 3**. For example, future residential developments within the Lilliput / Branksome Park, Sandbanks and Canford Cliffs areas will pay £217 per liable sqm under the currently adopted indexed CIL rates. Should the current draft charging schedule be adopted, then the same residential development would pay £200 per sqm, which is £17 less than the current rate.
- 11 The Council has sought to mitigate this discrepancy by revising the draft charging schedule in line with the CIL Regulation 40 method to allow for annual inflation indexation based on the BCIS All-In Tender Price Index.

Impact of Indexation on the Draft Charging Schedule CIL Rates

- 12 **Table 4** shows how the current Draft Charging Schedule CIL rates would change after indexation in line with the formula set in CIL regulation 40. This uses the BCIS All-In Tender Price Index, as provided in **Appendix A**, which at November 2016 was 283 and at November 2017 it is 324. The November 2016 index is used as the starting year since the Draft Charging Schedule was published in July 2017, and in accordance with Regulation 40, the indexation should be based on the 1st November of the preceding year. The November 2017 index is used for revising the Draft Charging Schedule CIL rates to the current year since this is the preceding year index.

Table 4 Draft Charging Schedule July 2017 based on current Index (November 2017)

| Use | Zones | Charge | Areas |
|---------------------------------------------------|--------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| Residential (C3 Use excluding retirement housing) | A | £228.98 | North Poole, Lilliput / Branksome Park, Sandbanks, Canford Cliffs |
| | B (i) | £68.69 | Poole town centre – excluding Twin Sails Regeneration Area |
| | B (ii) | £0.00 | Poole town centre – Twin Sails Regeneration Area |
| | C | £114.49 | Central Poole |
| Retirement / Assisted Living housing | A | £114.49 | North Poole, Lilliput / Branksome Park, Sandbanks, Canford Cliffs |
| Retail (A1 Use) | | £228.98 - Retail development outside the boundaries of Poole town centre, District Centres, Local Centres and neighbourhood parades, as set out in the Poole Local Plan – Pre-Submission Draft Policies Map (2017). | |
| All other developments | | | £0 |

- 13 To ensure that these revised rates do not put unnecessary risk on the delivery of future sites, the revised CIL rates are compared to the viability headroom evidence for sites that were tested in ED07, as shown in Table 6.3, Table 6.6, Table 6.7 and Table 7.13. The headrooms shown in **Table 5** have been reduced by 30% to give the minimum buffer that the CIL rate should fall under. This 30% buffer is the same as that specified in ED07 (paragraph 6.3.7) and is applied to avoid charging CIL up to the margins of viability.

Table 5 Draft Charging Schedule Indexed to Nov 2017 and Viability Headrooms

| Use | Zones | Indexed CIL rates | Minimum headroom minus a buffer of 30% | | | |
|---------------------------------------------------|--------|-------------------|----------------------------------------|---------------|-------------|-----------------------------------------------------|
| | | | Poole Town Centre | Central Poole | North Poole | Lilliput, Canford Cliffs, Branksome Park, Sandbanks |
| Residential (C3 Use excluding retirement housing) | A | £228.98 | | | £598 | £787 |
| | B (i) | £68.69 | £71 | | | |
| | B (ii) | £0.00 | n.a. | | | |
| | C | £114.49 | | £117 | | |
| Retirement housing | A | £114.49 | | £417 | | |
| Assisted Living housing | A | £114.49 | | £177 | | |
| Retail (A1 Use) | | £228.98 | | | £212* | |
| All other developments | | £0.00 | | | N.A. | |

*This is the headroom without the 30% buffer for smaller supermarkets, which had the lowest headroom for the different tested retail use types.

- 14 Where the indexing of the Draft Charging Schedule CIL rates shown in **Table 5** fall below the minimum headroom minus a buffer values in the righthand side columns of **Table 5**, this suggests that the majority of tested site typologies would be able to comfortably accommodate the increase in CIL without being put at risk of non-delivery. **Table 5** shows that this is the case for all residential sites, including

retirement housing and assisted living. But for some retail uses, increasing the CIL rate to the indexed rate may reduce the headrooms to less than the 30% buffer. Therefore, there should be caution in indexing the Retail CIL rate in the Draft Charging Schedule.

Recommendation for the Draft Charging Schedule CIL Rates

15 Based on the assessment of revising the Draft Charging Schedule CIL rates using the method cited in CIL Regulation 40, it is recommended that the Council consider making the following changes, possibly with rounding, to the Draft Charging Schedule CIL rates:

- Residential (C3 Use excluding retirement housing) Zone A could be increased from £200 to £229 per sqm
- Residential (C3 Use excluding retirement housing) Zone B (i) could be increased from £60 to £69 per sqm
- Residential (C3 Use excluding retirement housing) Zone C could be increased from £100 to £114 per sqm
- Retirement housing and Assisted Living housing Zone A could be increased from £100 to £114 per sqm
- All other Draft Charging Schedule CIL rates should remain the same.

BCIS All-In Tender Prices Index



BCIS All-in TPI #101

| | |
|----------------|------------------------|
| Series: | BCIS All-in TPI |
|----------------|------------------------|

Series number: 101 quarterly
 Base: 1985 mean = 100
 Last updated: 28-Sep-2018
 Downloaded: 22/10/2018 13:52

| Date | Index | Status | Sample | Percentage change | |
|----------|-------|----------|--------|-------------------|------------|
| | | | | On year | On quarter |
| Nov-2012 | 224 | | 36 | 0.4 | 0.4 |
| Feb-2013 | 234 | | 36 | 8.8 | 4.5 |
| May-2013 | 236 | | 31 | 2.6 | 0.9 |
| Aug-2013 | 232 | | 32 | 4.0 | -1.7 |
| Nov-2013 | 239 | | 37 | 6.7 | 3.0 |
| Feb-2014 | 247 | | 37 | 5.6 | 3.3 |
| May-2014 | 259 | | 39 | 9.7 | 4.9 |
| Aug-2014 | 257 | | 32 | 10.8 | -0.8 |
| Nov-2014 | 259 | | 31 | 8.4 | 0.8 |
| Feb-2015 | 270 | | 31 | 9.3 | 4.2 |
| May-2015 | 283 | | 20 | 9.3 | 4.8 |
| Aug-2015 | 269 | | 28 | 4.7 | -4.9 |
| Nov-2015 | 271 | | 20 | 4.6 | 0.7 |
| Feb-2016 | 275 | | 24 | 1.9 | 1.5 |
| May-2016 | 282 | | 25 | -0.4 | 2.5 |
| Aug-2016 | 273 | | 27 | 1.5 | -3.2 |
| Nov-2016 | 283 | | 25 | 4.4 | 3.7 |
| Feb-2017 | 298 | | 27 | 8.4 | 5.3 |
| May-2017 | 324 | | 23 | 14.9 | 8.7 |
| Aug-2017 | 307 | Forecast | 14 | 12.5 | -5.2 |
| Nov-2017 | 324 | Forecast | 17 | 14.5 | 5.5 |

