Southwark Council
southwark.gov.uk

Mr T Kemmann-Lane
c/o the Programme Officer

Tim Cutts, Senior Regeneration Manager
Regeneration Old Kent Road
Chief Executive's Department

Tim.cutts@southwark.gov.uk

Tel: 020 7525 5380

Date: 19 June 2017

Ref: Click here to enter reference.

Dear Mr Kemmann-Lane

Response to letter received on 12 June

Thank you for your letter which we received on 12 June. We will address your questions in turn below.

Question 1 (i)

The CIL income is based on the amount of residential space expected to come forward. Business space (Class B) is nil rated in CIL zone 2 in the charging schedule. While an uplift in retail space is expected, much of this may effectively be offset by existing space and is therefore more difficult to predict. The council anticipates the completion of 20,000 homes in the Old Kent Road opportunity area. We have then assumed an average unit size of 92sqm (which allows for a GIA of an individual unit of 69sqm based on the residential unit mix required by planning policy). We have also assumed that 20% of the proposed floorspace will be offset by existing floorspace and will therefore not be CIL liable. Moreover, it has been assumed that 35% of the floorspace will be eligible for social housing relief. Using that formula, CIL income in the opportunity area amounts to £208,582,400 over the plan period of 2016 to 2036.

Regarding CIL income to date: To date, across the borough, the council has collected £8.4m of CIL. Approximately £42m, less any relief that may be applicable, may become available in the future from CIL liable developments which have been approved but not yet implemented.

Question 2 (ii)

The council has not yet determined any applications within the revised CIL zone 2 which have triggered the requirement to make the s106 planning obligation towards the Bakerloo Line stations. The council is currently dealing with 19 pre-application enquiries in the opportunity area which collectively provide 3,900 units and 31,000 sqm business space. Of these, 17 pre-applications enquires are located on sites in the revised CIL zone 2 and they break down as follows:

- 900+ units - 1 pre-application scheme
- 500-899 units – 1 pre-application scheme
- 100-499 units – 6 pre-application schemes
- <100 units – 9 pre-application schemes

The council is anticipating reporting the first of these to planning committee before Christmas, with determination following in the new year. The council's intention is to introduce the revised CIL charging schedule in December 2017 and therefore does not anticipate that any schemes will pay the s106 planning obligation towards the Bakerloo Line stations.

Question 3 (iii)

Updated tables relating to gross numbers of homes approved and completed are provided below. With regard to the relationship between approvals and completions, there will always be a lag between the two as implementation can follow 18 months or more after approval, depending on the size of the scheme. The number of homes approved in 2015/16 (CIL was introduced in April 2015) was exceptionally high with a number of very large schemes receiving approval. The proportion of affordable units approved that year was also very high. The number of homes approved in 2016/17 dropped significantly, with the proportion of affordable housing achieved being more typical of the preceding years.

With regard to completions, the proportions of affordable housing delivered in 2013/14, 2014/15 and 2015/16 remained broadly similar. There was a small increase in 2015/16 although many of the units will have been approved prior to the introduction of CIL. The council does not yet have completion figures for 2016/17.

In 2015/16, the first year in which CIL was in operation the council collected only £535,000, indicating that very few CIL liable schemes were implemented. In 2016/17 the amount of CIL received increased to £7.5m and the council will expect it to increase again in the current financial year.

Overall, it is probably too early to discern any clear relationship between CIL and the completion of affordable homes. With regard to approvals, the proportion of affordable housing does not appear to have been impacted by CIL although again, a longer period would be needed to indicate reliable patterns.

Gross homes completed 2011/12 - 2015/16

Gross	Total	private	affordable	% affordable
2011/12	1,199	567	632	52.7
2012/13	1,218	653	565	46.4
2013/14	1,743	1,239	504	28.9
2014/15	1,617	1,221	396	24.5
2015/16	1,846	1,342	504	27.3
Total	**7,623**	**5,022**	**2,601**	**34.1**
Avg P.A	1,525	1,004	520	34.1

Gross homes approved 2011/12 - 2016/17

Gross	total	private	affordable	% affordable
2011/12	2,575	2,095	480	18.6
2012/13	3,427	2,677	750	21.9
2013/14	4,517	3,596	921	20.4
2014/15	3,459	2,578	881	25.5
2015/16	4,782	2,880	1,902	39.8
2016/17	1,583	1,227	356	22.5
Total	**20,343**	**15,053**	**5,290**	26.0
Avg P.A	3391	2509	882	26.0

Question 2 (i)

The Infrastructure Plan is intended as a living document which is updated from time to time. A further iteration was prepared in May 2017 and this is attached with this letter.

Question 3 (i)

There is an error on page 35 of Old Kent Road Viability Study 2016 as follows:

- Mayoral CIL:
  - 2016 values (inflation between Q4 2011 to Q4 2015) 22.87%; and
  - 2017 values (inflation between Q4 2011 to Q4 2016) 26.91%.
- Borough CIL:
  - 2016 values (inflation between Q4 2014 to Q4 2015) 5.39%; and
  - 2017 values (inflation between Q4 ~~2011~~ 2014 to Q4 2016) 8.85%.

The council has anticipated that the revised CIL charging schedule will be introduced in 2017. In preparing the revised CIL charging schedule (in 2016), the council therefore inflated the charging rates in the adopted 2015 schedule to the charging rates which were anticipated for 2017.

In line with Regulation 40 (5) of the CIL Regulations, the council calculated the relevant CIL charges by indexing CIL in accordance with the All-in Tender Price index. For the purposes of calculating indexation Regulation 40 (7) states that "the figure for a given year is the figure for 1st November of the preceding year".

The council introduced CIL in April 2015 and the relevant indexation point is therefore November (Quarter 4) 2014 (the indexation point at Q4 2014 was 260 - see appendix 1 of the Old Kent Road CIL Viability Study 2016). In the case of Mayoral CIL the relevant indexation point is November (Q4) 2011. Quarter 4 2014 and Quarter 4 2011 are therefore the base points from which the LBS CIL and Mayoral CIL have been calculated.

The relevant point which determines the rates payable in 2017 is Quarter 4 2016. When preparing the CIL, the council estimated that in 2017 a residential development in Zone 2 would be paying £217 per square metre (the forecast indexation point at Q4 2016 was 283).

Since preparing the revised CIL charging schedule the relevant indexation point in 2014 has been confirmed at 259. In more recent BCIS forecasts the 2016 Q4 indexation point is 286. This means that CIL zone 2 residential developments would pay £220.85 per sqm. The Revised CIL rate, if introduced in 2017, would therefore result in a marginal reduction in real terms on the 2015 adopted CIL.

Question 3 (ii)

A copy of the corrected table is provided below in appendix 1 of this document. Appendix 1 presents 2 tables which show the impact of CIL and affordable housing both on residual land values and also when measured against the benchmark land values.

Question 3 (iii)

The sentence should read: "The landowner's "bottom line" will be achieving a residual land value that sufficiently exceeds "existing use value10" or another appropriate benchmark to make development worthwhile i.e. provides a 'competitive return' (para 173 NPPF)."

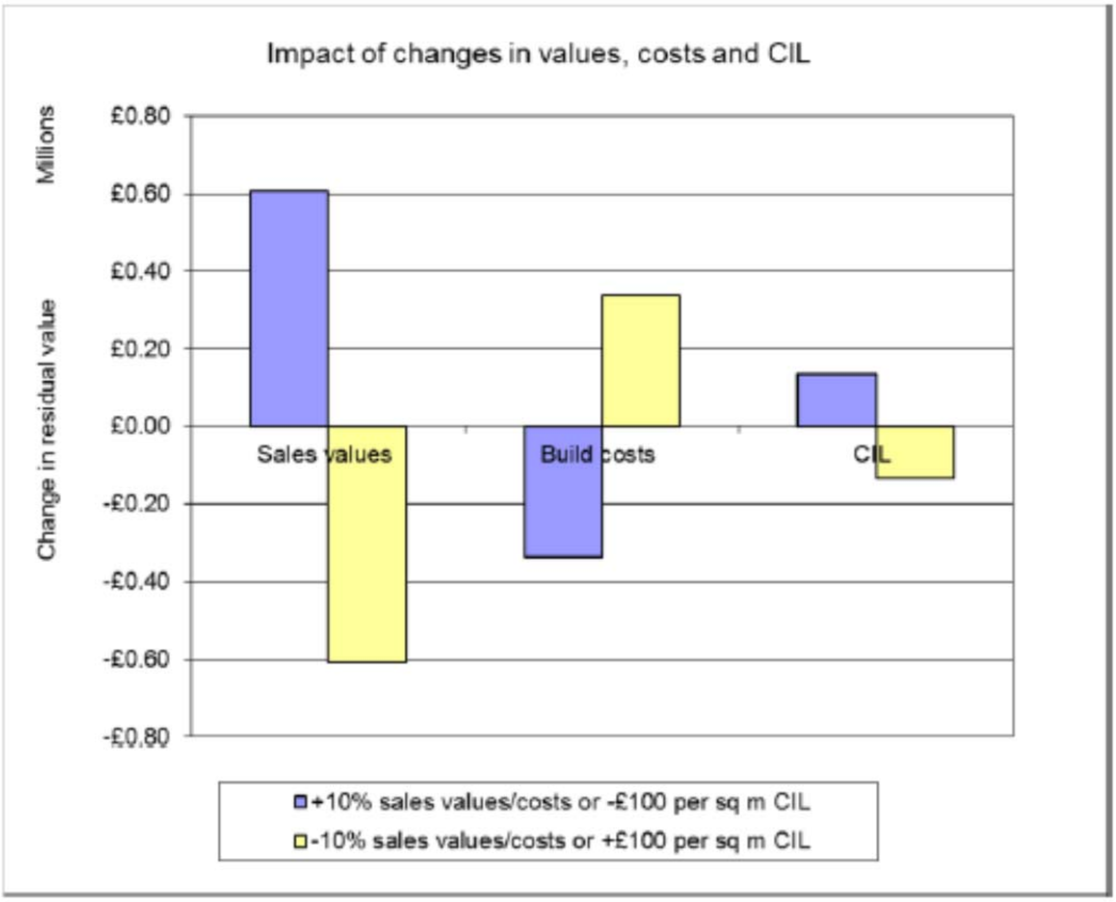
Question 3 (iv)

A copy of the appendices was supplied on the USB stick and a hard copy ca be provided if required.

Question 3 (v)

The key to the Chart should be read as is set out below.

Chart 7.6.1: Impact of changing levels of CIL in context of other factors



Question 4 (i)

The council will amend the schedule to make it clear that Mayoral CIL needs to be adjusted for inflation and set out the relevant figure for figure in 2016. It will also clarify however that Southwark's charging schedule is not amending the Mayoral CIL which was agreed at £35 per sqm in April 2012.

Question 4 (ii)

We can confirm that the existing zone maps are produced on an OS base. A new version of the maps will be prepared with the grid lines and references. A reference to the on-line map will be included in the schedule.

Question 5 (i)

The GLA has made £25m of grant funding available for the Old Kent Road/Peckham Housing Zone. This comprises £20m in grant to support the provision of additional affordable housing and £5m by way of recoverable grant to contribute towards abnormal site costs and site assembly. An Overarching Borough Agreement (OBA) between the GLA and LBS which confirmed the availability of funding was agreed in March 2017. The purpose of the funding is to enable the delivery of approximately 400 affordable (rented) homes, assuming a grant rate of £49,000 per unit. The council and GLA are currently in the process of agreeing the detailed Affordable Housing Agreement which will enable the funding to be drawn down. This agreement is expected to be in place by September 2017. It is anticipated that part of the funding will help deliver new affordable housing on sites which are being developed through the Southwark Regeneration in Partnership (SRiP) initiative. These sites are:

- Former petrol station, Old Kent Road (11 rented homes)
- Angel Oak (26 rented homes)
- Flaxyards (96 rented homes)
- Wickway Community Centre (20 rented homes)
- Library Square (6 rented homes)

It is estimated that these schemes would use approximately £7.8m of the grant. The remaining £12.2m of grant funding and £5m of recoverable grant will be available for developments in the Housing Zone which are due to completed by 2025/26. This would equate to approximately 249 affordable homes. Funding may be made available to increase the amount of affordable housing beyond levels which would ordinarily be viable, either in schemes which are below 35% affordable housing or for schemes which can provide more than 35% affordable housing. Any grant funded homes must be owned by the council and therefore the council would need to purchase affordable homes provided on privately owned sites.

The council has started to purchase affordable homes on privately owned sites as part of its commitment to providing 11,000 new council homes by 2043. Of this 11,000 homes, around 400 new council homes are due to complete by the end of 2018, with a further 1200 on site or committed (i.e. sites allocated, with planning permission, and a contractor appointed to start works imminently). The completions include 90 affordable homes (80 council homes and 10 intermediate homes) in schemes on Blackfriars Road and Surrey Docks which have been delivered through purchasing affordable housing homes from developers. The council is in talks with developers over further s106 purchases across several sites to complement those already completed.

Question 6 (i)

As the council explains in its response of question 3 above, the council takes the view that the only area which is affected by the Revised CIL Charging Schedule is the enlargement to Zone 2. In other areas, the charges in the Revised CIL Charging Schedule have been inflated by the All-in Tender Price Index which the Regulations allow for.

There is one exception to this which the examiner should take a view on which relates to student housing. As described in the charging schedule, nomination student housing schemes are nil rated where rental levels are set below an average of £168 per week and secured through a section 106 planning obligation. The figure of £168 per week is cited in the adopted CIL charging schedule and the council has chosen not to vary it in the Revised CIL charging schedule. In 2016 the Mayor published his Housing SPG which also provides guidance on affordable student accommodation (2016; paragraphs 3.9.4-3.9.13). This document sets the rent for this type of accommodation at £155 per week for the academic year 2016/17, with the annual increase to be reported in the Annual Monitoring Report in subsequent years. To be consistent with other areas of London the council takes the view that the figure of £168 per week should not be inflated in the Revised CIL charging schedule. This will impact of developments of student housing outside the area of the enlarged zone 2

I trust the information above is helpful. We would be happy to help with any further questions.

Yours sincerely,

Timothy Cutts

Tim Cutts

Senior Regeneration Manager

Appendix 1: Table 6.10.1

Table 6.10.1 Results and analysis of residual land values of specific sites testing - shown as residual land values

Site name	Benchmark land value	Adopted CIL 2016, 35% AH	Adopted CIL 2016, 35% AH & Grant	Adopted CIL 2016 & 0% AH	Proposed CIL 2017 and 35% AH	Proposed CIL 2017, 35% AH & Grant	Proposed CIL 2017 and 0% AH	Adopted 2016 CIL as a % of scheme value (35% AH no grant)	Proposed CIL 2017 as a % of scheme value (35% AH no grant)	Increase in cost due to CIL change
Large Site 1	£13,083,642	-£23,821,558	-£17,331,584	£15,130,890	-£24,040,186	-£17,550,212	£14,850,583	3.28%	3.39%	0.11%
Large Site 2	£52,495,289	-£72,050,449	-£59,561,124	-£7,387,694	-£81,122,488	-£67,444,595	-£18,476,482	1.23%	4.20%	2.97%
Large Site 3	£52,700,544	-£31,203,881	-£18,334,330	£29,360,893	-£39,132,557	-£26,546,179	£19,165,271	1.07%	4.04%	2.97%
Large Site 4	£21,951,163	-£35,470,360	-£25,271,607	£19,346,984	-£42,013,182	-£31,814,492	£10,829,060	1.45%	5.69%	4.24%
Large Site 5	£21,197,853	-£44,245,448	-£34,445,462	£618,476	-£49,919,498	-£40,119,469	-£7,004,795	1.29%	5.14%	3.85%
Small Site 1	£14,992,364	-£6,556,994	-£2,552,601	£12,455,671	-£8,368,987	-£4,354,581	£10,126,033	0.70%	3.45%	2.75%
Small Site 2	£13,802,523	-£15,266,014	-£9,645,647	£8,405,474	-£18,439,801	-£12,819,442	£4,323,632	1.20%	4.94%	3.74%
Small Site 3	£2,101,287	-£12,453,967	-£8,054,833	£5,162,565	-£14,993,449	-£10,594,312	£1,885,697	1.51%	6.23%	4.72%
Small Site 4	£1,070,480	-£1,839,172	-£1,362,096	£384,431	-£2,104,988	-£1,628,105	£44,003	1.77%	4.93%	3.16%
Small Site 5	£988,135	£2,174,560	N/A	N/A	£2,140,984	N/A	N/A	1.25%	1.34%	0.10%
Average		-£23,821,558	-£17,331,584	£15,130,890	-£24,040,186	-£17,550,212	£14,850,583	1.47%	4.33%	2.86%

Table 6.10.1b Results and analysis of residual land values of specific sites testing - showing surplus or deficit when measured against the respective site benchmark land value

Site name	Benchmark land value	Adopted CIL 2016, 35% AH	Adopted CIL 2016, 35% AH & Grant	Adopted CIL 2016 & 0% AH	Proposed CIL 2017 and 35% AH	Proposed CIL 2017, 35% AH & Grant	Proposed CIL 2017 and 0% AH	Adopted 2016 CIL as a % of scheme value (35% AH no grant)	Proposed CIL 2017 as a % of scheme value (35% AH no grant)	Increase in cost due to CIL change
Large Site 1	£13,083,642	-£36,905,200	-£30,415,226	£2,047,248	-£37,123,828	-£30,633,854	£1,766,941	3.28%	3.39%	0.11%
Large Site 2	£52,495,289	-£124,545,738	-£112,056,413	-£59,882,983	-£133,617,777	-£119,939,884	-£70,971,771	1.23%	4.20%	2.97%
Large Site 3	£52,700,544	-£83,904,425	-£71,034,874	-£23,339,651	-£91,833,101	-£79,246,723	-£33,535,273	1.07%	4.04%	2.97%
Large Site 4	£21,951,163	-£57,421,523	-£47,222,770	-£2,604,179	-£63,964,345	-£53,765,655	-£11,122,103	1.45%	5.69%	4.24%
Large Site 5	£21,197,853	-£65,443,301	-£55,643,315	-£20,579,377	-£71,117,351	-£61,317,322	-£28,202,648	1.29%	5.14%	3.85%
Small Site 1	£14,992,364	-£21,549,358	-£17,544,965	-£2,536,693	-£23,361,351	-£19,346,945	-£4,866,331	0.70%	3.45%	2.75%
Small Site 2	£13,802,523	-£29,068,537	-£23,448,170	-£5,397,049	-£32,242,324	-£26,621,965	-£9,478,891	1.20%	4.94%	3.74%
Small Site 3	£2,101,287	-£14,555,254	-£10,156,120	£3,061,278	-£17,094,736	-£12,695,599	-£215,590	1.51%	6.23%	4.72%
Small Site 4	£1,070,480	-£2,909,652	-£2,432,576	-£686,049	-£3,175,468	-£2,698,585	-£1,026,477	1.77%	4.93%	3.16%
Small Site 5	£988,135	£1,186,425	N/A	N/A	£1,152,849	N/A	N/A	1.25%	1.34%	0.10%
Average		-£23,821,558	-£17,331,584	£15,130,890	-£24,040,186	-£17,550,212	£14,850,583	1.47%	4.33%	2.86%