

Folkestone & Hythe District Council Community Infrastructure Levy Review

On behalf of:
Folkestone and Hythe District Council

Date: 20 October 2022

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RICS MANDATORY REQUIREMENTS

Requirement	This assessment has been produced having regard to and abiding to the requirements of RICS Professional Statement Financial Viability in Planning: conduct and reporting (1st edition 2019).
	In preparing this viability assessment, we confirm that we have acted with reasonableness, impartiality and without interference. We have also complied with the requirements of PS2 Ethics, competency, objectivity, and disclosures in the RICS Valuation – Global Standards 2022 in connection with valuation reports.
	This document sets out our terms of engagement for undertaking this area wide viability assessment for the purposes of setting CIL rates. We declare that to the best of our knowledge there is no conflict of interest (paragraph 1.1 of the Conflict-of-Interest Professional Statement of January 2018), Other than, if necessary, where stated in the report circumstances which fall under Informed Consent (as per the Conflict-of-Interest Professional Statement).
	We confirm that our fee basis for undertaking this viability assessment is neither performance related nor involves contingent fees.
	We confirm that this area wide viability assessment has been prepared in the full knowledge that it will made publicly at some point in the future. Where we believe there to be information, which is commercially sensitive, that we have relied upon in arriving at our opinion we have stated so in our report. We request that permission is sort by the instructing/applicant prior to being made public to ensure commercially sensitive or personal information does not infringe other statutory regulatory requirements.
	We have confirmed with the instructing party that no conflict exists in undertaking the area wide viability assessment, we have also highlighted to the Council where we have previously provided advice relating any site’s considered. Should this position change, we will immediately notify the parties involved. We understand that if any of the parties identified in this report consider there to be a conflict that we would immediately stand down from the instruction.
	Throughout this area wide viability assessment, we have set out a full justification of the evidence and have also supported our opinions with a reasoned justification. We note in due course the emphasis within the RICS Professional Statement on conduct and reporting in Financial Viability in Planning the need to see to resolve differences of opinion wherever possible
	In determining Benchmark Land Value (if required) we have followed NPG (Viability) (2019) setting out this in detail within the Benchmark Land Value section.
	Sensitivity analysis and accompanying explanation and interpretation of the results is undertaken for the purposes of a viability assessment. This enables the reader to consider the impact on the result of changes to key variables in the appraisal having regard to the risk and return of the proposed scheme.
	We confirm we have advocated transparent and appropriate engagement between the Applicant and Council’s viability advisors.
	This report includes a non-technical summary at the commencement of the report which includes all key figures and issues relating to the assessment.
	We confirm this report has been formally reviewed and signed off by the individuals who have carried out the area wide study and confirm that this area wide assessment has been prepared in accordance with the need for objectivity, impartiality and without interference. Subject to the completion of any discussion and resolution or note of differences, we will be retained to then subsequently advise upon and negotiate the Section 106 Agreement.

All contributors to this report have been considered competent and are aware of the RICS requirements and as such understand they must comply with the mandatory requirements.

We were provided an adequate time to produce this report, proportionate to the scale of the project and degree of complexity of the project.

SIGN OFF

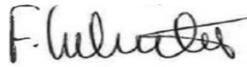
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NOTE: This report has been produced in accordance with National Planning Policy Framework (2019) and Planning Policy Guidance (as amended). Gerald Eve LLP can confirm that the report has been produced by suitably qualified Practitioners of the Royal Institution of the Chartered Surveyors (RICS) and that the report has been produced in accordance with RICS Practitioner guidance on viability in planning matters.

The contents of this report are specific to the circumstance of the area wide assessment and date of publication; and it together with any further information supplied shall not be copied, reproduced, or distributed to any third parties for any purpose other than determining the application for which it is intended. Furthermore, the information is being supplied to **the client** on the express understanding that it shall be used only to assist in the financial assessment in relation to the Application. The information contained within this report is believed to be correct as at the date of publication, but Gerald Eve LLP give notice that:

- I. all statements contained within this report are made without acceptance of any liability in negligence or otherwise by Gerald Eve LLP. The information contained in this report has not been independently verified by Gerald Eve LLP.
- II. none of the statements contained within this report are to be relied upon as statements or representations of fact or warranty whatsoever without referring to Gerald Eve LLP in the first instance and taking appropriate legal advice.
- III. references to national and local government legislation and regulations should be verified with Gerald Eve LLP and legal opinion sought as appropriate.
- IV. Gerald Eve LLP do not accept any liability, nor should any of the statements or representations be relied upon, in respect of intending lenders or otherwise providing or raising finance to which this report as a whole or in part may be referred to.
- V. Any estimates of values or similar, other than specifically referred to otherwise, are subject to and for the purposes of discussion and are therefore only draft and excluded from the provisions of the RICS Valuation – Professional Standards 2014; and
- VI. Due to the complexities and differences in site specific assessments, information in this report should not be relied upon or used as evidence in relation to other viability assessments without the agreement of Gerald Eve LLP and expressly with a full explanation and understanding of any implications of such reliance.

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EXECUTIVE SUMMARY (NON-TECHNICAL)

<p>Instruction</p>	<p>i. Gerald Eve LLP (“GE”) is instructed by Folkestone and Hythe District (the “Council”) to undertake a Local Plan Viability Assessment and Community Infrastructure Levy (“CIL”) Charging Schedule Update Review. The object of the review is to test the appropriateness of current CIL rates to ensure that the cumulative impact of the Council’s policies including affordable housing and Community Infrastructure Levy, do not compromise the delivery of the Local Plan across Folkestone & Hythe District.</p>
<p style="text-align: center;">National Planning Policy Guidance and Community Infrastructure Levy</p>	
	<p>ii. The National Planning Policy Framework (NPPF) and National Planning Policy Guidance (NPG) provide the framework and guidance within which viability assessments at plan making stage should be set.</p>
	<p>iii. The framework and guidance require among other points, collaboration with stakeholders; a development typology-based testing approach rather than testing all sites in a Local Plan area; and the need to ensure that the cumulative cost of all relevant policies including affordable housing requirements will not undermine deliverability of the plan. GE has followed the recommended approach set out in the NPPF and NPG guidance in producing this review exercise. This report provides an assessment and recommendations to the Council in line with guidance for Plan Making, but it is important to note that it is for the Council to take the decision on what policy to adopt in relation to affordable housing.</p>
	<p>iv. CIL is a planning charge which allows local authorities in England and Wales, to raise funds from developers undertaking new building projects in their area to fund a wide range of infrastructure that is needed because of development. The Community Infrastructure Levy (Amendment) (England) (No.2) Regulations 2019 and CIL Guidance explain what CIL is and how it operates. The CIL Guidance states that charging authorities should use an area-based approach which involves ‘a broad test of viability across their area, as the evidence base to underpin their charge’. This report has been prepared in line with relevant guidance on CIL and setting CIL including NPPF, NPG and guidance produced by the Royal Institution of Chartered Surveyors (RICS)</p>
<p style="text-align: center;">Folkestone & Hythe District</p>	
	<p>v. Folkestone & Hythe is a coastal district located in Southeast England, home to various towns, villages and natural environments. The Folkestone & Hythe district is large and covers approximately 363 sq. km (140 sq. miles) stretching from the East Sussex border (near Rye) in the southwest, across Romney Marsh and through to Folkestone and the hills of the Kent Downs to the north of Folkestone.</p>
	<p>vi. In formulating the inputs and assumptions in this review we have considered the various land uses and also the planning policy within the Core Strategy Review adopted in March 2022, together with previous area wide viability work undertaken on behalf of the Council. This outlines what the future looks like for development in different areas of the district and how the Council intends to implement the policies to achieve this.</p>

	Stakeholder Consultation
vii.	NPG states that plan makers must work in collaboration with stakeholders in the Local Plan to finalise their policies to ensure that they are appropriate and will result in development that is sustainable and deliverable.
viii.	Two stakeholder consultation exercises were undertaken as part of this review process. These comprised two questionnaires (Appendix 4) and an online presentation (Appendix 5) in relation to the process, inputs, and initial findings of our review. Feedback was invited in relation to the inputs such as costs and values, the assumptions used, and the process undertaken. This enabled open and transparent engagement with developers and key stakeholders to assist us in informing our evidence base and our recommendations to the Council.
ix.	Feedback from a range of different developers and stakeholders was received. A summary of the key points raised are set out in section 4. We had regard to this feedback in our assessment.
	Methodology
x.	In order to undertake our CIL review we have adopted the residual valuation method. This is in line with the NPPF, NPG, CIL Regulations and Guidance documents; RICS, LHDG and other relevant guidance as outlined in Section 2. This document should be considered an update to the previous CIL viability study undertaken by Dixon Searle in 2014. We, therefore, worked with the Council to select 34 appropriate typologies, having regard to the work previously undertaken, to test using this method, as set out in Section 6.
xi.	Sensitivity analysis of the inputs was then undertaken to provide more robust analysis of these results. This includes testing of the key inputs, but also of the inputs that we are testing across different CIL rates. A bespoke Excel financial model has been used in this process. Argus Developer software has also been used to undertake site specific assessments of the Strategic Sites.
xii.	As large scale developments are generally susceptible to market cycles over the long project life-spans, these sites have been assessed with a 10% viability buffer. This has been applied through sensitivity testing up to +/-5% in both costs and revenue (equating to a gross 10% buffer from base scenarios).
	Key Findings
xiii.	The conclusions arrived at having regard to the sensitivity and scenario analysis, and assessment of results, are set out in Section 14 . To assist with interpretation of the results, the conclusions are split into those relating to a range of typology groupings.
xiv.	

xv.	<u>Residential Geographical Zones and Typologies</u>
xvi.	Our review of the current CIL Charging Schedule adopted by Folkestone & Hythe District Council in August 2016 and applied since that time, highlighted the current adopted CIL zones and their correlation with ward boundaries. Based on our market research and analysis, it was concluded that the four adopted residential CIL zones currently should be maintained.
xvii.	Our assessment has indicated that the current residential CIL charging rates should be maintained across all geographical zones, A-D.
xviii.	In Zone A, 20% of the tested typologies produced viable outcomes. However, sensitivity analysis suggests that a minimal variance is required to demonstrate a positive viability in two additional typologies, which would result in an overall 60% of typologies across the zone being viable.
xix.	In Zones B and C, 60% of tested typologies produced viable outcomes at the current adopted CIL rates.
xx.	Zone D produced the most stable results per typology set and suggests scope to potentially increase CIL rates, with a 10% excess above the 70% minimum threshold across the zone. However, sensitivity testing suggest that potential detrimental market conditions could result in a reduction of viable typologies to 40%, being a 30% deficit to the threshold.
xxi.	If the CIL rate in Zone D is increased, there is concern that it may have a negative impact on the delivery of larger schemes within the Zone and therefore a reduction in the quantum of units developed, including affordable housing. This could hinder development in an already restricted area which is largely subject to Area of Outstanding Natural Beauty (AONB) status.
xxii.	Senior Living (C3), defined as ‘Age Restrictive Accommodation without Provision of Significant Care’, was not tested within Dixon Searles original assessment due to the typology being categorised as an extension to the residential use class (C3) and therefore subject to residential CIL rates. We consider this approach remains appropriate, however, due to the anticipated premium associated with the product, we were of the view that there could be potential to apply an additional premium to the residential zoning CIL rates for Senior Living schemes.
xxiii.	Sensitivity results indicate that Senior Living (C3) could financially support a further premium to standard zonal residential CIL rates. Further testing suggested that an additional 10% premium would be absorbed within the financial model, in addition to the 10% buffer.
xxiv.	However, we anticipate that the application of an exclusive premium for Senior Living, as part of Residential C3 use, would be challenging to implement. The concept would require legal consideration and further research into the supply/demand implications and alignment with the Council’s vision.
xxv.	Individual outputs reflected that the Strategic Sites, except for Folkestone Seafront, were producing a positive surplus when compared to previously agreed benchmark land values produced as part of

the Core Strategy Review. However, sensitivity analysis showed that any fluctuation in market conditions would greatly impact the deliverability of the schemes.

xxvi. With current uncertainty in the construction market and UK economy, as detailed within **Section 8**, we are of the view that when considered with a 10% 'buffer' through the use of sensitivity analysis, the Strategic Sites could not viably support an additional contribution through CIL. Additionally, we would anticipate that any potential surplus generated within the Strategic Sites could be targeted towards necessary Section 106 contributions, as required.

Commercial Typologies

xxvii. The analysis demonstrates that there is insufficient evidence to support an increase in CIL rates across the different commercial typologies. At present, all typologies tested that contribute a £0 per sq m, either generate a deficit or a minimal surplus. Similarly for Large Retail (>280 sqm), there is limited evidence to support any adjustment to the current CIL rate.

xxviii. Following our conclusions, we confirm that the conclusions of our CIL charging model provide a solely financial outlook regarding respective charging levels and all results must be assessed in a holistic view. As such, we recommend further consideration regarding both planning and political implications that may incur through adjusting CIL rates and alignment with the Council's vision.

Recommendations

xxix. Following our independent review of the Community Infrastructure Levy Charging Schedule implemented by the Council, we provide the following recommendations:

xxx. **Table 1: The Council CIL Recommendation per Zone**

CIL Zone	Original CIL Rate (2016)	2022 CIL Rate (Indexed)	Recommendation
Zone A	£0	£0	Maintain
Zone B	£50	£58.86	Maintain
Zone C	£100	£117.73	Maintain
Zone D	£125	£147.16	Maintain
Senior Living (C3)	Residential Zonal Rates	Residential Zonal Rates	Maintain
Large Retail (>280 sqm)	£100	£117.73	Maintain
Retail	£0	£0	Maintain
Strategic Sites	£0	£0	Maintain

Source: The District and GE



	<p>xxxi. Seafont Zone - We have concluded that at this stage it would not be reasonable to apply a premium to the seafont areas in Zones B and C. We recommend however that this is kept under review by the Council and revisited at the next CIL Charging Schedule Review.</p>
	<p>xxxii. Strategic Sites - Further analysis should be undertaken to determine the potential surplus that the strategic sites could achieve moving forward. The Council should seek to determine whether additional contributions could be sought for Section 106 on a site-by-site basis, at the planning application stage.</p>

1. INTRODUCTION

Instruction	1.1. Gerald Eve LLP (“GE”) is instructed by Folkestone and Hythe District Council (the “Council”) to undertake a Local Plan Viability Assessment and Community Infrastructure Levy (“CIL”) Charging Schedule Update Review. The object of the review is to test the appropriateness of current CIL rates to ensure that the cumulative impact of the Council’s policies including affordable housing and Community Infrastructure Levy, do not compromise the delivery of the Local Plan across Folkestone & Hythe District.
Dixon Searle Report 2014	1.2. This report acts as a review/update of the CIL & Whole Plan Economic Viability Assessment report undertaken by Dixon Searle in July 2014 – CIL adopted 2016 (Appendix 3). The Dixon Searle report provided viability evidence to support the proposed CIL recommendations, based on the Local Plan. The recommendations on the appropriate level of CIL were made, taking the impact of Local Plan policies into account.
Additional Work	1.3. In addition to the Dixon Searle report, we have also had regard to the review undertaken by BPS in 2019 titled CIL Charging Schedule Review Viability Report to support the Core Strategy Review. BPS specifically assessed the CIL requirements and financial viability of two strategic allocations, Otterpool Park garden settlement and Sellindge.
	1.4. Gerald Eve have also previously undertaken the following area wide viability studies on behalf of the Council: <ul style="list-style-type: none"> • Core Strategy Examination of Additional Sites – Draft (August 2020) • Folkestone & Hythe District Council CIL Charging Schedule Review in Relation to Strategic and Key Development Sites (November 2020) • Addendum Report on Viability for Otterpool Park New Garden Settlement (June 2021) <p>We also undertook the following site-specific financial viability assessment for a key strategic site:</p> <ul style="list-style-type: none"> • Development at Nickolls Road, Hythe, Financial Viability Assessment Review (October 2020)
National Planning Policy Guidance and Community Infrastructure Levy	1.5. The National Planning Policy Framework (NPPF) 2012 (revised 2021) and National Planning Policy Guidance (NPG) 2012 (revised 2021) provide the framework and guidance within which viability assessments at plan-making stage should be set.
	1.6. The framework and guidance require among other points, collaboration with stakeholders; a development typology-based testing approach rather than testing all sites in a Local Plan area; and the need to ensure that the cumulative cost of all relevant policies including affordable housing requirements will not undermine deliverability of the plan. GE has followed the recommended approach set out in the NPPF and NPG guidance in producing this review exercise. This report provides an assessment and recommendations to the Council in line with guidance for Plan Making, but it is important to note that it is for the Council to take the decision on what policy to adopt in relation to affordable housing.
	1.7. CIL is a planning charge which allows local authorities in England and Wales, to raise funds from developers undertaking new building projects in their area to fund a wide range of infrastructure that is needed as a result of development. The CIL Regulations 2010 and CIL Guidance (as updated and amended in 2019) explain what CIL is and how it operates. The CIL Guidance states that charging authorities should use an area-based approach which involves ‘a broad test of viability across their area, as the evidence base to underpin their charge’. This report has been prepared in line with relevant guidance on CIL and setting CIL including NPPF, NPG and guidance produced by the Royal Institution of Chartered Surveyors (RICS).

Folkestone and Hythe District	1.8.	Folkestone & Hythe is a coastal district located in Southeast England, home to various towns, villages, and natural environments. The district is large and covers approximately 363 sq. km (140 sq. miles) stretching from the East Sussex border (near Rye) in the southwest, across Romney Marsh and through to Folkestone and the hills of the Kent Downs to the north of the district.
	1.9.	The settlements and districts of Ashford, Dover and Canterbury adjoin Folkestone & Hythe district in eastern Kent. Folkestone is the primary town, accounting for just under half of the district's 109,800 population (Population and household estimates for England and Wales, Census 2021).
Core Strategy Review	1.10.	The Core Strategy Review was adopted on 30 March 2022, a long-term plan bringing together the aims and actions of the district council with the requirements of government and the aspirations of town and parish councils, residents, businesses, and voluntary groups. This replaces the previous Core Strategy, effective since 2013 which the previous CIL assessment was based on.
	1.11.	The Places and Policies Local Plan (PPLP) allocates approximately 1,600 dwellings across many small and medium-sized sites following the framework set by the 2013 Core Strategy (some of these sites now have planning permission). The PPLP also provides a new suite of development management policies and ensures that the council has sufficient allocations to meet development needs to 2030/31.
	1.12.	However, local planning authorities are now required to review their plans at least once every five years and update them as necessary. The review of the 2013 Core Strategy has now been completed and this meets development requirements over a longer period to 2036/37. The development proposed in the PPLP has been considered in setting the development targets in the Core Strategy Review.
	1.13.	Within a short period of time, since the adoption of the 2013 Core Strategy, Folkestone has seen significant change. Core Strategy Review policies SS10 and SS11 set out the policy requirements for the delivery of Folkestone Seafront and Shornccliffe Garrison, both of which now have planning permission, with Shornccliffe Garrison now in particular contributing significantly to the housing needs of the district.
Stakeholder Consultation	1.14.	NPG states that plan makers must work in collaboration with stakeholders in the Local Plan to finalise their policies to ensure that they are appropriate and will result in development that is sustainable and deliverable.
	1.15.	Two stakeholder consultation exercises were undertaken as part of this review process. These comprised of an initial questionnaire (Appendix 4) and an online presentation (Appendix 5) in relation to the process, setting out the inputs applied and initial findings of our review. Feedback was invited in relation to the typologies, key inputs such as costs and values, the assumptions used, and the process undertaken. This enabled open and transparent engagement with developers and key stakeholders to assist us in informing our evidence base and our recommendations to the Council.
	1.16.	Feedback from a range of different sizes and types of developers and stakeholder organisations was received. A summary of stakeholder feedback is set out in Section 4 . We had regard to this in our assessment.
Methodology	1.17.	To undertake our viability assessment, we have adopted the residual valuation method. This is in line with the NPPF, NPG, CIL Regulations and Guidance documents; RICS and other relevant guidance as outlined in Section 2 .

1.18. The following table sets out the CIL Charging Schedule, the original 2016 CIL rates have been indexed using RICS BCIS All-In Tender Price Index. An additional 10% contingency has been incorporated to ensure a level of contingency, referred to as a 'buffer'. Adopted CIL Rates are as follows:

Table 2: The Council's CIL Rates and Adopted Figures

Typology	Original CIL Rate (2016)	2022 CIL Rate (Indexed)	CIL Rate Applied (Inc. 10% Buffer)
Zone A	£0	£0	£0
Zone B	£50	£58.86	£64.75
Zone C	£100	£117.73	£129.50
Zone D	£125	£147.16	£161.88
Large Retail (>280 sqm)	£100	£117.73	£129.50
Retail	£0	£0	£0

Source: The Council

1.19. For analysis purposes we adopted a consistent approach in line with the current adopted CIL Schedule which has four designated geographical CIL zones areas within the district. We then separated the relevant residential typologies into 5 typology groupings. A further 9 typologies were considered for commercial accommodation. We also considered four strategic sites as part of the review. A total of 34 typologies were considered.

1.20. A bespoke Excel financial model has been used to test the different typologies in this process. The industry standard model, Argus, was used to test the viability of the Strategic Sites.

1.21. Sensitivity analysis of the inputs was then undertaken to provide more robust analysis of these results. This includes testing of the key inputs assumptions against a policy compliant level of affordable housing and varying CIL rates.

1.22. In assessing the Strategic Sites, the industry standard model of Argus Developer has been used. Due to the large scale developments being susceptible to the market cycle over the long project life-span, these sites have been assessed with a 10% viability buffer, through sensitivity testing up to +/-5% in both costs and revenue (equating to a gross 10% buffer from base scenarios).

RICS Professional Guidance

1.23. This assessment has been produced having regard to and abiding by the requirements of RICS Professional Statement Financial Viability in Planning: conduct and reporting (1st edition 2019). For further details please see **Appendix 2**, which provides a guide to where in the report the requirements have been adhered to.

1.24. We declare that to the best of our knowledge there is no conflict of interest (paragraph 1.1 of the Conflict of Interest Professional Statement of January 2018); and that our fee basis for undertaking this viability assessment is neither performance related nor involves contingent fees.

1.25. We can confirm that GE has had sufficient time to complete this instruction.

2. NATIONAL PLANNING POLICY GUIDANCE AND COMMUNITY INFRASTRUCTURE LEVY

Introduction	2.1. This section considers the planning policy guidance set out in the NPPF and the NPG regarding Plan Making for viability purposes. We consider the guidance in the context of affordable housing and CIL, and we have used this to undertake our assessment.
Plan Making and Viability in Planning Policy Guidance	2.2. The NPPF 2012 (revised 2021) discusses “Plan Making” (i.e. the setting of policies within a local plan) at paragraphs 15 to 37. It outlines that those plans should be up to date and address the need for housing and other economic, social, and environmental priorities. As such it is important to have an up-to-date evidence base when preparing, or in this case reviewing a Local Plan.
	2.3. The Plan Making sections of the 2021 NPPF can be linked to the sections that address viability. In particular, paragraph 58 of the NPPF sets out in the extract below: <i>“...All viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance (NPG), including standardised inputs, and should be made publicly available”</i> (extract from NPPF 2021 paragraph 58)
	2.4. Paragraphs 001 to 006 of the NPG 2012 (revised 2021) deal with Viability and Plan Making setting out how Plan Makers (i.e. The Council in this case) should set policy requirements for contributions for developments informed by evidence.
	2.5. Paragraph 002 outlines that the role for viability assessment is primarily at the Plan Making Stage. It states that the “Viability assessment should not compromise sustainable development but should be used to ensure that policies are realistic and that the cumulative cost of all relevant policies will not undermine deliverability of the plan.”
	2.6. Paragraph 002, along with paragraph 006, outlines the need for collaboration with stakeholders which is discussed further in Section 4 .
	2.7. An important extract from Paragraph 002 regarding affordable housing is outlined below: <i>“Policy requirements, particularly for affordable housing, should be set at a level that takes account of affordable housing and infrastructure needs and allows for the planned types of sites and development to be deliverable, without the need for further viability assessment at the decision-making stage.”</i> (extract from NPG paragraph 002)
	2.8. Paragraphs 003 and 004 advise on what sites should be assessed for viability in plan making. This does not include testing all the sites within the Local Plan area, but instead a typology-based approach should be used. This involves grouping sites by certain characteristics, either of their current or proposed use, and reflect the nature of typical sites in the plan.
	2.9. We have undertaken this approach in our assessment; however, it is important to note that whilst specific sites may be referenced, these sites are the typologies that the Council believe reflect the “type of development proposed for allocation in the plan” extract from Paragraph 004).
	2.10. In conclusion, we have followed the specific guidance regarding Plan Making set out in the NPPF and NPG when undertaking this assessment. As paragraph 57 of the NPPF states (see 2.3 above) we have also undertaken the assessment in accordance with the NPG in terms of inputs as discussed further in Sections 7 through 8 .

	2.11.	As such, we provide our assessment and recommendations to the Council in line with guidance for Plan Making, but it is important to note that it is for the Council to take the decision on what policy to adopt in relation to affordable housing.
Community Infrastructure Levy (“CIL”) and Planning Policy	2.12.	The Community Infrastructure Levy is a planning charge that came into force in April 2010. It allows local authorities in England and Wales, known as “charging authorities”, to raise funds from developers undertaking new building projects in their area to fund a wide range of infrastructure that is needed because of development.
	2.13.	If a charging authority decides to levy CIL, then it is required to prepare and publish a document known as “the Charging Schedule” which will set out the rates of CIL applied in the charging authority’s area. Charging authorities must express CIL rates as pounds (£) per square metre, as CIL will be typically levied on the net additional gross internal area (“GIA”) of the liable development.
	2.14.	A charging authority must submit its draft charging schedule for an independent examination along with evidence of economic viability and infrastructure planning for approval before being formally approved by a resolution of the full Council of the charging authority.
CIL Regulations and Guidance	2.15.	Statutory provision for CIL was introduced in the Planning Act 2008 (“the 2008 Act”). The ability to charge CIL came into force on 6 April 2010 through the Community Infrastructure Levy Regulations 2010, as amended in 2011, 2014, 2019 and 2022 (the “Regulations”).
	2.16.	The Ministry of Housing, Communities & Local Government has produced a CIL Guidance (Published 12 June 2014 and last updated 5 April 2022) to explain what the Community Infrastructure Levy is and how it operates, which this report has also considered.
CIL Charge Setting	2.17.	Charging authorities are to set their own CIL charging rate(s) depending on the needs of their area. Charging authorities can set different rates within their area, either for different geographical areas and/or for different uses.
	2.18.	In setting rates in the charging schedule, the charging authority needs to be consistent with the requirements of Regulation 14 which states that: 14. (1) In setting rates (including differential rates) in a charging schedule, a charging authority must aim to strike what appears to the charging authority to be an appropriate balance between— a) the desirability of funding from CIL (in whole or in part) the actual and expected estimated total cost of infrastructure required to support the development of its area, considering other actual and expected sources of funding; and b) the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area.
	2.19.	Therefore, according to the regulations, it is the role of the charging authority to decide what the appropriate balance is between maximising development and raising sufficient funds to provide the necessary infrastructure.
	2.20.	It follows that there may be some development schemes that could be put at risk by the introduction of a particular level of CIL; however, the charging authority must take a holistic view of the potential effects of the imposition of CIL on the economic viability of development across its area.

Preparing the Evidence Base	2.21.	The CIL Guidance states that charging authorities should use an area-based approach which involves ‘a broad test of viability across their area, as the evidence base to underpin their charge’. The guidance reiterates that charging authorities should take a strategic view across their area and not focus on the potential implications of setting a CIL for individual sites.
	2.22.	The guidance sets out that the charging authority must use ‘appropriate available evidence’ and should draw upon existing data where available. Methodologies should also consider other development costs arising from existing regulatory requirements, including any policies on planning obligations.
	2.23.	Charging authorities should seek to illustrate that their proposed charging rate(s) would be robust over time. In setting a CIL rate(s), charging authorities will need to bear in mind that the economic circumstances could change during the lifetime of the charging schedule.
Setting Differential Rates	2.24.	Regulation 13 allows charging authorities to set varying (differential) rates as a way of accounting for different levels of economic viability within the same charging area – for example, varied by location and/or by intended uses of development. Differences in rates should be justified by reference to the economic viability of development, including exempting or setting a zero rate for a particular area or use from CIL.
	2.25.	The guidance, however, states that, a single (uniform) rate may be simpler and charging authorities should take care not to set differential rates in such a way to impact disproportionately on a particular sector or small group of developers or give rise to State Aid.
CIL in Practice	2.26.	CIL charges are expressed in terms of £/sq m of GIA net additional floorspace, after demolition of an existing building. The charge can be levied against all development over 100sq m, except in the case of residential development where a single dwelling is chargeable whatever the floorspace. Calculation is set out in a formula under the Regulations and unlike the current S106 regime, CIL is non-negotiable.
	2.27.	Liability is determined when the scheme is implementable, and is payable on commencement – either in full, or in instalments if agreed beforehand and if the charging authority has adopted an instalment policy.
National Planning Policy Guidance on CIL Charging Schedules	2.28.	The CIL Guidance states that in preparing a Charging Schedule, charging authorities should use evidence in accordance with planning practice guidance and take account of national planning policy on development contributions.
	2.29.	This report is grounded in the National Planning Policy Framework (NPPF) originally published in March 2012 and revised in July 2021 which sets out the Government’s planning policies for England and how these are expected to be applied. The NPPF recognises the place of viability testing, in both plan-making and decision-making.
	2.30.	Further guidance relating to interpreting the NPPF is set out in National Planning Guidance (NPG) refers to viability both planning obligations and viability (NPG 2021) and indicates that planning viability assessments are recommended to reflect national planning guidance (NPG 2021), in determined appropriate planning obligations.

	2.31.	The NPG 2021 indicates that viability assessments are to be undertaken by suitably qualified Surveyors. The Royal Institution of Chartered Surveyors (RICS) published guidance in 2012 regarding viability assessments in planning to support qualified members of the RICS in viability assessments. The RICS produced a Professional Statement (Sept 2019) which is informed by the NPPF, NPG as well as practitioner experience.
	2.32.	In accordance with the above, this report seeks to provide a range of appropriate CIL rates for development across the District having regard to: the 2008 Act; the CIL Regulations; Department for Levelling Up, Housing and Communities (DLUHC); National Planning Policy Framework (NPPF); and best practice guidance including the RICS Financial Viability in Planning (August 2012) and Professional Statement (2019). The report also has regard to the RICS Guidance Note “Assessing viability in planning under the National Planning Policy Framework 2019 for England” (1st Edition, March 2021) (“RICS Viability GN 2021”).
	2.33.	It is however important to note that whilst we have undertaken our analysis and presented our results in this CIL Review, it is for the Council to decide what rate(s) to set CIL at within the charging schedule using this advice.
Summary	2.34.	In undertaking our assessment, we have followed the guidance as per the NPPF and NPG in consideration of viability in plan-making and affordable housing, but also followed the regulations and guidance for the assessment of appropriate CIL rates to apply and provided our advice and recommendations for both.
	2.35.	We draw on the guidance and how we have followed it further in the appropriate sections of this report.
	2.36.	As outlined above, our assessment can be used as advice to the Council, however, should not be seen as the definitive policy to be set. It is the Council’s decision as to what CIL rate(s) should be included in their Local Plan.

3. FOLKESTONE AND HYTHE DISTRICT – PLANNING OVERVIEW

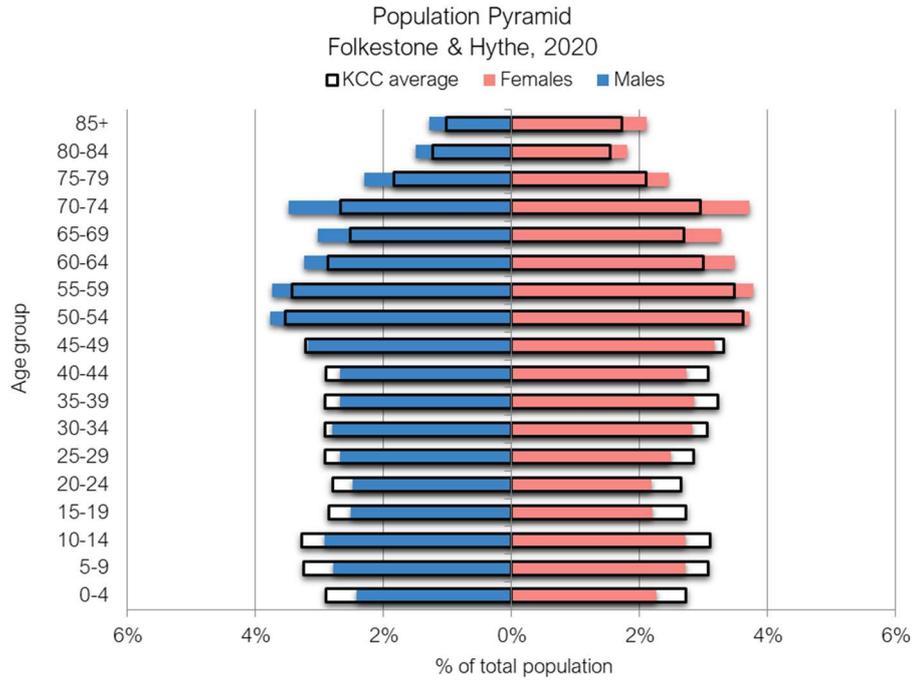


Figure 1: Location Map – Source: Ordnance Survey 1:250K

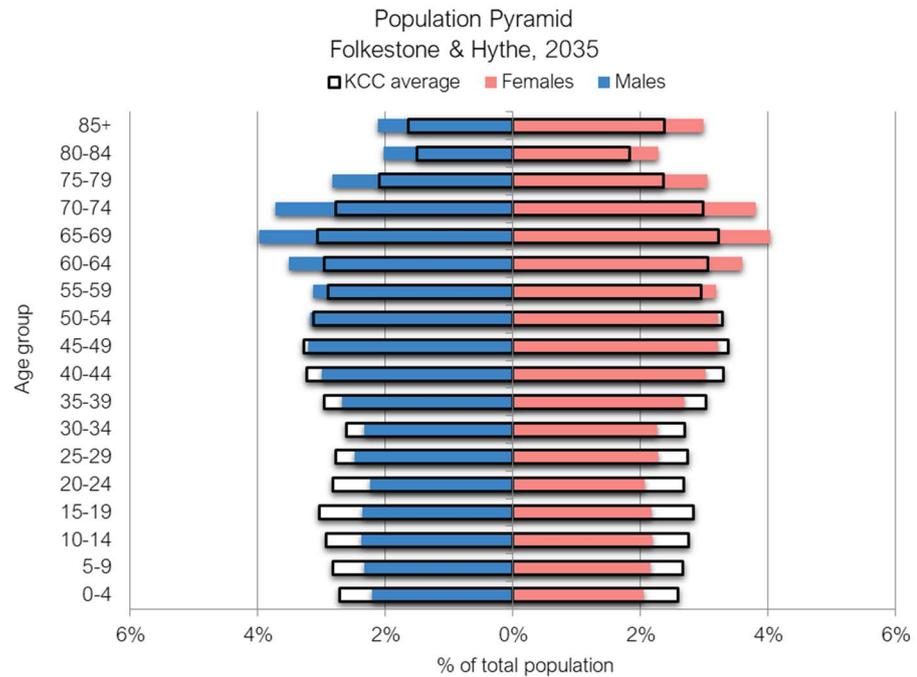
Figure 2: CIL Charging Zone Ward Boundary – Source: (THE COUNCIL)

Location	<p>3.1. Folkestone & Hythe is a coastal district located in Southeast England, home to various towns, villages, and natural environments. The district is large and covers approximately 363 sq. km (140 sq. miles) stretching from the East Sussex border (near Rye) in the southwest, across Romney Marsh and through to Folkestone and the hills of the Kent Downs to the north of the district. Folkestone is the primary town, which has a population of approximately 54,130 with the district comprising a population of approximately 109,800 in 2021 (census-based estimates).</p>
Infrastructure and Transport Connections	<p>3.2. The district benefits from good infrastructure and transport connections, by road (M20), by rail (high speed, Eurostar and local lines) and by air (London Ashford Airport at Lydd). The Channel Tunnel (junction 12a of the M20) is set within the district, with the Port of Dover situated a short drive away.</p>
Population	<p>3.3. The districts population has increased by 15.4% in the last fifteen years according to the mid-2016 population estimates, a rate outpacing the county and national average. Over this period natural change in the population has broadly balanced out and growth can be mainly attributed to domestic migration, particularly from London as well as other parts of the country, although international migration is also positive.</p>
	<p>3.4. Population growth is expected to lead to an ageing population over the period to 2036/37, an important consideration when considering the demographics of the district’s population. This is illustrated in Figure 3 below.</p>

Figures 3: Folkestone and Hythe Age Distribution – Mid 2020 estimate



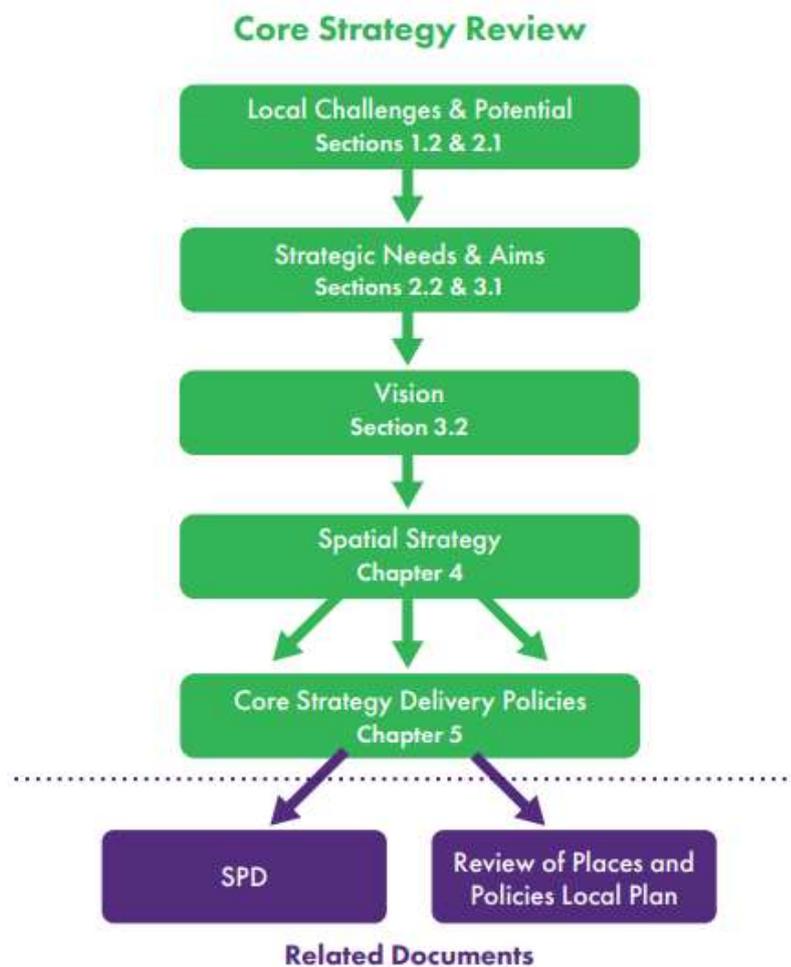
Source: KCC Housing Led Forecasts (November 2020) Kent Analytics, Kent County Council



Source: KCC Housing Led Forecasts (November 2020) Kent Analytics, Kent County Council

Core Strategy Review	3.5. The Core Strategy Review sets out a long-term vision for the district from 2019/20 to 2036/37. As the focus of many organisations is more immediate, the Core Strategy Review acts as a guide for forward planning and leads the co-ordination of long-term development.
	3.6. The government requires plans to be reviewed every five years to determine whether updates are necessary, taken place no longer than five years after their adoption. The reviews should consider changing circumstances affecting the area, or any relevant changes in national policy.
	3.7. The Council’s Core Strategy Review considers the context of areas within the district, to help identify key issues, needs and plan aims. The strategy then reviews spatial strategy at the heart of the document. It then focuses on implementation and the core policies and areas of change necessary for delivery. Figure 4 illustrates the Council’s Core Strategy review structure:

Figure 4: Council’s Core Strategy Review Structure



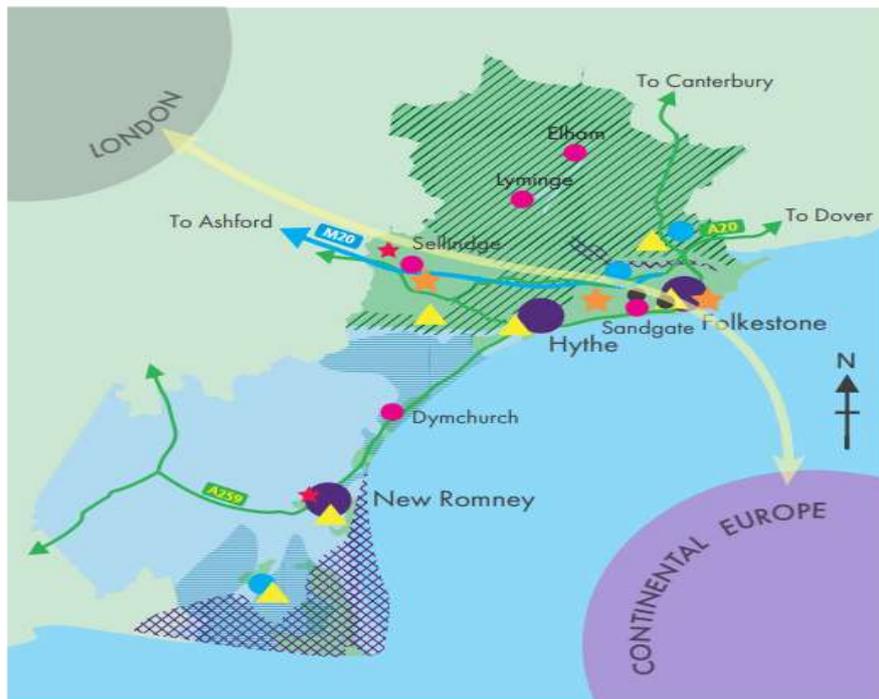
Structure of the Core Strategy



Source: Folkestone and Hythe District Council Core Strategy Review, March 2022

District Planning Aims	3.8.	The four strategic needs set out priorities for the sustainable development of the district. The Core Strategy Review addresses the four issues below.
	3.9.	<p>A) The challenge to improve employment, educational attainment, and economic performance.</p> <p>B) The challenge to enhance management and maintenance of natural and historic assets.</p> <p>C) The challenge to improve the quality of life and sense of place, vibrancy, and social mix in neighbourhoods, particularly where this minimises disparities.</p> <p>D) The challenge to plan for strategic development which fosters high quality place-making with an emphasis on sustainable movement, buildings, and green spaces.</p>
Vision for Folkestone & Hythe	3.10.	The future vision for the district is for it to “flourish into a distinct area of high-quality towns, including a new garden settlement, complemented by the contrasting strengths and distinctiveness of attractive countryside and coastal places. This will occur through planning for a smart, self-confident, secure and low-carbon district, and through enhancing the district’s many diverse and special environments”.
	3.11.	This vision is demonstrated in Figure 5 .

3.12. **Figure 5: Vision for Folkestone & Hythe**



The Key Diagram



Source: Core Strategy Review (March 2022)

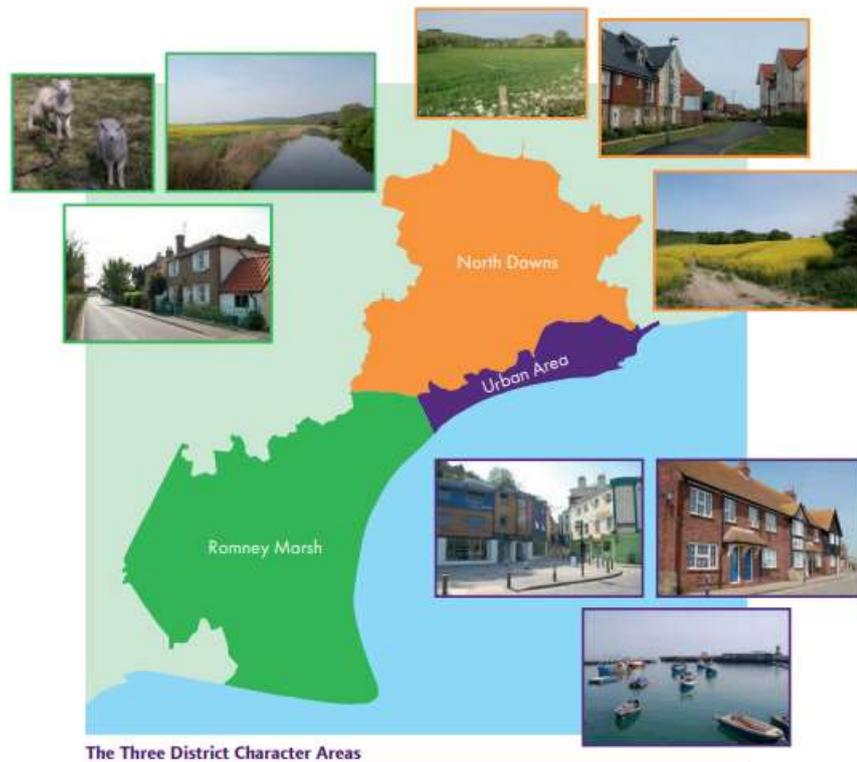
Core Strategy – Three Character Areas

3.13. **The Urban Area** - The towns of Folkestone and Hythe form a continuous built-up area by virtue of the connecting coastal neighbourhoods of Sandgate and Seabrook, defined as the Urban Area. The urban area is bound by the sea to the south and escarpment to the north.

3.14. **The North Downs Area** - The north of the district is predominantly recognised for its landscape quality, part of a wider area known as the Kent Downs Area of Outstanding Natural Beauty (AONB). The North Downs area is centred on traditional villages such as Elham and Lyminge, and the large settlement of Hawkinge within the AONB. It includes a significant rural area near Hythe, encompassing the villages of Lympe and Sellindge which lies outside the national landscape designation, where the three-character areas meet and includes the strategic infrastructure of the M20 motorway, junction 11, High Speed 1 rail and domestic services, including Westenhanger railway station. This area extends almost to district's eastern boundary with Dover, and west as far as Hythe.

3.15. **The Romney Marsh Area** – South and West of the North Downs Area is the distinctive area of countryside commonly known as Romney Marsh. Within this area lie New Romney and Lydd, other coastal communities, small inland villages, and the Dungeness peninsula.

3.16. **Figure 6: The Three District Character Areas**



Source: Core Strategy Review 2022

The Urban Area - Folkestone

3.17. Folkestone, in the east, is district's largest town with a population of approximately 54,130 (2020 census-based estimate). The economy was dominated by international trade, quarrying, farming, military activity, fishing, until railway expansion in the 1840s led to new prosperity for Folkestone as a highly fashionable sea-bathing resort. Especially in its inner western and coastline area (West End), the town retains much of its Victorian and Edwardian architecture including hotels and the mile-long Leas Promenade. However, many buildings have been lost because of the two World Wars and post-war redevelopment. Communities in inner and northern Folkestone now form some of the most deprived in Kent.

3.18. The Channel Tunnel Terminus at Cheriton allows direct rail-based connections from London and the rest of the country to continental Europe, meaning Folkestone acts an interconnectivity hub between Europe and the UK. The nearby Shearway Business Park lies at the end of the M20 and is a key part of Folkestone's varied stock of offices and industry, with further expansion to the west shortly to commence. There is a significant concentration of business activity in Folkestone, with out-of-centre employment areas, in the most part located close to the M20. The largest single private sector employer in the district is the financial, insurance and travel services specialist Saga, based in and around Folkestone and at Sandgate and Cheriton. However, the town has seen growth in a number of other businesses, particularly within the media and digital sectors, located around the Creative Quarter.

	3.19.	In central Folkestone developments include the Lower Leas Coastal Park and Bouverie Place Shopping Centre, with significant investment in recent years transforming the Old High Street, Tontine Street, and harbour area into a cultural and leisure hub. Further investment within the town centre, including the provision of a multi-floor Urban Sports Park, and the redevelopment of Folkestone Seafront over the coming years, is expected to raise the profile of the town as a place to live, work and visit. The Folkestone Triennial, a major artistic and cultural event has raised the town's profile and contributes to its regeneration and evolution, attracting hundreds of thousands of additional visitors every three years.
	3.20.	The provision of High-Speed Rail services to Folkestone in 2009 opened significant new opportunities for the town including investment in digital technologies allowing a de-centralised approach to work. In the mid-nineteenth century the town and its hinterland benefited from the railways, and there are now opportunities to benefit further.
Hythe	3.21.	The district's second largest settlement is Hythe, a coastal town with a population of 14,516. The town has proved resilient over history and grown generally prosperous despite changes in its commercial function. It is situated behind a long stretch of beach, between Folkestone to the east, and Romney Marsh to the west.
	3.22.	Hythe nevertheless also includes certain areas hosting essential functions, for example productive small industry, and military and despoilt land. Much of this is now concentrated in the western part of the town, which is the focus of the main post-war developments, and a 'pocket' of relative deprivation.
	3.23.	Hythe has a large proportion of single-person households, with over half its residents being of retirement age. The town benefits from strong local communities with high civic interest and social activity. This provides a positive resource to strengthen the town's identity and character further, enhancing its historic environment.
Romney Marsh Area	3.24.	Romney Marsh has been reclaimed from the sea over many centuries, creating a unique environment. The rich agricultural land is crossed by a network of drainage channels and native hedgerows, with parts punctuated by small pockets of wooded scrub. The Marsh contains two small towns, some coastal resorts expanded by post-war development, and a handful of small inland villages. The A259 and the Romney, Hythe and Dymchurch Railway follow the coast south from the Urban Area through several Marsh settlements, with the A2070/A259 national route and Ashford branch-line railway to the west with a stop at Appledore, immediately adjacent to the district boundary, within Ashford borough.
	3.25.	New Romney is a market town at the heart of the Romney Marsh. Its situated (14km or around 9 miles) between Hythe and the Sussex town of Rye. Like Hythe, New Romney is one of the Cinque Ports and, while originally a harbour town at the mouth of the river Rother, the historic centre no longer lies on the coast.
	3.26.	The settlement of Lydd is a small town with a rich heritage: All Saints Church, for instance, has been described as the 'Cathedral of the Marsh'. The airport east of the town, London Ashford Airport, is well-established and has attracted significant investment proposals, with planning permission in place for the extension of the runway and expansion of terminal services.
North Downs Area	3.27.	The North Downs is characterised by its rolling topography, steep escarpments and valleys covered by a mix of woodland and open areas of plateau farmland. The significant aesthetic and ecological value of this area is recognised in that much of it falls within the Kent Downs Area of Outstanding Natural Beauty (AONB). The chalk aquifer of the North Downs also provides valuable water resources for the area. Road and bus routes provide links northwards towards Canterbury (including on the A260 or the Roman Stone Street), with the strategic corridor formed of the M20, A20 and domestic and international rail services cutting through the areas west to east, to the south of the Kent Downs AONB.

	3.28.	Most of the North Downs villages within the AONB are relatively prosperous including the attractive, traditional villages of Elham, Lyminge and the dispersed community of Stelling Minnis. These larger settlements play an important role to rural residents in providing commercial services and some public facilities. Around these villages lie several small hamlets that are relatively inaccessible but are integral to the appeal of the Downs area and community life. The attractive environment, housing stock and presence of surrounding towns and major transport connections have resulted in some of the highest house prices in East Kent.
	3.29.	The southwest of this area is outside the AONB and is bisected by major transport infrastructure, which has severed communities such as Stanford. These new routes have partly superseded the former main coastal route from London, the Ashford Road (A20), but the historic coaching route's legacy is evident with ribbons of development, creating other linear or fragmented communities, most notably within Sellindge parish. This part of the district is popular for its villages, access to services and employment opportunities, being close to the M20 junction 11 and railway stations.
Housing and Economy Growth Strategy	3.30.	The approach to housing provision is determined in part by government methodology, requiring the provision of a minimum 738 new homes on average between 2019/20 to 2036/37. This means over the 18 years, a minimum of 13,284 additional housing provision is to be provided.
	3.31.	The National Planning Policy Framework states that the supply of large numbers of new homes can often be best achieved through planning for larger scale development, such as new settlements. However, local authorities should make a realistic assessment of likely rates of delivery, given the lead-in times for large-scale sites (NPPF, paragraph 73). The delivery of large-scale developments may need to extend beyond an individual plan period and anticipated rates of delivery should be kept under review (NPPF, footnote 37).
	3.32.	The NPG (2021) recognises that a 'stepped' housing requirement (where the housing requirement is phased to reflect the level of housing expected to be delivered across the plan period) may be justified in certain circumstances. The NPG (2021) states that this approach may be appropriate where there is a significant change in the level of housing required and/or where strategic sites will have a phased delivery or are likely to be delivered later in the plan period. The Core Strategy Review will deliver a significant change in the numbers of new homes being built in the district, compared to the 2013 Core Strategy, and allocates a major strategic site in the form of a new garden town as the focus for future growth. The council considers that a stepped housing requirement is justified and appropriate and will ensure that the housing requirement is met fully within the plan period.
Affordable Housing Delivery	3.33.	The 2013 Core Strategy set a target to deliver 100 affordable homes a year. The council's Strategic Housing Market Assessment found that an average of 139 affordable homes a year now need to be provided to meet existing need and the future need that is likely to arise over the Core Strategy Review plan period.
	3.34.	Therefore, the target for affordable housing provision is 139 per year from 2018/19 to 2036/37. After discounting smaller sites which are not required to provide affordable housing, the total of 2,640 homes represents approximately 22% of the projected housing provision for the plan period. This is considered by the council to be both deliverable and realistic.
	3.35.	The affordable housing policy as set out within the adopted Core Strategy Review, is a blanket 22% across the entire district. The strategy states the importance of providing different tenures, necessary to meet individual circumstances. The review refers to affordable rented, starter homes, discounted market sales housing and shared ownership.
	3.36.	The Strategic Housing Market Assessment (SHMA) indicates that 139 new affordable homes are required a year in the district. Of these affordable homes, the SHMA indicates that 70% should be affordable rent/social rent and 30% should be shared equity.
	3.37.	In line with the SHMA, the district is expected to provide 2,640 affordable dwellings between 2018/19 and 2036/37.

Community Infrastructure Levy	3.38.	A Community Infrastructure Levy (CIL) Charging Schedule was adopted by the council on 20 July 2016 and CIL has been in operation from 1 August 2016. CIL provides financial contributions from development to support infrastructure based on a flat-rate fee per square meter of development. Proposals for a new garden settlement within the district will necessitate some amendments to the CIL Charging Schedule.
Dixon Searle Residential Zones	3.39.	Dixon Searle made a recommendation of a four-zone approach based on figures ranging between initial CIL parameters of £0-£125/sqm. This was adopted by the Council.
Zone A	3.40.	Lower-Folkestone (based on ward areas of Foord and Harbour, together with much of Cheriton and Moorhill). The recommended rate for consideration at the time of report: £0/sq. m.
Zone B	3.41.	Mid-Folkestone, New Romney/Romney Marsh and Hawkinge. The recommended rate for consideration at the time of report: £50/sq. m.
Zone C	3.42.	Upper-Folkestone & Hythe area (west). The recommended rate for consideration at the time of report: £100/sq. m.
Zone D	3.43.	North (Kent) Downs rural area settlements. The recommended rate for consideration at the time of report: £125/sq. m.
Commercial Zones	3.44.	In relation to how CIL was applied to commercial properties by Dixon Searle, a CIL rate was only applied to new larger format of retail.
Large Retail Format	3.45.	The overall parameters for commercial CIL applied by Dixon Searle were £0-£100 per sqm. The recommended rate for larger format retail, such as retail warehousing and supermarkets was a charging rate of £100/sq. m when first applied. This rate would also be applicable to extensions of any size.

4. STAKEHOLDER CONSULTATION

	<p>4.1. As outlined in Section 2, NPG states that plan makers must work in collaboration with stakeholders in the Local Plan to finalise their policies to ensure that they are appropriate and will result in development that is sustainable and deliverable. This is shown in the key extract from paragraph 002 of the NPG below:</p> <p><i>“It is the responsibility of plan makers in collaboration with the local community, developers, and other stakeholders, to create realistic, deliverable policies. Drafting of plan policies should be iterative and informed by engagement with developers, landowners, and infrastructure and affordable housing providers.”</i> (Extract from NPG paragraph 002)</p>
	<p>4.2. Paragraph 6 of the NPG outlines <i>how</i> plan makers should engage with stakeholders in the Local Plan. It also outlines <i>who</i> these stakeholders are:</p> <ul style="list-style-type: none"> - Landowners; - Developers; - Infrastructure providers; and - Affordable housing providers.
	<p>4.3. It follows by stating <i>what</i> should be consulted upon:</p> <ul style="list-style-type: none"> - Costs; - Values; and - Land Value.
	<p>4.4. Paragraph 006 outlines that it is the responsibility of site promoters to engage in the plan making, however it is the Council’s requirement to provide them the chance to be able to do this. As such GE were instructed by the Council to undertake the stakeholder engagement for which we discuss the objective, format, key responses, and conclusion below.</p>
Objective	<p>4.5. The objective of the consultations was to provide a forum for open and transparent engagement with developers and key stakeholders to assist us in informing our recommendations to the Council regarding our review of the viability and CIL related policies in the Local Plan. The consultations enabled stakeholders to share their experiences of development viability within the Council and provided us with a greater pool of evidence to support our area wide assessment.</p>
	<p>4.6. We sought the following information from stakeholders:</p> <ul style="list-style-type: none"> • Details on the stakeholder’s role in the development of the district and; • The impact of CIL; • Financial challenges that are often faced when undertaking developments in the district; • What types of developments are not usually financial viable? • Details of abnormal costs that are often faced in developments in the district, and where in these may be found; and • Key differences in development areas within the district.
	<p>4.7. Due to the market sensitivities, information provided was generally treated as confidential, but was of importance in forming our opinions around the evidence presented in this report.</p>
Format of Consultations	<p>4.8. Initial consultations included a questionnaire sent to stakeholders within the district, included in Appendix 4. The list was compiled through both market research but also based on a wider consultee list that was provided by the Council. We invited written submissions and supplied the questionnaire, which provided a framework for the information we were seeking and allowed the opportunity for further comment. The questions are set out in the following section.</p>

Survey Responses	4.9.	On 31 May 2022, Gerald Eve sent out the first consultation questionnaire, to relevant stakeholders and participants within the district. This list comprised a list of developers and actors in the district provided to us by the council, as well as research of stakeholders we undertook. We received three responses to the survey. from Invicta Planning, Quinn Estates and BDW Kent. The responses we received are summarised under each of the questions taken from the questionnaire in the paragraphs below.
Questions	4.10.	1) How many developments have you undertaken in the district in the last 5 years?
	4.11.	Range between 1 and 4 developments
	4.12.	2) What type (use class) and size (sq. m) of development have you undertaken?
	4.13.	Mixed Use and Residential. Ranging in size between 9 units and 1,050 units. Largest commercial development includes 18k local centre, 1,150sqm community sports and leisure development and 3,650 sqm open space.
	4.14.	3) What housing types or typologies have been delivered as part of your development programme in the district?
	4.15.	Mixture between flats, apartments, family homes and terraced housing. Flats and family homes range from one-bedroom apartments to four bedroom houses.
	4.16.	4) Have the above typologies differed according to area or location?
	4.17.	Most developments located in the North Downs area, although one response suggests typologies depend on how they fit into a site layout and the external factors impacting it.
	4.18.	5) How has the level of CIL and the Council's planning policy approach affected your ability to undertake certain types of development in the district?
	4.19.	Issues surrounding uncertainty over CIL for some strategic sites.
	4.20.	6) Can you describe the financial challenges you face in developing in the district, e.g. land values, costs, sales and commercial values?
	4.21.	Financial Challenges include: <ul style="list-style-type: none"> - Abnormal costs - Land values are high - Inflated build costs - CIL costs not fixed thus linked to inflation - Commercial demand is limited and hard to find
	4.22.	7) Are there any developments with planning permission that you have not implemented due to financial/viability reasons? If yes, please explain why and what types of developments?

4.23.	Reasons developments with planning granted were not implemented: <ul style="list-style-type: none"> - Financial recession - Issues with specific planning allocations
4.24.	8) What do you think are the core categories of abnormal cost associated with development in the district?
4.25.	Abnormal costs: <ul style="list-style-type: none"> - Nutrient Neutrality - Foundation Design - Working in/within setting of AONB - New standards that were not considered for CIL previously – Biodiversity net gain/offsetting, water efficiency, new Part L requirements etc need to form part of the considerations for the review. - Remediation costs
4.26.	9) Are there any types of development that you are unable to make work financially in the district that you pursue elsewhere? If so, what are the reasons for this?
4.27.	Types of developments unable to make viable in the district but can elsewhere? <ul style="list-style-type: none"> - Type of developments in the district is dictated by high land values / abnormal costs mentioned - Marketability and interest of specific uses required on strategic sites
4.28.	10) What are the key differences within the district that enable some development types to be delivered in some locations and not in others, e.g. transport nodes, values, demand?
4.29.	Key differences within the district that enable development types? <ul style="list-style-type: none"> - Stronger demand for flats in coastal locations - Poor connectivity in Romney Marsh
4.30.	11) Please briefly discuss any key housing trends that you think will impact the district moving forward.
4.31.	<ul style="list-style-type: none"> - Increased demand for family housing - Increased second home ownership/holiday lets/Air BNB - Lack of rental properties partly because of above - Need for housing for the elderly - Pressure for redevelopment on family plots to flats in high value areas
4.32.	The first stakeholder consultation round clearly supported our initial view that the following uses needed to be given further consideration in our analysis: <ul style="list-style-type: none"> - Senior Living/ Housing for Older People - Flatted Seafront developments - Build to Rent

Second Stakeholder Consultation	<p>4.33. A second consultation was undertaken in July with the same stakeholders and developers given the opportunity to participate. This consultation included a presentation explaining the typologies used; the methodology adopted for benchmark land value, the appraisal inputs used in relation to costs and values; the results of our assessment and our initial conclusions. A copy of the presentation is provided in Appendix 5.</p>
	<p>4.34. The presentation also invited feedback from stakeholders in the light of information provided. The key issues raised are set out in 4.35 below. A copy of the presentation was sent to all attendees following the session and is available at Appendix 5.</p>
	<p>4.35. Where appropriate, we have had regard to the feedback provided by stakeholders in both the initial and second rounds, in the production of this review. A summary of the key points is set out as follows:</p> <ul style="list-style-type: none"> • Abnormal costs – A 10% contingency allowance was adopted for all typologies to account for additional abnormal costs including some of the items raised by stakeholders such as nutrient neutrality, Biodiversity net gain, Part L building regulation requirements. • Inflated build costs – As well as the additional contingency allowance discussed above, all the typologies were subject to extensive sensitivity testing and analysis to ensure the issue of build cost inflation was robustly considered. • High Land values - The review has been undertaken based on a mixture of both greenfield and brownfield existing uses within the different geographical zones. This has enabled us to adopt a range of land values to determine whether development is financially viable and deliverable across the district.
	<p>4.36. Key questions were also raised in relation to the programme and timescales for implementation of the CIL Charging Schedule. There is some concern that the progression of the strategic sites may be delayed. This was an issue for the Council, who provided a response following the session.</p>

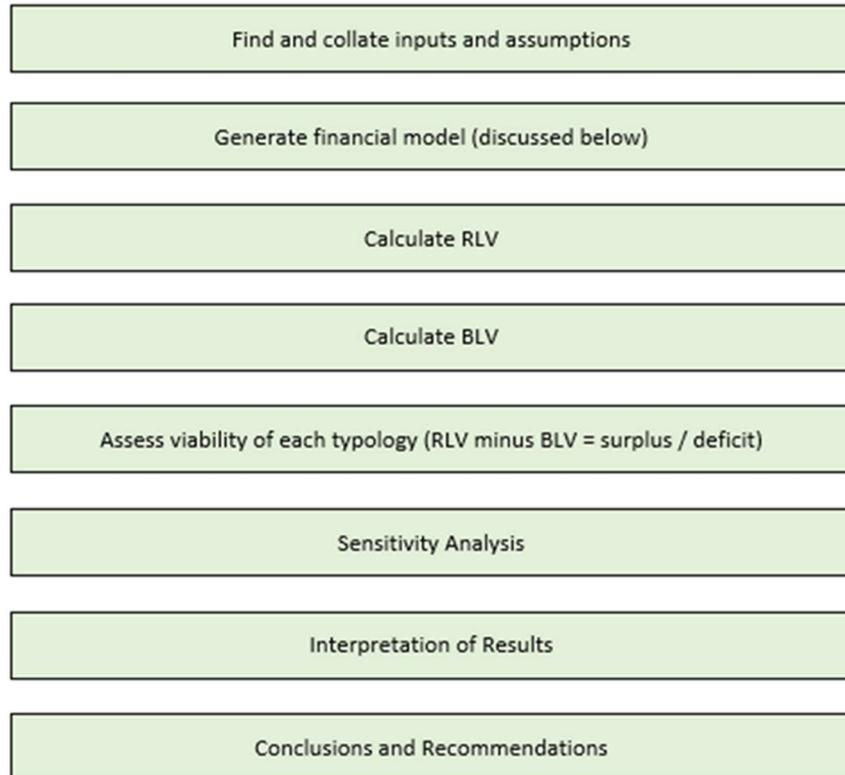
5. METHODOLOGY

Introduction	5.1. In this section we set out the method adopted in undertaking the area-wide assessment
	5.2. The method adopted is based upon the NPPF, NPG, CIL Regulations and Guidance documents; RICS and other relevant guidance as outlined in Section 2. It is also influenced by stakeholder consultations as outlined in Section 4. Throughout our assessment we have provided an evidence base on market research and Gerald Eve’s professional experience in the district.
	5.3. Later sections in the report address the typologies, appraisal assumptions and benchmarks.
Overall Method	5.4. The overall method of this assessment is to undertake a ‘fine-grain’ analysis of development viability in the district. In order to assess this, we have adopted the residual valuation method, in accordance with RICS guidance.
	<p>5.5. The residual method uses various inputs to establish a gross development value (“GDV”) from which the gross development cost (“GDC”) including developer’s return (profit) is deducted resulting in a Residual Land Value (“RLV”).</p> <p>Figure 7: Residual Method</p> <div data-bbox="480 1032 1393 1536" style="border: 1px solid black; padding: 10px; text-align: center;"> <p style="text-align: right;">} GDV</p> <p style="text-align: center;"><i>Less</i></p> <p style="text-align: right;">} GDC</p> <p style="text-align: center;"><i>Equals</i></p> <p style="text-align: center;">Residual Land Value (RLV)</p> </div> <p><i>Source: Gerald Eve</i></p>
	5.6. As such, we worked with the Council to select 34 typologies, which are discussed in Section 6 to test using this method. Firstly, we ascertain the inputs for the area wide study and in each case, calculate the RLV using a financial model, which we then compare to the Benchmark Land Value (defined below and at Section 10). If there is a surplus (i.e. RLV is larger than the BLV), then that typology is viable at that level of planning obligation. If there is a deficit (i.e. RLV is smaller than the BLV), then that typology is unviable at that level of planning obligation.
	5.7. Sensitivity analysis of the inputs can then be undertaken to provide more robust analysis of these results and to incorporate a ‘buffer zone’ to allow for potential variance in future market conditions.. This will include testing of the key inputs, but also of the inputs that we are testing in affordable housing levels and CIL rates.

5.8. By reviewing the results of the assessment and the sensitivity analysis, it is possible to interpret the results as a whole as opposed to on an individual typology/site-based level. This allows us to form our conclusions and recommendations to the Council about CIL rates.

5.9. A simple step by step diagram of this method is shown below:

Figure 8: Step by Step Methodology of a Financial Model to Test Viability in this Assessment



Source: Gerald Eve

Financial Model	5.10.	To undertake this analysis and test the viability of development across the district against the policy compliant level of affordable housing and differing CIL rates, a bespoke model has been developed on Microsoft Excel. The model tests a large number of development typologies (which are discussed further in the following section) having regard to CIL contributions, in order to assess the potential impact upon area wide development viability in the district.
	5.11.	The model has a table of inputs for each of the 34 typologies that are tested as part of this study. The inputs can be categorised into three groups, qualitative, quantitative and lookups.
	5.12.	Qualitative inputs are descriptive in nature and are helpful to the user to understand the typology that is being tested. Qualitative inputs do not affect the calculations of the model. Examples of qualitative inputs include site addresses and descriptions of the site.
	5.13.	Quantitative inputs are numbers that are used in the calculations to determine the outputs. These inputs can include number of units, areas, commercial rents, and yields.
	5.14.	Lookups are inputs which are descriptive but also have an impact on the numbers. Examples of lookups include the residential zone which although is descriptive in nature, is used to determine the value of the residential spaces. Similarly, the CIL zone lookup which describes whether a site is in either Zone A, B, C or D, is used to determine the appropriate CIL rate to apply in the model.
	5.15.	The inputs table feeds into the appraisal section of the model. The calculations use Excel formulae to calculate values which feed through to the cashflow and finance section of the model. Examples of these values include residential GDV, construction costs and professional fees.
	5.16.	The cashflow and finance section of the model takes the values which have been calculated and profiles them into a timeline. The profile and timings of the calculated values will be set out in the inputs table. An example of this might be a 12-month construction phase followed by a 12-month sales phase. In this example the cashflow will set out the timings of these cash inflows and outflows so that the net cash position can be calculated in each month of the development.
	5.17.	The finance calculations use the net cash position to calculate the finance cost of the development. For example, if a development has a negative £100,000 cash position and the finance assumptions is 7%, there would be a £583 finance cost in that month which is calculated as $7\% / 12 \times £100,000$.
	5.18.	The finance cost in each month is deducted from the net cash position so that the finance cost is compounded each month.
	5.19.	As unit sales occur, the cash receipts are used to reduce the negative cash balance until there is no negative balance at which point finance is no longer a cost to the development.
	5.20.	The calculated values including the finance costs are used to determine the RLV of each typology in accordance with the formula depicted in Figure 8 .
5.21.	The outputs are then pulled through into an outputs appraisal which summarises the values that are used to calculate the RLV.	

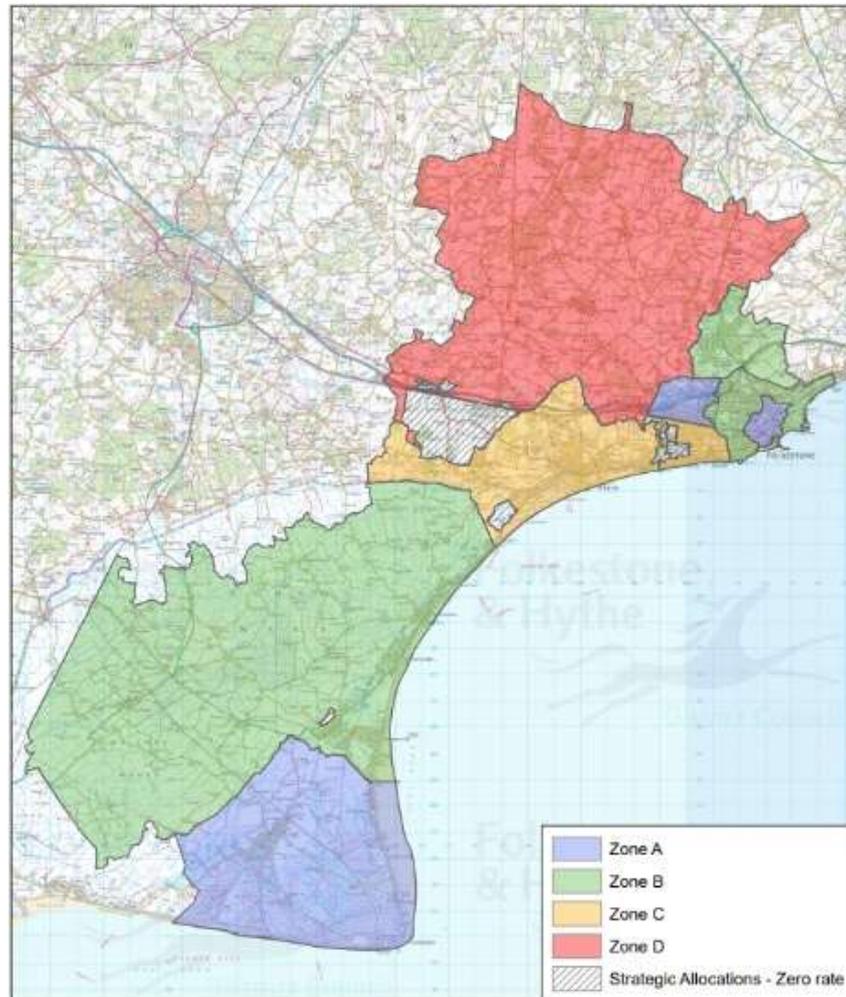
6. GEOGRAPHICAL ZONES AND DEVELOPMENT TYPOLOGIES

Introduction	6.1. This section of the report relates to the selection of the geographical zones and site typologies that were chosen for the area-wide viability assessment.
	6.2. The NPG states that there is no requirement to assess every site for viability in plan making, stating that (paragraph 003 ¹): <i>“Assessing the viability of plans does not require individual testing of every site or assurance that individual sites are viable. Plan makers can use site compliant typologies to determine viability at the plan making stage. Assessment of samples of sites may be helpful to support evidence.”</i>
	6.3. In selecting typologies, we worked with the Council to select a representative sample of the typical development sites that are expected to come forward in the district over the plan period. This allowed us to classify developments according to their type, such as ‘Retail – Larger format (A1) Convenience (Large Supermarkets) or ‘Development of 25 Mixed units (brownfield)’.
	6.4. The overall aim was to achieve a good balance of policy compliant development types and locations to ensure a thorough and realistic assessment, while recognising that not every site can plausibly be assessed for the purposes of this study.
Geographical Zones	6.5. Our review of the current CIL Charging Schedule adopted within Folkestone and Hythe highlighted the current adopted CIL zones and their correlation with ward boundaries. As detailed within Section 3 , each ward holds its own characteristics that could impact the anticipated demand and revenues anticipated within each zone.

¹10-003-20180724

- 6.6. As part of our review, it was necessary to assess the current CIL Zones to check whether they remain appropriate or if there would be a more appropriate method moving forward.

Figure 9: Map of Folkestone and Hythe CIL Zones



Source: Gerald Eve

- 6.7. To support our research, we conducted an inspection of the district, visiting each of the zones to form our own opinion of the quality of urban settlements, current stock and whether the zones are still applicable.
- 6.8. Our inspection provided clarity as to the existing developments within each zone, ongoing projects and the positioning of ward boundaries. As such, a disparity between CIL zones became apparent in terms of which areas seemed more affluent and of higher demand.
- 6.9. During our inspection, it was clear that the current ward profiles reflect the character areas and the respective boundary lines were generally evident by using main roads throughout the district. Along with our research on market evidence, we concluded that the current four CIL zones incorporating local wards provides a suitable designation for designating CIL rates and should therefore be maintained.

Residential Typologies	6.10. As an initial basis, we identified and reviewed the selected typologies and scheme mixes that were adopted by Dixon Searle within their CIL charging assessment for the district ('CIL & Whole Plan Economic Viability Assessment, Ref: DSP14260', July 2014 - page 17).																												
	<p>6.11. Dixon Searle adopted the following residential typologies and scheme mixes:</p> <p>Table 3: Dixon Searle Residential Scheme Types</p> <table border="1" data-bbox="459 562 1433 1093"> <thead> <tr> <th>Scheme / Typology</th> <th>Overall Scheme Mix</th> </tr> </thead> <tbody> <tr> <td>1 House</td> <td>1 x 4BH</td> </tr> <tr> <td>4 Houses</td> <td>4 x 4BH</td> </tr> <tr> <td>5 Houses</td> <td>5 x 3BH</td> </tr> <tr> <td>9 Houses</td> <td>9 x 4BH</td> </tr> <tr> <td>10 Houses</td> <td>10 x 4BH</td> </tr> <tr> <td>15 Houses</td> <td>10 x 3BH, 5 x 4BH</td> </tr> <tr> <td>15 Flats</td> <td>5 x 1BF, 10 x 2BF</td> </tr> <tr> <td>25 Mixed</td> <td>5 x 1BF, 3 x 2BF, 4 x 2BH, 10 x 3BH, 3 x 4BH</td> </tr> <tr> <td>30 Flats (Sheltered)</td> <td>22 x 1BF, 8 x 2BF</td> </tr> <tr> <td>50 Flats</td> <td>8 x 1BF, 42 x 2BF</td> </tr> <tr> <td>50 Mixed</td> <td>10 x 1BF, 6 x 2BF, 8 x 2BH, 20 x 3BH, 6 x 4BH</td> </tr> <tr> <td>100 Mixed</td> <td>10 x 1BF, 15 x 2BF, 15 x 2BH, 40 x 3BH, 20 x 4BH</td> </tr> <tr> <td>100 Flats</td> <td>45 x 1BF, 55 x 2BF</td> </tr> </tbody> </table> <p>Note: BH = bed house; BF = bed flat; Mixed = mix of houses and flats. Source: Dixon Searle</p>	Scheme / Typology	Overall Scheme Mix	1 House	1 x 4BH	4 Houses	4 x 4BH	5 Houses	5 x 3BH	9 Houses	9 x 4BH	10 Houses	10 x 4BH	15 Houses	10 x 3BH, 5 x 4BH	15 Flats	5 x 1BF, 10 x 2BF	25 Mixed	5 x 1BF, 3 x 2BF, 4 x 2BH, 10 x 3BH, 3 x 4BH	30 Flats (Sheltered)	22 x 1BF, 8 x 2BF	50 Flats	8 x 1BF, 42 x 2BF	50 Mixed	10 x 1BF, 6 x 2BF, 8 x 2BH, 20 x 3BH, 6 x 4BH	100 Mixed	10 x 1BF, 15 x 2BF, 15 x 2BH, 40 x 3BH, 20 x 4BH	100 Flats	45 x 1BF, 55 x 2BF
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	6.12. An area-wide inspection was conducted to ascertain the current typology mixes that are prevalent within each zone and how the Dixon Searle typologies were reflected within the zones. Additionally, the inspection aided in our due diligence to gain an understanding of where there may be potential demand for certain asset types.																												
	6.13. We discussed the above set of typologies and our inspection findings with the Council to determine if it was representative of the developments that they were seeing come forward in the planning application process since the Dixon Searle assessment in 2014. It was agreed that the existing typology set should be reviewed to ensure it remains reflective of the current and future development pipeline within the district.																												
Planning Applications	6.14. The Council provided GE with details of numerous ongoing/recent planning applications within each of the existing four CIL zones, for inclusion as example 'Example Sites' within our assessment. In each instance, sites have been matched to their most applicable Dixon Searle typology set/mix and where appropriate, adapted schemes (all inputs) on a pro-rata basis to match the closest typology set.																												
	6.15. To assist with our analysis of schemes within the district, the following range of information was recorded from each planning permission with the salient details as follows: <ul style="list-style-type: none"> • Address • Type of Development • Policy Allocation • Site Area • Current Use Class • GIA of Existing Building(s) • GIA of Proposed Development, by Use Class • CIL Zone 																												

6.16. The provided information was reviewed, and the relevant planning applications and allocated sites were matched with the corresponding Dixon Searle typology set, to establish which typology delivery is more prevalent within the district.

6.17. **Table 4: Dixon Searle Residential Scheme Types**

No. Units	Unit Mix	Example Site	Zone
1	House		
4	Houses		
5	Houses	Land rear of Varne Boat Club	B
9	Houses		
10	Houses	The Cherry Pickers Public House, Cheriton	C
		Camping and Caravan Site, Stelling Minnis	D
15	Houses		
15	Flats		
25	Mixed	Station Yard, Station Road, Lydd	A
		Former Hope All Saints Garden Centre	B
		Brockman Family Centre, Cheriton	C
		Land east of Broad Street, Lyminge	D
30	Flats (Sheltered)		
50	Flats		
50	Mixed	Marsh Potato Site	B
		Shepway Close, Folkestone	C
100	Mixed	Land off Victoria Road West, Littlestone	B
		Smiths Medical, Hythe	C
100	Flats		

Source: Dixon Searle

6.18. In the majority of typologies, we have used a real planning application as the sample for the assessment. However, real examples were not available for all typologies, so in some cases hypothetical 'Scenario Sites' were created using averages of the real planning applications in our assumptions.

Allocated Sites

6.19. In certain situations, we were aware that real planning applications were not available, however, we have had regard to the Council's 'Places and Policies Local Plan', highlighting allocated sites and their policy compliant proposals. These allocated sites have then been included with standard assumptions derived through existing planning applications.

Scenario Sites

6.20. In order to create the 'Scenario' sites, a schedule of all know example sites was formulated to ascertain the average set of units mix (e.g. 1 bed-flat / 2 bed-house / 3 bed-house) and the respective unit areas (adopting minimum space standards) to form average scheme area, to be used within our model.

6.21. During our inspection, we were able to form a view as to the current typography of each CIL zone and interpret appropriate existing use assumptions for each scenario site, as to whether they were to be assessed as either brownfield or greenfield developments.

Residential Typology Set	6.22. The outcome of the typology assessment and ongoing discussions with the Council identified certain typologies that did not appear to be prominent within the district and therefore not reflective of the current development market. We were therefore of the view that it would be reasonable to condense the typology set, providing a more accurate representation of the development pipeline within Folkestone and Hythe.
	6.23. The residential scenarios were chosen to reflect and further test viability across a broad range of scenarios whilst also allowing us to test the adopted affordable housing policy requirement of 22%. We understand that individual schemes may be subject to further viability testing. However, for the purposes of this review, we have assumed that any potential development would be policy compliant.
	6.24. We have had regard to a range of different development types, use types, and sizes. The refined residential typologies assessed include: <ul style="list-style-type: none"> • 5 Houses; • 10 Houses; • 25 Mixed; • 50 Mixed; • 100 Mixed.
	6.25. It should be noted that the residential typologies are split into 'Houses' and 'Mixed'. Through our research into the developments within the area and discussions with the Council, we are of the opinion that the smaller developments within the district would incorporate solely houses to maximise profitability. Therefore, flats have not been included within typology unit mixes for developments below 25 units. Developments that include a provision of flats are designated as 'Mixed'.
	6.26. Due to the scheme specific nature of each typology example chosen, we have followed Dixon Searle's approach in applying the minimum space standards ('Technical Housing Standards - Notionally Described Space Standard', Department of Communities and Local Government, 2015), to the specific unit mixes of each scheme, providing a consistent approach within our model.
	6.27. This information allowed us to build a residual appraisal for each individual typology in order to assess their viability. Where we did not have this information, for example in the case of notional schemes, we have made reasonable assumptions regarding the size and nature of the development that we would expect to be typical of that typology within the district.
	6.28. Regarding the reasoning set out above, the following set of residential typologies have been assessed, detailing the example development chosen for each typology and Scenario site, where applicable:

6.29. **Table 5: Residential Typologies**

Site Number	Typology Description	Example Site
1	Zone A: 5 Houses	Scenario Site (A5)
2	Zone A: 10 Houses	Scenario Site (A10)
3	Zone A: 25 Mixed	Station Yard, Station Road, Lydd
4	Zone A: 50 Mixed	Scenario Site (A50)
5	Zone A: 100 Mixed	Scenario Site (A100)
6	Zone B: 5 Houses	Land rear of Varne Boat Club
7	Zone B: 10 Houses	Scenario Site (B10)
8	Zone B: 25 Mixed	Former Hope All Saints Garden Centre
9	Zone B: 50 Mixed	Marsh Potato Site
10	Zone B: 100 Mixed	Land off Victoria Road West, Littlestone
11	Zone C: 5 Houses	Scenario Site (C5)
12	Zone C: 10 Houses	The Cherry Pickers Public House, Cheriton
13	Zone C: 25 Mixed	Brockman Family Centre, Cheriton
14	Zone C: 50 Mixed	Shepway Close, Folkstone
15	Zone C: 100 Mixed	Smiths Medical, Hythe
16	Zone D: 5 Houses	Scenario Site (D5)
17	Zone D: 10 Houses	Camping and Caravan Site, Stelling Minnis
18	Zone D: 25 Mixed	Land East of Broad Street, Lyminge
19	Zone D: 50 Mixed	Scenario Site (D50)
20	Zone D: 100 Mixed	Scenario Site (D100)

Senior Living (C3)

- 6.30. As part of our due diligence, we have identified the aging population documented within the district, as reported within **Section 3** of this report. Therefore, we have reviewed the planning policy definition and held discussions with our in-house alternatives team to identify the demand for Senior Living products, defined as 'Age Restrictive Accommodation without Provision of Significant Care', within the district. We have also considered anticipated sales vales and how the product should be incorporated within our model.
- 6.31. For the purposes of this review, we have assumed that the delivery of a senior living product would be new build and therefore zone-specific residential CIL rates would be applicable.
- 6.32. In reviewing the current CIL rates within the district, we are of the view that it is important to identify potential trends in future scheme delivery. In terms of value, a C3 senior living product would generally achieve a 5-15% premium in comparison to private residential products, following general residential assumptions. This premium reflects the amenities anticipated in an age restrictive product and the additional care available (not significant level of care). Therefore, it would be anticipated that the added premium may result in greater levels of potential return to developer and therefore, could be assessed on a separate basis to standard residential (C3) typologies. In doing so, there may be scope for a CIL rate premium for a Senior Living typology.
- 6.33. Therefore, a Senior Living (C3) scenario, reflecting 'Age Restrictive Accommodation without Provision of Significant Care' has been included within the residential section of our model.

	6.34.	Table 6: Senior Living Typologies (Age Restrictive Accommodation without Provision of Significant Care)						
		<table border="1"> <thead> <tr> <th>Site Number</th> <th>Typology Description</th> <th>Example Site</th> </tr> </thead> <tbody> <tr> <td>30</td> <td>Senior Living (C3)</td> <td>Scenario Site (Senior Living)</td> </tr> </tbody> </table>	Site Number	Typology Description	Example Site	30	Senior Living (C3)	Scenario Site (Senior Living)
Site Number	Typology Description	Example Site						
30	Senior Living (C3)	Scenario Site (Senior Living)						
Care Homes (C2)	6.35.	Review of the Dixon Searle assessment highlighted that Care Homes (C2) had been included as a commercial asset, with nil CIL rates applied. This typology differs from Senior Living (C3) due to no age restrictions and the additional level of care provided onsite. Discussions with the Council have indicated that they wish to promote the delivery of assets that would be considered to benefit the local community, such as Care Homes. Whereas a product such as Senior Living is modelled for private revenue, a Care Home typology would be considered as a potential contribution to the local area, of which should not inhibit delivery.						
	6.36.	As such, it has been agreed with the Council that Care Homes (C2) would maintain their current nil CIL rate and would therefore not be included within the area-wide CIL review.						
Build to Rent	6.37.	As part of the review, we consulted with the GE Build to Rent (BTR) team to understand the current supply, market trends and potential demands for the product.						
	6.38.	It is evident that BTR is an actively growing typology around the UK, with ongoing projects in some Southeast locations such as Ashford. It is understood that the BTR product requires a minimum of 100 units and must be located in a position to capitalize on strong communication links and rental demand. Within the district, it is understood that a BTR product may be attractive in close proximity to the railway stations and with sea views. However, we have been informed that the BTR model would not outweigh a private sales product in coastal locations due to the premium anticipated for sea views in sales.						
	6.39.	Following a review of comparable evidence for both BTR products and private sales in coastal locations, we formed the opinion to concur with the specialists and that a reasonable developer would prioritise a build to sell product within the district. Therefore, a BTR typology has not been tested within this study.						
Strategic Sites	6.40.	Within the district, there are a number of 'Strategic Sites' that have been highlighted by the Council for exclusion of CIL charges. The Council removed the Strategic & Key Development Sites from CIL as sites of this nature typically have high levels of infrastructure costs and require early delivery of key infrastructure items. Removing these Sites from CIL obligations maximises the funding that can be secured through S106 and S278 Agreements to ensure that these infrastructure items can be delivered earlier and with a higher degree of flexibility in comparison to monies collected through CIL.						
	6.41.	<p>GE have previously conducted financial viability and deliverability assessments of a number of strategic sites, in order to support the Core Strategy Review. A summary of the work undertaken, and reports are set out as follows:</p> <ul style="list-style-type: none"> • Core Strategy Examination of Additional Sites – Draft Form (August 2020) • Development at Nickolls Road, Hythe, Financial Viability Assessment Review (October 2020) • Folkestone & Hythe District Council CIL Charging Schedule Review in Relation to Strategic and Key Development Sites (November 2020) • Addendum Report on Viability for Otterpool Park New Garden Settlement (June 2021) 						
	6.42.	We have re-assessed a selection of Strategic Sites to assess the return to developer of such schemes and whether they could be liable for future CIL.						

6.43. It must be noted that these schemes involve multiple complexities such as their cash flows and delivery programme when assessing their viability and thus require a master developer approach. Our model provides a high-level assessment of each typology, and we would therefore anticipate a level of variance when compared to a detailed viability assessment. The purpose of the CIL Charging model is to provide a basis of assessing multiple development typologies at once, on the same basis for comparison. It is not possible to include such complexities and the Strategic Sites have therefore been assessed using Argus Developer, to ensure accuracy in our testing.

6.44. The four Strategic Sites that we have considered as part of this review have been identified below, with a brief summary:

Table 7: Strategic Sites

Site Number	Typology Description	Example Site
31	Strategic Site	Otterpool Park
32	Strategic Site	Nicholls Quarry "Martello Lakes"
33	Strategic Site	Folkestone Seafront
34	Strategic Site	Sellindge Phase 2

6.45. **Figure 10: Map Identifying Strategic Sites**



Source: Google Maps

	<p>6.46. Otterpool Park (North Downs Garden Settlement) – Core Strategy Review Policies SS6 to SS9</p> <ul style="list-style-type: none"> Proposals for the North Downs Garden Settlement (also referred to as Otterpool Park development). Approximately 1,890 acres allocated for the delivery of circa 10,000 homes and other uses to create a Garden Community.
	<p>6.47. Nicholls Quarry (Martello Lakes)</p> <ul style="list-style-type: none"> A 3-Phased Scheme to deliver 1,050 homes (subject scheme) over a gross acreage of 167.60 acres. Phases 1 & 2 incorporate 400 homes and construction is currently ongoing. Phase 3 comprises an application for 650 homes.
	<p>6.48. Folkestone Harbour & Seafront – Core Strategy Review Policy SS10</p> <ul style="list-style-type: none"> Granted outline permission in January 2015 for a mixed-use scheme comprising up to 1000 residential homes, and up to 10,000 square metres of commercial floorspace. Construction of the first phase (84 units) began in early 2020. Formerly industrial but has since been cleared and comprises an open beach with ‘meanwhile’ uses in situ, comprising shipping container structures. Developable area of approximately 23 acres.
	<p>6.49. Sellindge Phase 2 – Core Strategy Review Policy CSD9</p> <ul style="list-style-type: none"> The Sellindge Sites consist of 2 phases. The first phase, has been delivered by Taylor Wimpey and comprises solely the Land Adjacent to the Surgery site. The second phase comprises Site A and Site B, situated to the West and to the East of Phase 1, respectively. We understand all three Sellindge sites comprise, or formerly comprised, predominantly undeveloped greenfield land, with some residential and light commercial uses throughout. <ol style="list-style-type: none"> Land Adjacent to The Surgery: <ul style="list-style-type: none"> Comprises 250 units under construction on a 26.6-acre site. Sellindge Site A – Land to the West: <ul style="list-style-type: none"> Allocated for 188 units on a 13.8-acre site. Sellindge Site B – Rhodes House: <ul style="list-style-type: none"> Outline planning permission for 162 units on a 46.7-acre site. <ul style="list-style-type: none"> For the purposes of this assessment, we have included Sellindge Phase 2 within the Strategic Sites.
	<p>6.50. Pictures conveying the current progression of each Strategic Site are included within Appendix 6, captured during an investigative site visit to the district, during June 2022.</p>
<p>Commercial Typologies</p>	<p>6.51. As an initial basis, we identified and reviewed the selected typologies that were adopted by Dixon Searle CIL & Whole Plan Economic Viability Assessment.</p>

6.52. As per Dixon Searle's 2014 report, the following commercial scenarios were tested:

Table 8: Dixon Searle Commercial Scenarios

Development Type	Example Scheme Type(s) and potential occurrence	GIA (m ²)	Site Coverage	Site Size (Ha)
Retail - larger format (A1): convenience	Large Supermarket	2500	40%	0.63
Retail - larger format (A1): comparison	Retail Warehousing - edge of centre	1500	25%	0.60
A1- A5: Small Retail	Other retail - town centre	300	70%	0.04
A1-A5: Small retail	Convenience Stores	300	50%	0.06
A1-A5: Small Retail	Farm shop, rural unit, café or similar	200	40%	0.05
B1(a) Offices: Town Centre	Office Building	500	60%	0.08
B1(a) Offices: Out of town centre	Office Building (business park type - various)	2500	40%	0.63
B1(a) Offices: Rural	Farm diversification, rural business centres, ancillary to other rural area uses	250	40%	0.06
B1, B2, B8: Industrial / Warehousing	Start-up / move-on unit	500	40%	0.13
B1, B2, B8: Industrial / Warehousing	Larger industrial / warehousing unit including offices - edge of centre	2000	40%	0.50
C1 - Hotel	Hotel - various types - tourism-led (range dependant on market / type). 60-bed.	2800	80%	0.35
C2 - Residential Institution	Nursing home / care home	3000	60%	0.50

Note: 300 sq. m retail ('small retail') scenarios representative of smaller shop types also permitting Sunday Trading Act related trading hours (see also subsequent information in this report).

Source: Dixon Searle

6.53. The commercial scheme scenarios reviewed were developed through the evaluation of the information provided by the Council and the adopted scenarios within the Dixon Searle charging schedule. This information was further supplemented and examined against wider information including the local commercial market activity, ongoing developments, and future pipeline.

6.54. Furthermore, we have consulted the Council as to high level trends that are noticeable within the district regarding commercial development types and applications. This information, along with discussions held with our in-house market experts, have enabled us to form a view as to the whether all scenarios would be required and suitable.

6.55. We are of the view that the schemes of convenience stores and farm shops/cafes would have similar market conditions and should therefore be merged into 'secondary retail'. Additionally, we concluded that rural offices and out of town offices should be merged as 'secondary offices'. Therefore, we have split commercial assets into 'primary' and 'secondary' classes.

6.56. We have reviewed the Dixon Searle assumptions regarding GIA area, site coverage and site size. These inputs appear to still be reasonable and have therefore been incorporated into the GE model.

6.57. From our experience, we are of the opinion that a provision of commercial floorspace within residential development schemes of sizes included within our typology selection would be notional in aid of S106 negotiations and in attaining planning resolution. Therefore, such commercial uses would not be revenue driven and be able to afford additional CIL charges in lieu of such residential charges that are already exerted on the site. As such, we have not considered mixed uses within our typology set. However, this is in exception of Strategic Sites, which incorporate master planning for the key development sites.

6.58. We provide tables below of all the commercial typologies, which we have separated into groups of similar typologies. These groups feed into the analysis and assessment of results that can be found at Section 11 to 13. These typology groups are listed below with their example sites shown in the tables that follow:

- a) Retail;
- b) Offices;
- c) Industrial;
- d) Hotel.

6.59. **Table 9: Retail Typologies**

Site Number	Typology Description	Example Site
21	Retail - Larger format (A1) Convenience (Large Supermarket)	Scenario Site (Supermarket)
22	Retail - Larger format (A1) Comparison (Retail Warehousing)	Scenario Site (Retail Warehouse)
23	Primary: Retail (A1-A5)	Scenario Site (Primary Retail)
24	Secondary: Retail (A1-A5)	Scenario Site (Secondary Retail)

6.60. **Table 10: Office Typologies**

Site Number	Typology Description	Example Site
25	Primary: Office (B1) (Town Centre)	Scenario Site (Primary Office)
26	Secondary: Office (B1) (Out of Town)	Scenario Site (Secondary Office)

6.61. **Table 11: Industrial Typologies**

Site Number	Typology Description	Example Site
27	Large Industrial (B2, B8)	Scenario Site (Large Industrial)
28	Small Industrial (B2, B8)	Scenario Site (Small Industrial)



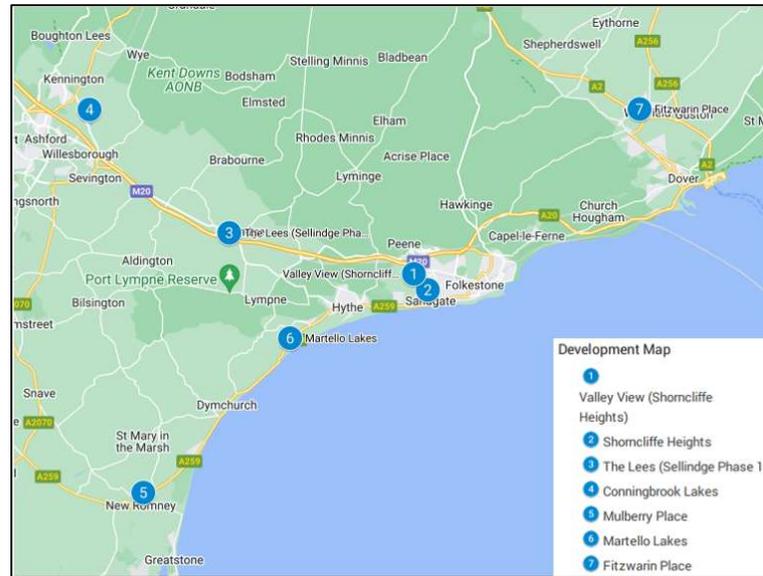
6.62. **Table 12: Hotel Typologies**

Site Number	Typology Description	Example Site
29	Hotel	Scenario Site (Hotel)

7. REVENUE INPUTS AND ASSUMPTIONS

Introduction	7.1. This section outlines the evidence base for the Revenue inputs used in our viability appraisals. It references the current market conditions for the different typologies and provides the source for each of the inputs.
	7.2. The NPG defines Gross Development Value as: <i>“Gross development value is an assessment of the value of development. For residential development, this may be total sales and/or capitalised net rental income from developments. Grant and other external sources of funding should be considered. For commercial development broad assessment of value in line with industry practice may be necessary.”</i>
	7.3. Specifically, for area-wide studies, the NPG notes that: <i>“For broad area-wide or site typology assessment at the plan making stage, average figures can be used, with adjustment to take into account land use, form, scale, location, rents and yields, disregarding outliers in the data.”</i>
Residential Revenue Assumptions	7.4. We estimated private sales values based on previous financial viability assessment work undertaken within the area, and evidence from local new build developments, whilst also referring to second-hand sales.
	7.5. We have undertaken a review of private sales values for new build properties in Folkestone & Hythe and the surrounding Southeast areas using the Land Registry databases such as Land Insight and REalyse. These databases provide us with the sales values and floor areas for recent transactions from Q1 2021 to present, of which are analysed on basis of average and blended rates per bedroom, per sq ft and highlights the maximum and minimum results from our comparable evidence.
	7.6. Using Land Registry data, we are also able to separate the sales evidence we have obtained out into houses and apartments, assessing the different average £ per sq ft rates for these in the different CIL zones. They are then applied appropriately to the typologies that include apartments or houses.
	7.7. In our analysis, significant weight was apportioned to evidence sourced from recent new build developments within the district. These schemes include recent Strategic Sites, such as Martello Lakes, Shorncliffe Heights and Sellindge. In our opinion, these developments provide a strong basis of the appropriate sales values within the area and for larger typologies. Figure 11 shows the locations of the new build sites within the district and surrounding areas.

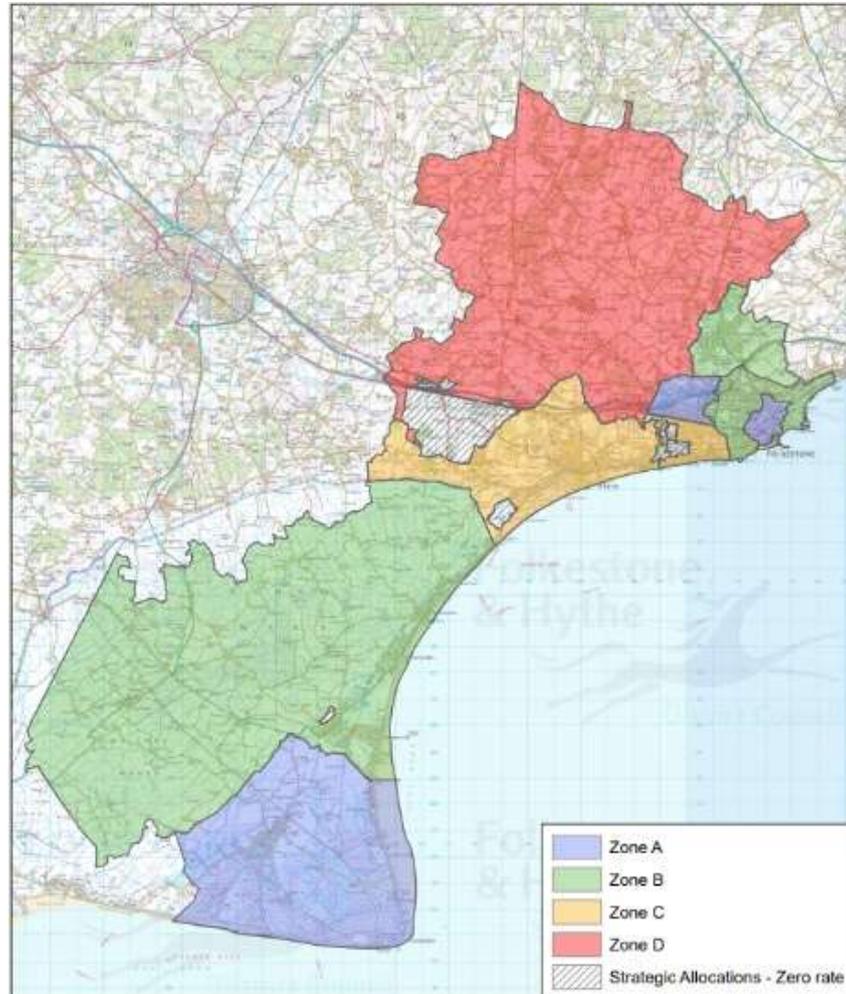
Figure 11: Map of New Build Developments Around Folkestone & Hythe District



Source: Google Maps

- 7.8. We are aware of several developments within the district that are currently under construction. We have had regard to these in respect to the future pipeline. Photos of current developments, such as the 85-unit flatted scheme on Dymchurch Road, St Marys Bay are included within **Appendix 6**.
- 7.9. We have supported the Land Registry data by researching asking price data from online sources such as Rightmove, although we gave less weight to this evidence as we expect asking prices to vary from the eventual sales price.
- 7.10. Using these combined resources allows us to form a view on the sales values in different areas or “zones” of the district. Evidence suggested a range of sales values varying dependent on the location within the zones and proximity to the seafront.
- 7.11. During our inspection, it was evident that there was a differentiation between wards regarding the affluence and the quality of housing stock in areas across the district. This further supported the adaptation of the current CIL boundaries in the first instance of this exercise.
- 7.12. A schedule of our comparable evidence and more detailed analysis of average private sales value for each Zone of a £ per sq ft basis can be found in **Appendix 7**.
- 7.13. By undertaking this exercise, we are able to divide the district into different private residential value zones, following the Council’s adopted CIL zones and as a review of the Dixon Searle report. The designated CIL zones are shown on the map below and our derived private residential values for house and flats included below:

7.14. **Figure 12: Map of adopted CIL Zones**



Source: Gerald Eve

7.15. **Table 13: Summary of Private Residential Values per Zone**

Residential Type	Zone A	Zone B	Zone C	Zone D
Apartments (psm)	£3,014	£3,444	£3,660	£3,014
Apartments (psf)	£280	£320	£340	£280
Houses (psm)	£3,337	£3,660	£3,660	£3,983
Houses (psf)	£310	£340	£340	£370

Source: Gerald Eve

7.16. Our analysis showed that there was a significant difference between new build sales values per sq ft throughout the district, in the most notably in the North Downs of Zone D, compared to the South, within the marsh areas of Zone A.

	7.17.	It was evident within our inspection and desktop research that there is a disparity in terms of the quality of apartment stock within Zones A & D. In this, the standard of second-hand flats is anticipated to be far lower than potential new build products, especially in seaside locations. Therefore, we have also had regard to asking prices of flats within the district, assisting in our interpretation of private residential values for flats in each CIL zone.																		
Sales Velocity	7.18.	<p>Having regard to our experience of similar typologies within the Southeast and other development projects, we are of the view that the following assumption mix of off-plan sales and respective sales velocity is reasonable:</p> <p>Table 14: Adopted Residential Sales Velocities</p> <table border="1"> <thead> <tr> <th>Typology</th> <th>Off-Plan Sales</th> <th>Sales Rate (Units per Month)</th> </tr> </thead> <tbody> <tr> <td>5 Houses</td> <td>50%</td> <td>3</td> </tr> <tr> <td>10 Houses</td> <td>50%</td> <td>3</td> </tr> <tr> <td>25 Mixed</td> <td>40%</td> <td>3</td> </tr> <tr> <td>50 Mixed</td> <td>30%</td> <td>5</td> </tr> <tr> <td>100 Mixed</td> <td>20%</td> <td>5</td> </tr> </tbody> </table> <p><i>Source: Gerald Eve</i></p>	Typology	Off-Plan Sales	Sales Rate (Units per Month)	5 Houses	50%	3	10 Houses	50%	3	25 Mixed	40%	3	50 Mixed	30%	5	100 Mixed	20%	5
Typology	Off-Plan Sales	Sales Rate (Units per Month)																		
5 Houses	50%	3																		
10 Houses	50%	3																		
25 Mixed	40%	3																		
50 Mixed	30%	5																		
100 Mixed	20%	5																		
Senior Living (C3) Revenue	7.19.	As previously covered, it is understood that a senior living product (Age Restrictive Accommodation without Provision of Significant Care) would generally anticipate a 5-15% premium in value when compared to private residential products, due to the amenities for an age restrictive product. Furthermore, with the attractive seaside locations available for possible developments in the area, we have been advised that a 10% premium could be expected within the district. Therefore, we have attributed a capital value of £374 per sq ft, realising a 10% premium in regard to Zone B & C private residential values.																		
Affordable Residential	7.20.	We have tested 22% affordable housing as a base level in our assessment, as per the Council's 'Strategic Housing Market Assessment 2016/17', as referenced by the 'Folkestone & Hythe District Council Core Strategy Review 2022' (for typologies with 10 residential units or over).																		
	7.21.	We have applied a policy compliant tenure split of 70% Affordable Rent and 30% Intermediate (to be delivered as Shared Ownership).																		
	7.22.	We have reviewed Dixon Searles approach of applying a percentage of open market value (OMV) for each tenure, to ensure consistency across all residential typology mixes. Whilst the Dixon Searle method is considered reasonable, we have adopted an investment model approach whereby the net rent has been capitalised having regard for appropriate management and maintenance deductions. We have also reviewed the wider work undertaken by Gerald Eve for the district council and other viability consultants to inform the value assumptions, which are summarised in the table below:																		
	7.23.																			

	7.24.	<p>Table 15: Summary of Affordable Residential Values</p> <table border="1"> <thead> <tr> <th>Affordable Housing Assumptions</th> <th>Input (% of OMV / Capital Value)</th> </tr> </thead> <tbody> <tr> <td>Houses: Social Rent (£psf)</td> <td>£195 psf</td> </tr> <tr> <td>Houses: Intermediate (£psf)</td> <td>80% OMV</td> </tr> <tr> <td>Flats: Social Rent (£psf)</td> <td>£195 psf</td> </tr> <tr> <td>Flats: Intermediate (£psf)</td> <td>80% OMV</td> </tr> </tbody> </table> <p><i>Source: Gerald Eve</i></p>	Affordable Housing Assumptions	Input (% of OMV / Capital Value)	Houses: Social Rent (£psf)	£195 psf	Houses: Intermediate (£psf)	80% OMV	Flats: Social Rent (£psf)	£195 psf	Flats: Intermediate (£psf)	80% OMV
Affordable Housing Assumptions	Input (% of OMV / Capital Value)											
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Houses: Intermediate (£psf)	80% OMV											
Flats: Social Rent (£psf)	£195 psf											
Flats: Intermediate (£psf)	80% OMV											
	7.25.	We are of the view that this is an appropriate method for ascertaining affordable values and assumptions for an area wide assessment.										
Commercial Revenue	7.26.	We have undertaken a review of the different commercial property markets within the district and similarly to the residential inputs we have deduced that the values for commercial property and non-residential schemes achieved throughout the district vary enormously by specific type of development and location. To ensure consistency in considering the viability of various commercial development types, a range of assumptions are required in regard to the rental values and yields anticipated to drive the values within completed schemes.										
	7.27.	Despite the broad variation in commercial values across the district, we are of the view that such values are derived through the quality of stock, in terms of specification and condition, included within recent transactional evidence rather than being specific to the geographical location within the district. Thus, we consider that the recent comparable evidence does not support the justification to split commercial values between four separate CIL Zones.										
	7.28.	Therefore, we have differentiated the commercial values through denoting 'Primary' and 'Secondary' values for commercial uses, dependent on product/scheme mix/location, over the entire District rather than split across the four residential CIL Zones.										
	7.29.	A schedule of our comparable evidence for the various commercial inputs can be found in Appendix 8 .										
Retail Value Assumptions	7.30.	We have undertaken a review of the retail market using evidence from Costar and Estates Gazette Interactive (Egi) property databases and by liaising with internal Gerald Eve commercial property teams. We provide our evidence at Appendix 8 , where a rental range of circa 11.00 psf to circa £25.00 psf and yield range of 4.50% to 8.50% is demonstrated.										

7.31. Having regard to the comparable evidence, the assumptions used in our appraisals for the typologies including a retail element is outlined in the table below:

Table 16: Retail Value Assumptions Summary

Retail Value Assumptions	Input	Primary	Secondary
Retail - Larger format (A1) Convenience (Large Supermarket)	Rent (psf)	£25	£20
	Yield (%)	4.5%	4.5%
	Rent Free (Months)	24	24
	Term (Years)	15	15
	Years to Break (Years)	5	5
Retail - Larger format (A1) Comparison (Retail Warehousing)	Rent (psf)	£15	£15
	Yield (%)	5.5%	6.5%
	Rent Free (Months)	24	24
	Term (Years)	15	15
	Years to Break (Years)	5	5
Retail (A1-A5)	Rent (psf)	£35	£20
	Yield (%)	5.5%	6.5%
	Rent Free (Months)	24	24
	Term (Years)	10	10
	Years to Break (Years)	5	5

Source: Gerald Eve

Office Value Assumptions

7.32. We have undertaken a review of the office market using evidence from Costar and Egi databases and by liaising with the Gerald Eve Office Investment Team. We provide our evidence at **Appendix 8**, where a rental range of circa £7.00 psf to circa £17.00 psf and yield range of 5.80% to 8.00% is demonstrated.

7.33. Having regard to the comparable evidence, the assumptions used in our appraisals for the typologies including an office element is outlined in the table below:

Table 17: Office Value Assumptions Summary

Office Value Assumptions	Input	Primary	Secondary
Primary - Office (B1) (Town Centre)	Rent (psf)	£20.00	£14.00
	Yield (%)	5.80%	8.00%
	Rent Free (Months)	24	24
	Term (Years)	10	10
	Years to Break (Years)	5	5
Secondary Office (B1) (Out of Town)	Rent (psf)	£14.00	£10.00
	Yield (%)	5.80%	8.00%
	Rent Free (Months)	24	24
	Term (Years)	10	10
	Years to Break (Years)	5	5

Source: Gerald Eve

Industrial Value Assumptions

7.34. We have undertaken a review of the industrial market using evidence from Costar and Egi databases and by liaising with the Gerald Eve Industrial Investment Team. We provide our evidence at **Appendix 8**, where a rental range of circa £5.00 psf to circa £11.50 psf and yield range of 5.50% to 9.00% is demonstrated.

7.35. Having regard to the comparable evidence, the assumptions used in our appraisals for the typologies including an industrial element are outlined in the table below:

Table 18: Industrial Value Assumptions Summary

Industrial Value Assumptions	Input	Primary	Secondary
Large Industrial (B2, B8)	Rent (psf)	£17.50	£15.00
	Yield (%)	5.50%	7.00%
	Rent Free (Months)	12	12
	Term (Years)	10	10
	Years to Break (Years)	5	5
	Small Industrial (B2, B8)	Rent (psf)	£17.50
Yield (%)		5.50%	7.00%
Rent Free (Months)		12	12
Term (Years)		10	10
Years to Break (Years)		5	5

Source: Gerald Eve

Hotel Value Assumptions

7.36. We have liaised with the Gerald Eve Hotels Team, and they have undertaken a review of hotel values in the district. They have provided us with a view with regard to the market and the values that hotels should be expected to achieve. This can be found at **Appendix 8**.

7.37. Using this information, we have formulated assumptions to apply to the typologies that contain a hotel element on a price per key basis which is a common metric for valuing hotels. Our hotels team, which have experience of working within the district and its surrounding area have advised the expected value per key would be c. £100k, on the assumption of the delivery of a 60 bedroom budget hotel, of a 3-star standard. This is summarised in the table below:

Table 19: Hotel Value Assumptions Summary

Hotel Value Assumptions	Input	£/Key
Hotel (60 Keys)	Value (£/key)	£100,000

Source: Gerald Eve

Strategic Sites

7.38. In assessing the Strategic Sites, we are aware of the high level of sensitivity reflected when manipulating the assumptions and inputs adopted within the viability assessments. Therefore, we have taken the approach to assess each strategic site in isolation, rather than include them within the model. Therefore, we are able to adopt site specific assumptions and master developer approaches to ensure accuracy in our conclusions.

- 7.39. As part of previous instructions for the Council, Gerald Eve have assessed the Strategic Sites regarding their CIL charging schedules. These assessments were included in the following reports, with the respective, most recent, Argus Developer appraisals sourced:
- ‘Folkestone & Hythe District Council CIL Charging Schedule Review in relation to Strategic and Key Development Sites’, dated November 2020.
 - Folkestone Seafront;
 - Sellindge Phase 2 (Sites A & B)
 - ‘Addendum Report on Viability for Otterpool Park New Garden Village’, Dated June 2021.
 - Otterpool Park.
 - ‘Financial Viability Assessment Review – Development at Nicholls Road, Hythe, CT21 4NE’, Dated December 2020.
 - Martello Lakes

7.40. In each of the appraisals highlighted above, the inputs were derived through extensive due diligence and are site specific for each key development site. These inputs were subsequently reviewed and accepted by independent inspectors. If these inputs were to be altered to include the generic CIL zone assumptions utilized within the model, there would be substantial variation between previously reported figures and thus increasing margin of error in assessing the potential for additional CIL charging.

7.41. With consideration to the above, we have adopted the inspector approved inputs within our individual appraisals and indexed the sales values and construction costs to present day, relying upon the UK House Price Index and BCIS General Build Cost Index, respectively. As such, we are of the opinion that the site-specific assumptions will best reflect current market conditions whilst maintaining their salient accuracy.

7.42. **Table 20: Strategic Sites Index**

Strategic Site	Input (Source)	Index Date at Previous Report	Index 1	Index Date at Present	Index 2	INDEX
Otterpool	Sales (HPI)	Jun-21	129.9	Apr-22	161.1	19%
	Costs (BCIS)	Jun-21	381.4	May-22	430.5	11%
Martello Lakes	Sales (HPI)	Nov-20	134.8	Apr-22	161.1	16%
	Costs (BCIS)	Nov-20	363.3	May-22	430.5	16%
Folkestone Seafront	Sales (HPI)	Nov-20	134.8	Apr-22	161.1	16%
	Costs (BCIS)	Nov-20	363.3	May-22	430.5	16%
Sellindge	Sales (HPI)	Nov-20	134.8	Apr-22	161.1	16%
	Costs (BCIS)	Nov-20	363.3	May-22	430.5	16%

Source: UK House Price Index & BCIS

7.43. Adopted index figures have been sourced from the published dates of which each Strategic Site was previously reported.

7.44. In assessing the commercial revenue within the Strategic Sites, we formed the opinion that the specific rents and yields adopted within the appraisals were aligned with wider comparable evidence and were therefore not indexed.

8. COST AND PROGRAMME INPUTS AND ASSUMPTIONS

Introduction	<p>8.1. This section considers the different construction costs applied. Costs associated with Site value and development return are addressed in later sections.</p>
	<p>8.2. We have had regard to the NPG (paragraph 012²), which states the following:</p> <p><i>“Assessment of costs should be based on evidence which is reflective of local market conditions. As far as possible, costs should be identified at the plan making stage. Plan makers should identify where costs are unknown and identify where further viability assessment may support a planning application.</i></p> <p><i>Costs include:</i></p> <ul style="list-style-type: none"> • <i>build costs based on appropriate data, for example that of the Building Cost Information Service</i> • <i>abnormal costs, including those associated with treatment for contaminated sites or listed buildings, or costs associated with brownfield, phased or complex sites...</i> • <i>site-specific infrastructure costs...</i> • <i>the total cost of all relevant policy requirements including contributions towards affordable housing and infrastructure, Community Infrastructure Levy charges, and any other relevant policies or standards...</i> • <i>general finance costs including those incurred through loans</i> • <i>professional, project management, sales, marketing and legal costs incorporating organisational overheads associated with the site.”</i>
Construction Costs	<p>8.3. GE has undertaken a high-level analysis of the costs having regard to the RICS Building Cost Information Service (“BCIS”) data for the Folkestone & Hythe District (referred to as “Shepway District” by BCIS). Construction costs were sourced from BCIS on a £ per sqm basis and applied to the GIA of the new build floorspace in each typology.</p> <p>8.4. For each use class, the BCIS data was rebased to Shepway, Kent and to Q2 2022, and we took the Median average of the available data.</p> <p>8.5. It is important to note that BCIS has its limitations as a database, particularly for building uses where there are relatively few schemes which the dataset uses as evidence. It is therefore important to note that, as this is an area-wide assessment, construction costs may vary on individual application schemes on site-by-site basis, due to site-specific circumstances.</p> <p>8.6. The data obtained from BCIS is shown in the table below, with the evidence downloaded (last updated Jun-22) also shown at Appendix 9.</p>

² 10-012-20180724

8.7.

Table 21: Construction Costs Assumptions Summary

Use Class	£/sqm	Information Selection	Source (Jun-22)
Houses (< 3)	£2,288	Median	'One-off' housing detached (3 units or less) (2-storey)'
Houses (> 3)	£1,411	Median	Estate Housing (General)
Flats (3-5 storeys)	£1,620	Median	Flats (apartments) (3-5 storeys)
Flats (6+ storeys)	£1,935	Median	Flats (apartments) (6+ storeys)
A1-A5 Retail	£1,432	Median	Shops (General)
C3 - Senior Living	£1,712	Median	Supported Housing (General)
B1 Offices	£2,098	Median	Offices (General)
B2-B8 Industrial	£854	Median	Industrial (General)
C1 Hotels	£2,358	Median	Hotels

Source: Gerald Eve

8.8.

We have reviewed the adopted construction costs with reference to the Dixon Searle study. It is evident that construction costs have generally increased on the whole since 2014, with an average increase in costs by 32%. The only exception regards the construction cost anticipated for B2-B8 Industrial typology, showing an 8% decrease in comparison to the Dixon Searle adopted costs.

8.9.

BCIS General Build Cost Index calculate that as of February 2022, there has been a 28% increase in build costs since June 2014. We view that the adopted BCIS figures are in correlation with historic levels of inflation and an appropriate assumption for this exercise.

Construction Market Overview

8.10.

BCIS has recently published the following statement regarding the current volatility regarding construction costs within the UK:

"Tender prices continue to increase driven mainly by the current unprecedented material cost increases and labour shortages. BCIS expect tenders to rise by 8% this year falling back to around 4% per annum for the next 4 years.

During the first half of 2022, the BCIS Materials Cost Index has continued to grow at an annual growth in excess of 20%, a rate not seen since 1980. The annual material increase is now expected to be 15% on the year falling back to between 1 and 3.5% over the following 4 years.

The high inflation and general economic uncertainty could lead to clients delaying projects and a slowing down in construction activity.

8.11.	Series	BCIS All-in TPI		BCIS GBCI		BCIS MCI	
	Common Base Date	2022					
	Downloaded	23-Jun-2022					
	Date	Index	On year	Index	On year	Index	On year
	2022	100	8.00%	426	10.10%	426	14.80%
	2023	104	3.90%	434	1.90%	434	0.30%
	2024	108	3.70%	446	2.80%	446	2.40%
	2025	112	3.80%	460	3.10%	460	3.30%
2026	116	3.90%	474	3.00%	474	3.20%	
<p><i>The results of a recent BCIS survey of housebuilders revealed that the additional cost complying with new Building regulations is estimated be 6%.”</i></p> <p><i>Source: BCIS</i></p>							
8.12.	<p>The construction industry has been hampered over recent years, through impacts of Brexit, Covid-19 and more recently, the severe consequences of Russia’s invasion of Ukraine has become the top risk to global supply, prompting a spike in energy costs and a consequent resumption of an inflationary trend. Rising energy prices will invariably impact the manufacturing costs for many construction products and materials. Indeed, the CLC has confirmed that manufacturers have increased prices by between 5-10% so far this year, with the cost of the most energy-intensive products rising by as much as 20%.</p>						
8.13.	<p>While the UK is not as reliant on Russian energy and commodities as mainland Europe, the shockwaves stemming from the crisis will be far-reaching. There have been notable impacts in the market including supply chain disruption, shortages, and price hikes will affect materials and deliveries. The reallocation of certain types of materials will only intensify the situation.</p>						
8.14.	<p>With rising costs of materials and inflation, the use of fixed-price contracts could be problematic for some contractors and could result in financial stress and, in the most extreme, insolvencies. Therefore, the use of historic BCIS tender prices ensues the limitation of backward-looking data that does not correspond with the current market and future volatility.</p>						
Construction Contingency	8.15.	<p>We have used a standardised approach in relation to construction contingency which is in line with NPG para 012³ and also consistent with our experience of undertaking financial viability assessments elsewhere in the district and throughout the UK. It is also consistent with the experience of council officers based on discussions in relation to other schemes coming forward in the area, including the strategic sites and incorporation of risk in construction within flood risk zones and marshlands.</p>					
	8.16.	<p>Further consideration has been attributed to potential scheme specifications and abnormal costs that may come to fruition within the district, following future market demands and supply variance. Therefore, we have incorporated an additional allowance to encompass potential factors such as carbon reduction, net gain in biodiversity and adaptable housing and space standards, which may be experienced across differing typologies.</p>					

³ 10-012-20180724

	8.17.	With special consideration given to the above information regarding the current construction market and additional risks, we have applied a contingency cost to all construction rates of 10%. This represents an amount held in reserve for the unknown risks associated with the different projects.										
	8.18.	It should be noted that this additional 10% contingency allowance has only been applied to the typology schemes and not the strategic sites.										
Professional Fees	8.19.	The general, industry standard range for professional fees is between circa 10-12%. This would include architects, mechanical and engineering consultants, structural engineers, quantity surveyors, project managers, etc.										
	8.20.	We have applied 10% professional fees across all typologies, which is a reasonable assumption, based on our knowledge of development in the district.										
Other Construction Costs	8.21.	The BCIS data includes the base build cost and does not allow for External Works, Environmental Costs, or Site Preparation.										
	8.22.	We have therefore applied an additional cost to allow for these items within the appraisal. These are summarised in the table below: Table 22: Other Construction Costs Summary <table border="1"> <thead> <tr> <th>Other Construction Costs</th> <th>Rate Applied</th> </tr> </thead> <tbody> <tr> <td>External Works</td> <td>10%</td> </tr> <tr> <td>Environmental Costs</td> <td>2%</td> </tr> <tr> <td>Site Preparation</td> <td>2.5%</td> </tr> </tbody> </table> <p><i>Source: Gerald Eve</i></p>	Other Construction Costs	Rate Applied	External Works	10%	Environmental Costs	2%	Site Preparation	2.5%		
Other Construction Costs	Rate Applied											
External Works	10%											
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	8.23.	As part of the information provided by the Council regarding Strategic Development Sites, we have included further additional costs, where appropriate. For instance, where we have been provided with a specific quantum for additional infrastructure costs, these have been included within our model. Table 23: Additional Infrastructure Costs <table border="1"> <thead> <tr> <th>Strategic Site</th> <th>Infrastructure Cost</th> </tr> </thead> <tbody> <tr> <td>Otterpool Park</td> <td>£217,471,832</td> </tr> <tr> <td>Nicholls Quarry</td> <td>£13,383,978</td> </tr> <tr> <td>Folkestone Seafront</td> <td>£19,000,000</td> </tr> <tr> <td>Sellindge Phase 2</td> <td>£3,240,737</td> </tr> </tbody> </table> <p><i>Source: Gerald Eve</i></p>	Strategic Site	Infrastructure Cost	Otterpool Park	£217,471,832	Nicholls Quarry	£13,383,978	Folkestone Seafront	£19,000,000	Sellindge Phase 2	£3,240,737
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Nicholls Quarry	£13,383,978											
Folkestone Seafront	£19,000,000											
Sellindge Phase 2	£3,240,737											
	8.24.	Where relevant, an allocation of costs has also been included for 'Abnormal' Infrastructure Items. This is where the discussions on the potential additional costs are still ongoing between the Council and the developers. A key example of this relates to the nutrient neutrality issues previously raised by Natural England in relation to the Sellindge Sites being delivered as part of Phase 2.										
Marketing and Disposal Costs	8.25.	We have applied standard disposal costs across the various typologies based on industry standards and our knowledge of the Southeast development market.										

	8.26.	For the typologies with all or part residential use, we have applied a flat rate of 4% which incorporates agency fees (1%), legal fees (0.5%), and marketing costs (2.5%).								
	8.27.	For the typologies with all or part commercial uses, we have adopted 10% of the estimated rental value (ERV) for the letting and legal fees, and 5% for the sales agency and legal fees.								
	8.28.	<p>These assumptions are summarised in the below table:</p> <p>Table 24: Marketing and Disposal Costs Summary</p> <table border="1"> <thead> <tr> <th>Marketing and Disposal Costs</th> <th>Rate Applied</th> </tr> </thead> <tbody> <tr> <td>Residential Sales Agents, Legal & Marketing</td> <td>4%</td> </tr> <tr> <td>Commercial Letting Agents & Legal</td> <td>10%</td> </tr> <tr> <td>Commercial Sales Agents & Legal</td> <td>5%</td> </tr> </tbody> </table> <p>Source: Gerald Eve</p>	Marketing and Disposal Costs	Rate Applied	Residential Sales Agents, Legal & Marketing	4%	Commercial Letting Agents & Legal	10%	Commercial Sales Agents & Legal	5%
Marketing and Disposal Costs	Rate Applied									
Residential Sales Agents, Legal & Marketing	4%									
Commercial Letting Agents & Legal	10%									
Commercial Sales Agents & Legal	5%									
Section 106	8.29.	To determine an appropriate estimate for the Section 106 (S106) costs across the typologies, we discussed the notional rate with the Council and considered evidence of S106 costs on a per unit basis from existing schemes.								
	8.30.	<p>Current guidance for S106 within the district is detailed in Core Strategy Policy SS5, which states:</p> <p><i>“Development should provide, contribute to or otherwise address the district’s current and future infrastructure needs. Infrastructure that is necessary to support development must exist already, or a reliable mechanism must be available to ensure that it will be provided at the time it is needed.”</i></p>								
	8.31.	As such, there is no standard assumption that can be assessed and incorporated within our model. Each site and typology would be inspected on an individual basis in order to maximise its provision to the Council and incorporate all nuances presented in each case. However, in order to ensure that all potential costs are captured within our model, a high-level assumption for S106 costs has been applied.								
	8.32.	<p>As part of our assessment, the Council has provided information regarding the agreed Section 106 (S106) for a selection of example typologies within our assessment, most notably the Strategic Sites. Where actual S106 contributions are unknown, we have assumed an average of all known S106 costs, to be allocated on a ‘per unit’ basis across all residential typologies.</p> <p>Table 25: Section 106 Contribution</p> <table border="1"> <thead> <tr> <th>Cost</th> <th>Rate Applied Per Unit</th> </tr> </thead> <tbody> <tr> <td>Section 106 Contribution</td> <td>£3,365</td> </tr> </tbody> </table> <p>Source: Gerald Eve</p>	Cost	Rate Applied Per Unit	Section 106 Contribution	£3,365				
Cost	Rate Applied Per Unit									
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Build Programme

- 8.33. Having regard to all the information that we have available to us and with our experience of similar scheme typologies, we are of the view that a minimum build programme totalling 12-months, including pre-construction, for 5-dwelling typology. We would then anticipate for the construction period to incorporate a level of economies of scale regarding deliverability. Therefore, we have adopted the following residential build programmes:

Table 26: Residential Build Programme

Period	Pre-Construction (months)	Construction (months)	Total (months)
5 Houses	3	9	12
10 Houses	3	12	15
25 Mixed	3	18	21
50 Mixed	6	24	30
100 Mixed	6	36	42

Source: Gerald Eve

- 8.34. To ensure consistency with our review of the Dixon Searle assessment, we have reviewed the original build programmes assumed for the commercial typologies.

Table 27: Commercial Build Programme

Period	Pre-Construction (months)	Construction (months)	Total (months)
Retail – Larger Format (Large Supermarket)	3	12	15
Retail – Larger Format (Retail Warehousing)	3	7	10
Primary Retail	3	6	9
Secondary Retail	3	6	9
Primary Offices (Town Centre)	3	6	9
Secondary Offices (Out of Town)	3	12	15
Large Industrial	3	9	12
Small Industrial	3	6	9
Hotel	3	14	17
Senior Living (C3)	3	16	19

Source: Dixon Searle

Finance

- 8.35. We have applied a rate of 7% finance costs within the appraisal across all typologies. We consider that this reflects the current market position and is in accordance with recent schemes that have been reviewed. We have applied this rate on the basis of our market knowledge, and our full approach and reasoning behind this are set out at **Appendix 10**.

District CIL Rates	8.36. For testing purposes, as advised by the Council, we have initially applied the rates of CIL as per the Council’s CIL Charging Schedule indexed to 2022. We recognise that indexation is variable and given that we have applied other assumptions based on the best available evidence, as provided by the Council (having regard to the impact of Covid-19), we have applied a CIL indexation on a consistent basis. However, we have then gone on to test a range of CIL rates, as part of our analysis.																				
	<p>8.37. The current CIL charging schedule for the district is as follows:</p> <p>Table 28: Current Residential CIL Charges (2022 Indexed)</p> <table border="1"> <thead> <tr> <th data-bbox="469 607 743 651">Development Type</th> <th colspan="4" data-bbox="743 607 1402 651">Current CIL Rate</th> </tr> <tr> <td data-bbox="469 651 743 741">Residential Development</td> <th data-bbox="743 651 903 696">Zone A</th> <th data-bbox="903 651 1062 696">Zone B</th> <th data-bbox="1062 651 1222 696">Zone C</th> <th data-bbox="1222 651 1402 696">Zone D</th> </tr> </thead> <tbody> <tr> <td data-bbox="469 696 743 741"></td> <td data-bbox="743 696 903 741">£0</td> <td data-bbox="903 696 1062 741">£58.86</td> <td data-bbox="1062 696 1222 741">£117.73</td> <td data-bbox="1222 696 1402 741">£147.16</td> </tr> <tr> <td data-bbox="469 741 743 875">Residential Development on Strategic Site Allocations</td> <td colspan="4" data-bbox="743 741 1402 875">£0</td> </tr> </tbody> </table> <p><i>Source: The Council</i></p>	Development Type	Current CIL Rate				Residential Development	Zone A	Zone B	Zone C	Zone D		£0	£58.86	£117.73	£147.16	Residential Development on Strategic Site Allocations	£0			
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	£0	£58.86	£117.73	£147.16																	
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Viability Buffer	8.38. Throughout our assessment, we have ensured that we have had regard to the need to allow for a viability “buffer”. This is a margin or allowance in relation to typology viability having regard to potential future market movements and changes to development types within the district, such as interest rates and developer’s profit returns.																				
	8.39. So for example, the current CIL rate per zone we have applied includes an element of viability ‘buffer’, by way of a 10% increase per zone; the fact that we are testing many typologies in an area-wide study seeks to ensure no development is unreasonably limited in terms of viability; and we have applied sensitivity testing to ensure our results have regard to potential future changes in costs and values.																				
	8.40. Most notably, the sensitivity ‘buffer’ is vital in allowing for potential impacts on the construction industry in the UK, as detailed earlier in this report. It is integral that the information and conclusions provided to the council, to assist with their decision making, does not implicate the viability of future developments, if market conditions change.																				
	<p>8.41. The adopted CIL charging schedule for the district, including a 10% buffer, is as follows:</p> <p>Table 29: Adopted Residential CIL Charges (2022 Indexed) with 10% Buffer</p> <table border="1"> <thead> <tr> <th data-bbox="469 1514 743 1559">Development Type</th> <th colspan="4" data-bbox="743 1514 1402 1559">Current CIL Rate</th> </tr> <tr> <td data-bbox="469 1559 743 1648">Residential Development</td> <th data-bbox="743 1559 903 1603">Zone A</th> <th data-bbox="903 1559 1062 1603">Zone B</th> <th data-bbox="1062 1559 1222 1603">Zone C</th> <th data-bbox="1222 1559 1402 1603">Zone D</th> </tr> </thead> <tbody> <tr> <td data-bbox="469 1603 743 1648"></td> <td data-bbox="743 1603 903 1648">£0</td> <td data-bbox="903 1603 1062 1648">£64.75</td> <td data-bbox="1062 1603 1222 1648">£129.50</td> <td data-bbox="1222 1603 1402 1648">£161.88</td> </tr> <tr> <td data-bbox="469 1648 743 1783">Residential Development on Strategic Site Allocations</td> <td colspan="4" data-bbox="743 1648 1402 1783">£0</td> </tr> </tbody> </table> <p><i>Source: The Council/Gerald Eve</i></p>	Development Type	Current CIL Rate				Residential Development	Zone A	Zone B	Zone C	Zone D		£0	£64.75	£129.50	£161.88	Residential Development on Strategic Site Allocations	£0			
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	8.42. Strategic Sites have been tested with the exclusion of CIL charges. Therefore, the viability ‘buffer’ is incorporated in a 10% ‘buffer’ through sensitivity testing of key appraisal inputs.																				

Strategic Sites	8.43. As detailed within Section 7 , the Strategic Sites have been analysed through the adaptation of previous viability models that had been constructed for site specific assessments, as instructed by the council. Therefore, the Strategic Site appraisals incorporate specific master developer build programs/phasing, infrastructure and inspector approved revenue assumptions.																																																											
	8.44. With consideration to the above, we have adopted the inspector approved inputs within our individual appraisals and indexed the sales values and construction costs to present day, relying upon the UK House Price Index (HPI) and BCIS General Build Cost Index (BCIS), respectively. As such, we are of the opinion that the site-specific assumptions will best reflect current market conditions whilst maintaining their salient accuracy.																																																											
	<p>8.45. Table 30: Strategic Sites Index Calculation</p> <table border="1" data-bbox="513 678 1407 945"> <thead> <tr> <th>Strategic Site</th> <th>Input (Source)</th> <th>Index Date at Previous Report</th> <th>Index 1</th> <th>Index Date at Present</th> <th>Index 2</th> <th>INDEX</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Otterpool</td> <td>Sales (HPI)</td> <td>Jun-21</td> <td>129.9</td> <td>Apr-22</td> <td>161.1</td> <td>19%</td> </tr> <tr> <td>Costs (BCIS)</td> <td>Jun-21</td> <td>381.4</td> <td>May-22</td> <td>430.5</td> <td>11%</td> </tr> <tr> <td rowspan="2">Martelo Lakes</td> <td>Sales (HPI)</td> <td>Nov-20</td> <td>134.8</td> <td>Apr-22</td> <td>161.1</td> <td>16%</td> </tr> <tr> <td>Costs (BCIS)</td> <td>Nov-20</td> <td>363.3</td> <td>May-22</td> <td>430.5</td> <td>16%</td> </tr> <tr> <td rowspan="2">Folkestone Seafront</td> <td>Sales (HPI)</td> <td>Nov-20</td> <td>134.8</td> <td>Apr-22</td> <td>161.1</td> <td>16%</td> </tr> <tr> <td>Costs (BCIS)</td> <td>Nov-20</td> <td>363.3</td> <td>May-22</td> <td>430.5</td> <td>16%</td> </tr> <tr> <td rowspan="2">Sellindge</td> <td>Sales (HPI)</td> <td>Nov-20</td> <td>134.8</td> <td>Apr-22</td> <td>161.1</td> <td>16%</td> </tr> <tr> <td>Costs (BCIS)</td> <td>Nov-20</td> <td>363.3</td> <td>May-22</td> <td>430.5</td> <td>16%</td> </tr> </tbody> </table> <p>Source: UK House Price Index & BCIS</p>	Strategic Site	Input (Source)	Index Date at Previous Report	Index 1	Index Date at Present	Index 2	INDEX	Otterpool	Sales (HPI)	Jun-21	129.9	Apr-22	161.1	19%	Costs (BCIS)	Jun-21	381.4	May-22	430.5	11%	Martelo Lakes	Sales (HPI)	Nov-20	134.8	Apr-22	161.1	16%	Costs (BCIS)	Nov-20	363.3	May-22	430.5	16%	Folkestone Seafront	Sales (HPI)	Nov-20	134.8	Apr-22	161.1	16%	Costs (BCIS)	Nov-20	363.3	May-22	430.5	16%	Sellindge	Sales (HPI)	Nov-20	134.8	Apr-22	161.1	16%	Costs (BCIS)	Nov-20	363.3	May-22	430.5	16%
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	8.46. It is assumed that site specific cost plans regarding abnormal costs would incorporate an allowance for inflation. Therefore, abnormal fees have not been inflated within our assessment of the Strategic Sites.																																																											
	8.47. To ensure that consideration is made regarding potential shifts in market conditions for such large and complex sites, sensitivity testing is required when assessing the viability of such schemes against their benchmark land values. Further details regarding the appropriate level of sensitivity buffer adopted for the Strategic Sites is included in Section 12 .																																																											

9. RETURN TO THE DEVELOPER (PROFIT)

Introduction	9.1. This section of the report sets out the proposed return applied to the appraisal and the basis upon which a reasonable competitive return to a willing Developer has been considered.								
	9.2. A significant factor in undertaking viability assessments for development purposes is the level of return which a developer might reasonably require from undertaking the development and in turn on what basis the Scheme could be funded and financed. This will depend on a number of factors including the size of the development, the perceived risks involved, the degree of competition between funding and finance institutions for the Scheme, the state of the market in terms of demand for and lot size of the completed development and the anticipated timescales for development and for receiving a return.								
	9.3. In relation to a reasonable return to the Developer, the NPG states (paragraph 018 ⁴): <i>“For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. Plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development.”</i>								
	9.4. Furthermore, the NPG recognises that lower returns are considered more appropriate for affordable housing where risk to receipt of income are lower.								
	9.5. We have taken into consideration the risks involved, the nature of the market, the types of development coming forward in the district and the nature of Developers likely to be bringing forward these developments.								
	9.6. We have applied a rate of 20% profit on GDV to the Private Residential, 6% to the Affordable Residential, and 15% to the Commercial uses. These return to developer levels have been arrived at having regard to the risk of future property market movement which may impact on viability, and therefore include an element of viability “buffer” taking this risk into account.								
	<p>9.7. Table 31: Required Profit on GDV</p> <table border="1" data-bbox="467 1335 1233 1518"> <thead> <tr> <th>GDV</th> <th>Profit on GDV</th> </tr> </thead> <tbody> <tr> <td>Private Residential</td> <td>20%</td> </tr> <tr> <td>Affordable Residential</td> <td>6%</td> </tr> <tr> <td>Commercial</td> <td>15%</td> </tr> </tbody> </table> <p><i>Source: Gerald Eve</i></p>	GDV	Profit on GDV	Private Residential	20%	Affordable Residential	6%	Commercial	15%
GDV	Profit on GDV								
Private Residential	20%								
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	9.8. GE understand that the growing risks to developments, including increasing construction costs and interest/funding rates may have potential impact on future profit margin requirements. Therefore, such risk must be reflected within our review, by applying the 10% CIL buffer within the model.								
	9.9. It should be noted that the term ‘Profit’ included in the summary appraisals at Appendix 11 represents an output and reflects the Developer Return, which as discussed above is considered reasonable to include, under the NPG for plan making.								

⁴ 0-018-20190509

10. BENCHMARK LAND VALUE

Introduction	10.1. This section sets out the underlying basis of the adopted Benchmark Land Value (BLV). Our views are formed having regard to the NPPF, the NPG, RICS Guidance Note 'Financial Viability in Planning' published August 2012 (RICS GN) and the RICS Professional Statement 'Financial Viability in Planning: conduct and reporting' published NPG in May 2019 (effective September 2019).
	10.2. NPG indicates that viability is to determine a Benchmark Land Value (BLV) which reflects the aggregate of the Site's Existing Use Value (EUV) (Component 1) and a premium for the landowner to release the land for development (Component 2), or an assessment of an Alternative Use Value (AUV) which has regard to planning policy. Therefore, in accordance with NPG (2019) this section looks to establish the BLV for each typology.
Methodology	10.3. The below outlines our methodology for determining the BLV of each typology having regard to the EUV and premium.
	10.4. We have assessed the BLV for each typology dependent on an assumed existing use, which we have broken into two categories: greenfield (agricultural) and brownfield (previously developed land).
	10.5. In determining whether the site is assumed to be greenfield or brownfield we have first had regard to the scenario sites. For the scenario sites the existing use is known, and as such we have determined the existing use based on the known use.
	10.6. For the remaining non-scenario site typologies, we have assumed an existing use dependent on the characteristics of the CIL zone, principally the level of development within the zone, as well as the nature and use of development. In determining the assumed existing use of the non-scenario sites, we have also had regard to the principles of the NPPF (specifically paragraph 119).
	10.7. We have therefore assumed brownfield existing use for smaller sites in the more developed zones (Zones B, C and D). Collectively this has enabled us to produce a holistic and robust approach which captures and assess the mixture of existing uses within Folkstone and Hythe, whilst also reflecting the principles of the NPPF.
	10.8. To summarise, in determining a site's existing use, we have followed the below existing use assessment hierarchy: <ol style="list-style-type: none"> 1. Scenario Sites: existing use known and adopted. 2. Zone A non-scenario sites: Rural and therefore assumed all non-scenario sites to be greenfield. 3. Zone B non-scenario sites: More developed than Zone A and therefore assumed greenfield except for the 100-mixed typology. 4. Zone C non-scenario sites: Most developed therefore assumed brownfield except for the 50-mixed typology to reflect zone specific characteristics. 5. Zone D non-scenario sites: More rural than Zones B and C therefore assumed greenfield except for the 5-houses typology to reflect Paragraph 119 of the NPPF.
EUV (Component 1)	10.9. EUV is the first component of calculating BLV. EUV can be established in collaboration between plan makers, developers, and landowners by assessing the value of the specific site or type of site using published sources of information, such as appropriate capitalised rental levels at an appropriate yield. The NPG (2019) sets out sources of data that can be used and at paragraph 015 indicates that EUV can reflect the land in its existing use.

	10.10.	NPG (2019) indicates that EUV should reflect the land and property in its existing-use, un-refurbished and excluding any hope value for redevelopment.
Premium (Component 2)	10.11.	NPG (2019) indicates that the 'Premium' is the second component of BLV and is the amount above the EUV that should provide a reasonable incentive for a landowner to bring forward the land for development, while allowing a sufficient contribution to comply with policy requirements.
	10.12.	NPG (2019) at paragraph 016 indicates that establishing a reasonable premium to the landowner is an iterative process informed by professional judgement and must be based upon the best available adjusted market evidence or from FVAs.
	10.13.	Furthermore, the RICS GN outlines that it is essential to have regard to sales prices of comparable development sites, para 3.16 states: <i>"The importance...of comparable evidence cannot be over-emphasised, even if the supporting evidence is very limited, as evidenced in Court and Land Tribunal decisions."</i>
	10.14.	NPG (2019) at paragraph 017 provides guidance for undertaking an alternative use value (AUV) on the basis that there is a planning permission or reasonable prospect of planning permission being granted, and a demand for such a scheme can be demonstrated.
Existing use assessment	10.15.	As part of the EUV and BLV assessment of the various sites, we considered the existing policy evidence available:
		Shepway District Places and Policies Local Plan – Preferred Options Viability Assessment (September 2017)
	10.16.	In this assessment a Market Value approach was considered, although where relevant the sites should be tested against their existing use values, where the site can continue to be used for beneficial economic purpose without the requirement of alternative development.
	10.17.	They comment that values of between £500k and £750k+/ gross hectare are sought for development sites which equates to a private sale plot value of between £25k and £35k before concluding that the study adopts a EUV of £500k per gross acre.
		Shepway District Council CIL and Whole Plan Economic Viability Assessment (July 2014)
	10.18.	In this study consideration was given to the development land market values to inform BLV based on the EUV plus a premium methodology.
	10.19.	A range of £500k to £1.2m per gross hectare was considered, concluding that the minimum land value to incentivise release for development would be £500k per hectare. However, they acknowledge that values of between £150k and £400k per gross hectare maybe relevant for less attractive locations or land for improvement, supported by the principle of adopting an uplift factor of 10 to 20 times base agricultural land value of between £15k to £20k per gross acre.
		Ashford Borough Council Local Plan Viability Report Update (2017)
	10.20.	Whilst this study relates specifically to Ashford, its close proximity to F&H makes it useful comparable information.

	10.21.	The study considers an EUV plus landowner premium in respect of BLV. A premium of 45% was adopted over industrial land uses values, generating a BLV of £700k per gross hectare for urban/ edge of urban sites.
	10.22.	When considering agricultural uses, 15 x the agricultural use value was adopted to establish a BLV of £300k per gross hectare for greenfield strategic sites.
Typologies in assumed Greenfield use – EUV (Component 1)	10.23.	Based on policy evidence and our experience of reviewing EUV in the context of agricultural uses, we have had regard to the Ministry of Housing, Communities & Local Government, Land Value Estimates for Policy Appraisal (2017). The guidance suggests that circa. £10,000 per acre would be considered reasonable as a base point for EUV.
Typologies in assumed Greenfield use – EUV Plus Premium (Component 2)	10.24.	As set above, in line with the NPG (2019), to ascertain the BLV, we also need to consider the ‘Premium’ as the second component of BLV, ensuring that a reasonable incentive is provided to the landowner to bring forward the land for development, whilst allowing a sufficient contribution to comply with policy requirements.
	10.25.	In our assessment, we have considered policy guidance as well as our own market knowledge of assessing the BLV of large-scale agricultural sites. As set out above, both the Shepway District Council CIL and Whole Plan Economic Viability Assessment (2014) and the Ashford Local Plan Viability Report Update (2017) supported the principle of adopting an uplift factor of between 10 to 20 times base agricultural land value, 15 times for the latter.
	10.26.	We have also had regard to the Homes and Communities Agency (HCA) guidance: “Transparent Assumptions: Guidance for the Area Wide Viability Model” which states that for greenfield land, benchmarks tend to be in a range of 10 to 20 times agricultural value.
	10.27.	Taking this guidance into account, it would suggest that in this instance, the Premium would equate to this uplift in agricultural value. Given the potential level of infrastructure requirements associated with the greenfield sites, we consider that applying the lower rate of x10 would be more realistic, equating to £240,000 per Hectare, or c.£100,000 per acre.
	10.28.	A valuation of c.£100,000 per gross acre does appear to be consistent with other land values applied for predominantly agricultural land which we have assessed nationally. We have worked on numerous projects including Braintree, Alconbury, Oxford, West Winch and Waterbeach Barracks, where this value per acre was considered acceptable and in line with the market.
	10.29.	We note that several of the sites currently being assessed are within agricultural uses or were at the time the policy was formulated. We therefore consider it reasonable to apply the above methodology to the assessment of BLV in respect of the agricultural sites.
Adopted BLV for Greenfield typologies	10.30.	To summarise, for the greenfield typologies we have therefore adopted a BLV of £100,000 per acre .
Typologies in Brownfield Use – EUV (Component 1)	10.31.	Based on policy evidence and our experience of reviewing EUV in the context of brownfield sites, we have had regard to the Ministry of Housing, Communities & Local Government, Land Value Estimates for Policy Appraisal (2017). Whilst this guidance is slightly dated, we consider it still relevant and have therefore had regard to it, along with current comparable evidence of land transactions.

	10.32.	The guidance is however unclear on the average value that should be applied for the sites located in the district. We have therefore considered the value range provided for comparable areas.
	10.33.	The values for the Southeast range from £1.8-£3m per hectare. Whilst the district is within the Southeast, we consider it relatively remote in comparison to other locations being considered. It is also useful to review other coastal locations to offer a comparison. For example, Brighton has been allocated a value of £1.8m, whereas Bournemouth and Poole are both at £1m per hectare, equating to c.£400k per acre. In our view these locations are all superior to the district in terms of the land values and a deduction should be applied to the baseline figure.
	10.34.	We therefore consider the EUV for brownfield land in this area to be in the region of £300-£400k per acre. However, we have undertaken additional research to sense check this assumption and ensure our assessment is in line with the market in the section below.
Typologies in Brownfield Use – EUV plus Premium (Component 2)	10.35.	We have analysed comparable evidence from brownfield land transactions to determine a relevant EUV Premium for sites that have an existing brownfield use.
	10.36.	We have also considered a premium to the landowner, reflecting a reasonable incentive for a landowner to bring forward the land for development.
	10.37.	For brownfield land, in line with the policy guidance discussed in the above sections, we consider a 20% uplift on the EUV is standard practice to incentivise the landowner to sell. We have therefore adopted Benchmark Land Value of £420k per acre , which we consider to be reasonable.
	10.38.	We have also sensed checked the proposed BLV against local comparable evidence. The comparable evidence demonstrates industrial land achieves values in the range of circa £273,000 to £730,000 per acre in Kent and the wider south-east region.

10.39. **Table 32: Summary of brownfield land transactions**

Address	Date	Price	Gross Size (Acres)	Price per gross acre	Planning position at sale
Leacon Road, Ashford, Kent, TN23 4TU	Jan-22	£3,500,000	4.8	£729,166	None
Former Gasholders Brielle Way, Sheerness Kent, ME12 1YW	Aug-21	£835,000	1.5	£542,208	None
Sevington Rail Depot, Waterbook Avenue, Ashford, Kent	Apr-20	£8,400,000	13.3	£631,579	Outline planning permission for employment uses.
Land at Roundabout Farm, Canterbury, Kent, CT6 8LW	Aug-19	£2,400,000	8.8	£273,660	Full planning permission for 2,125 sq m retail unit

Source: Gerald Eve / Landinsight

BLV Summary

10.40. To summarise, we have adopted the following BLVs dependent on existing use:

Existing Use	Benchmark Land Value per acre
Greenfield	£100,000
Brownfield	£350,000

10.41.

10.42. Strategic Site BLV's have been calculated as Greenfield land, with the exception of Folkstone Seafront. The following Strategic BLV's have been adopted for the Strategic Sites:

Strategic Site	Existing Use	Land Value per acre	Gross Acreage (Acres)	Benchmark Land Value
Folkstone Seafront	Brownfield	£350,000	42	£14,700,000
Martello Lakes	Greenfield	£100,000	167.60	£16,760,000
Otterpool	Greenfield	£60,000 ⁵		£95,000,000
Sellindge Phase 2	Greenfield	£100,000	58	£5,800,000

⁵ Greenfield Land Value of £100,000 per acre incorporating an allowance for abnormals.

11. OUTPUTS

Introduction	11.1. This section provides a summary of the outputs produced in the model which form the basis for the conclusions of this report. A comprehensive table of outputs is attached at Appendix 11 , but this section summarises the base assessments of each of the typologies in the different groups as outlined in Section 6 .
	11.2. For reference, these groups are: a) Residential; b) Retail; c) Office; d) Industrial; e) Hotel;
	11.3. A detailed qualitative assessment of the typologies within these groups based on the outputs below is undertaken in Section 13 . A summary of the outputs for each typology group is included below:

11.4.

Table 33: Residential Development Output Summary

Site Number	Typology Description	Example Site	Surplus / Deficit (c£10,000)
1	Zone A: 5 Houses	Scenario Site (A5)	-£370,000
2	Zone A: 10 Houses	Scenario Site (A10)	£310,000
3	Zone A: 25 Mixed	Station Yard, Station Road, Lydd	-£520,000
4	Zone A: 50 Mixed	Scenario Site (A50)	-£10,000
5	Zone A: 100 Mixed	Scenario Site (A100)	-£60,000
6	Zone B: 5 Houses	Land rear of Varne Boat Club	-£280,000
7	Zone B: 10 Houses	Scenario Site (B10)	£220,000
8	Zone B: 25 Mixed	Former Hope All Saints Garden Centre	£90,000
9	Zone B: 50 Mixed	Marsh Potato Site	-£2,990,000
10	Zone B: 100 Mixed	Land off Victoria Road West, Littlestone	£970,000
11	Zone C: 5 Houses	Scenario Site (C5)	-£440,000
12	Zone C: 10 Houses	The Cherry Pickers Public House, Cheriton	£220,000
13	Zone C: 25 Mixed	Brockman Family Centre, Cheriton	£310,000
14	Zone C: 50 Mixed	Shepway Close, Folkstone	£850,000
15	Zone C: 100 Mixed	Smiths Medical, Hythe	-£1,520,000
16	Zone D: 5 Houses	Scenario Site (D5)	-£410,000
17	Zone D: 10 Houses	Camping and Caravan Site, Stelling Minnis	£440,000
18	Zone D: 25 Mixed	Land East of Broad Street, Lyminge	£510,000
19	Zone D: 50 Mixed	Scenario Site (D50)	£570,000
20	Zone D: 100 Mixed	Scenario Site (D100)	£1,170,000

Source: Gerald Eve

11.5. **Table 34: Senior Living / Extra Care Development (C3) Output Summary**

Site Number	Typology Description	Example Site	Surplus / Deficit (c£10,000)
30	Senior Living (C3)	Zone A (Senior Living)	£663,299
30	Senior Living (C3)	Zone B (Senior Living)	£1,165,754
30	Senior Living (C3)	Zone C (Senior Living)	£986,903
30	Senior Living (C3)	Zone D (Senior Living)	£1,578,769

Source: Gerald Eve

11.6. **Table 35: Retail Development Output Summary**

Site Number	Typology Description	Example Site	Surplus / Deficit (c£10,000)
21	Retail – Larger format (A1) Convenience (Large Supermarket)	Scenario Site (Supermarket)	£2,710,000
22	Retail – Larger format (A1) Comparison (Retail Warehousing)	Scenario Site (Retail Warehouse)	-£320,000
23	Primary: Retail (A1-A5)	Scenario Site (Primary Retail)	£190,000
24	Secondary: Retail (A1-A5)	Scenario Site (Secondary Retail)	-£420,000

Source: Gerald Eve

11.7. **Table 36: Office Development Output Summary**

Site Number	Typology Description	Example Site	Surplus / Deficit (c£10,000)
25	Primary: Office (B1) (Town Centre)	Scenario Site (Primary Office)	-£820,000
26	Secondary: Office (B1) (Out of Town)	Scenario Site (Secondary Office)	-£7,840,000

Source: Gerald Eve

11.8. **Table 37: Industrial Development Output Summary**

Site Number	Typology Description	Example Site	Surplus / Deficit (c£10,000)
27	Large Industrial (B2,B8)	Scenario Site (Large Industrial)	-£280,000
28	Small Industrial (B2,B8)	Scenario Site (Small Industrial)	£140,000

Source: Gerald Eve

11.9. **Table 38: Hotel Development Output Summary**

Site Number	Typology Description	Example Site	Surplus / Deficit (c£10,000)
29	Hotel	Scenario Site (Hotel)	-£6,010,000

Source: Gerald Eve

11.10. **Table 39: Strategic Sites Development Output Summary**

Site Number	Typology Description	Site	Surplus / Deficit (c£100,000)
31	Strategic Site	Otterpool Park	
32	Strategic Site	Nicholls Quarry "Martello Lakes"	£8,850,183
33	Strategic Site	Folkestone Seafront	-4,499,724
34	Strategic Site	Sellindge Phase 2	£3,222,639

Source: Gerald Eve

12. SENSITIVITY AND SCENARIO ANALYSIS

Introduction	12.1. In accordance with relevant RICS guidance we have undertaken sensitivity and scenario testing on the appraisal outputs to determine the impact that changes in costs, values, affordable housing levels, and CIL levels has on the viability of the various typologies and typology groups.
RICS	12.2. The RICS ⁶ requires that all valuations of development property must provide a sensitivity analysis of the results and an accompanying explanation and interpretation of respective calculations on viability, having regard to risks and an appropriate return(s). This is to: <ul style="list-style-type: none"> • Allow the applicant, decision- and plan-maker to consider how changes in inputs to a financial appraisal affect viability, and; • Understand the extent of these results to arrive at an appropriate conclusion on the viability of the application scheme (or of an area-wide assessment). <p>This also forms part of an exercise to ‘stand back’ and apply a viability judgement to the outcome of a report.</p>
Sensitivity – present day	12.3. A sensitivity analysis is a simplistic (but widely used) approach for testing viability and the robustness of the Scheme. Uncertainties can be identified in respect of the inputs and their effects can then be looked at in terms of the development return and then the level of planning payment. In short, this is a straightforward deterministic approach from which a judgement needs to be made as to the appropriateness of the outcome. Benchmarks can be used as performance measures. A prudent developer will also consider the sensitivities of a development and assess the risks of the project.
Sensitivity	12.4. In this section, we summarise the findings from the sensitivity analysis. Detailed tables are set out at Appendix 12 .
Minimum Residential Typology Threshold	12.5. In determining whether a group of typologies is viable at the current CIL level, we have assumed a minimum threshold of 70% of those residential typologies in that CIL zone need to be viable when tested through stepped sensitivity, incorporating potential market conditions.
	12.6. In arriving at this minimum reasonable threshold level, we have had regard to the following factors:
	12.7. (a) As part of the process of selecting our appraisal inputs and assessing these through sensitivity analysis, we have incorporated a level of “viability buffer” to allow for changes in the market and variation cost or values. This therefore allows a level of flexibility and margin of error having regard to the current market uncertainty and the number of typologies tested.
	12.8. (b) Some typologies tested are not viable with any level of affordable housing or CIL contribution using the area wide assessment inputs we have assumed. For this reason, there will always be certain schemes which will need to be viability tested on a site-specific basis when they are brought forward.

⁶ Paragraph 4.3.1 in ‘Assessing Viability in Planning Under the National Planning Policy Framework 2019 For England’, issued March 2021.

	12.9.	Each step in the component sensitivity testing has been benchmarked against the BLV, with the corresponding surplus/deficit for each step per typology formatted to convey the respective changes in viability.
Commercial Typology Threshold	12.10.	Our assessment models commercial assets across the entire District and therefore, these typologies are not Zone specific. As such, the commercial typologies are analysed on an individual basis to determine their viability positions with current CIL rates and how resulting sensitivity analysis impacts them. Therefore, a minimum viability threshold would not be suitable in assessing commercial typologies.
Variation in Residential Sales Values	12.11.	This sensitivity analysis is shown at Appendix 12(i) and tests the viability of the Zoned typologies to changes in the private sales values, in 2.5% increments, from -5% to +5%, whilst keeping the costs consistent with the base position. As per standard market assumptions, affordable housing values have not been tested and such variance only corresponds to the private residential values that have been identified for each CIL Zone.
	12.12.	Initial analysis identifies that the level of sensitivity has differing impact per CIL zone, highlighting the contract in anticipated private sales values throughout the district.
	12.13.	Zone A, which assumes the lowest private residential values within the district, expresses a 40% increase in viability through an increase of +2.5% in sales values, increasing from a base position of 20% of units generating a surplus, to 60% (10% below the threshold).
	12.14.	Zones B & C indicate acute variance when private sales values are tested to a +/- 5% limit. When assessed together, 10% of typologies become unviable when sales revenues are decreased by -5%. When sales values are increased by +5%, nil properties change position to generate a surplus when compared to the BLV.
	12.15.	Within Zone D, sensitivity testing of +/-5% does not impact the respective viability per typology, indicating a more stable basis for development within the zone. When considering variance in sales revenue in isolation, the typology set reflects 80% generating a surplus, breaching the set 70% threshold. Therefore, further testing will be required, as covered further below.
Variation in Commercial Revenue	12.16.	This sensitivity analysis is shown at Appendix 12(i) and tests the viability of the individual commercial typologies to changes in the assumed revenue, in 2.5% increments, from -5% to +5%, whilst keeping the costs consistent with the base position.
	12.17.	The overall range of 10% in revenue sensitivity, from +5% to -5% resulted in nil commercial typologies shifting viability position, to either creating a surplus or a deficit. The results indicate there may be difficulties posed in the development of typologies in perceived secondary locations.
Variation in Residential Construction Costs	12.18.	This sensitivity analysis is shown at Appendix 12(ii) and tests the viability of the Zoned typologies to changes in all construction costs, in 2.5% increments, from -5% to +5%, whilst keeping the private residential sales values with the base position. Unlike sensitivity to sales values, the construction cost variance impacts all aspects of the scheme, including affordable housing.
	12.19.	Within Zone A, sensitivity variance to residential typologies has generated a similar outcome, reflecting a 40% increase of typologies generating a surplus through construction costs reducing by -2.5%. This results in a 40% variance between the baseline position and -2.5% costs. Despite the most viable position of the sensitivity reaching 60% of typologies being viable, this falls below the 70% threshold.
	12.20.	A +5% variation in construction costs within Zones B & C result in a 10% increase in typologies becoming unviable and generating a deficit. At this level of increased construction costs, 50% of typologies within the two zones reflect positive positions, where they could potentially contribute further affordable housing.

	12.21.	Zone D indicates that 0% of typologies would change viability position when tested to sensitivity in construction costs, resulting in a 10% excess in viable typologies against the 70% threshold.																		
Variation in Commercial Construction Costs	12.22.	This sensitivity analysis is shown at Appendix 12(ii) and tests the viability of the individual commercial typologies to changes in the BCIS construction costs assumed, in 2.5% increments, from -5% to +5%, whilst keeping the revenue with the base position.																		
	12.23.	Commercial typologies have experienced slight shifts in surplus/deficit, however nil typologies were subject to their viability position shifting.																		
Simultaneous Sales & Cost Sensitivity	12.24.	Our assessment reflects the potential market positions within the district until the next CIL charging review. It is anticipated that there could be variation in both construction costs and sales values during this period. To reflect a more realistic view of future market conditions, Appendix 12(iii) , incorporates simultaneous steps in both revenue assumptions and construction costs.																		
Residential Simultaneous Variation	12.25.	When the sensitivity of residential costs and sales values were assessed in isolation, results indicated limited impact on the viability of the typologies in the different zones. However, when simultaneously impacting the model, a more expansive outcome of results is attained for assessing the viability against the chosen threshold. With a 10% range in stepped sensitivities, the model generates a 35% range in viability positions for residential typologies across all four zones, from a position of +5% costs & -5% values to -5% costs & +5% values.																		
		<p>Figure 13: Stacked Bar Graph Conveying the Sensitivity Variance in Residential Viability Positions Across the District</p> <table border="1"> <caption>Residential: Revenue & Cost Sensitivity</caption> <thead> <tr> <th>Stepped Sensitivity Variance</th> <th>Unviable (%)</th> <th>Viable (%)</th> </tr> </thead> <tbody> <tr> <td>Sales +5% & Cost -5%</td> <td>35%</td> <td>65%</td> </tr> <tr> <td>Sales +2.5% & Cost -2.5%</td> <td>35%</td> <td>65%</td> </tr> <tr> <td>Base Scenario</td> <td>45%</td> <td>55%</td> </tr> <tr> <td>Sales -2.5% & Cost +2.5%</td> <td>50%</td> <td>50%</td> </tr> <tr> <td>Sales -5% & Cost +5%</td> <td>70%</td> <td>30%</td> </tr> </tbody> </table> <p>Source: Gerald Eve</p>	Stepped Sensitivity Variance	Unviable (%)	Viable (%)	Sales +5% & Cost -5%	35%	65%	Sales +2.5% & Cost -2.5%	35%	65%	Base Scenario	45%	55%	Sales -2.5% & Cost +2.5%	50%	50%	Sales -5% & Cost +5%	70%	30%
Stepped Sensitivity Variance	Unviable (%)	Viable (%)																		
Sales +5% & Cost -5%	35%	65%																		
Sales +2.5% & Cost -2.5%	35%	65%																		
Base Scenario	45%	55%																		
Sales -2.5% & Cost +2.5%	50%	50%																		
Sales -5% & Cost +5%	70%	30%																		
	12.26.	When each zone is assessed in isolation, Zone A becomes 60% viable when experiencing a +2.5% increase in revenue and a -2.5% reduction in construction costs, reflecting a 40% increase from the baseline position.																		

12.27. Zone B does not present any typologies becoming profitable when construction costs are reduced and revenues increase, however the zone demonstrates greater sensitivity when experiencing detrimental market conditions. When revenues are reduced by -2.5%, coupled with an increase of +2.5% in construction costs, only 40% of zonal typologies are in a viable position. When stepped further to +/-5% variances, 80% of typologies are unviable, falling 50% below the threshold.

12.28. Zone C reflects a baseline position of 60% of typologies generating a surplus. Sensitivity testing only experienced a reduction in revenue by -5% and increase in costs by +5%, where only 40% of typologies are viable, 30% below the threshold.

Further Zone D Sensitivity

12.29. Initial baseline results for Zone D indicated that 80% of the tested typologies presented viable positions, being greater than the 70% threshold set. Therefore, further sensitivity testing has been conducted to ascertain the Zone's robustness when incorporating potential shifts in market conditions, in addition to the standard 10% CIL Buffer. The resulting sensitivity is included below:

12.30. **Table 40: Zone D Sensitivity Analysis (Including Standard 10% Buffer)**

Sensitivity Analysis	Sensitivity Variance	Zone D:	Zone D:	Zone D:	Zone D:	Zone D:
		5 Houses Brownfield	10 Houses Greenfield	25 Mixed Greenfield	50 Mixed Greenfield	100 Mixed Greenfield
BLV		£240,000	£115,000	£520,000	£610,000	£755,000
Surplus / Deficit (Against BLV)	Sales +5% & Cost -5%	-£271,266	£623,413	£912,228	£1,239,908	£2,535,154
	Sales +2.5% & Cost -2.5%	-£338,909	£532,927	£713,311	£904,836	£1,852,504
	Base Scenario	-£406,552	£442,442	£513,767	£569,091	£1,169,031
	Sales -2.5% & Cost +2.5%	-£474,195	£351,956	£313,900	£233,346	£482,381
	Sales -5% & Cost +5%	-£541,837	£261,471	£114,033	-£102,398	-£205,388

Source: Gerald Eve

12.31. As part of our further sensitivity analysis for Zone D we have tested a further assumption of a 15% CIL buffer, to determine whether the scheme viability outputs are as a direct result of CIL rates or through other model assumptions.

12.32. **Table 41: Zone D Sensitivity Analysis (Including an Increased 15% Buffer)**

Sensitivity Analysis	Sensitivity Variance 5% CIL Buffer	Zone D:	Zone D:	Zone D:	Zone D:	Zone D:
		5 Houses Brownfield	10 Houses Greenfield	25 Mixed Greenfield	50 Mixed Greenfield	100 Mixed Greenfield
BLV		£240,000	£115,000	£520,000	£610,000	£755,000
Surplus / Deficit (Against BLV)	Sales +5% & Cost -5%	-£274,648	£618,279	£900,602	£1,219,680	£2,491,685
	Sales +2.5% & Cost -2.5%	-£342,291	£527,794	£701,686	£884,493	£1,808,789
	Base Scenario	-£409,934	£437,308	£502,076	£548,748	£1,125,317
	Sales -2.5% & Cost +2.5%	-£477,577	£346,823	£302,209	£213,003	£438,420
	Sales -5% & Cost +5%	-£545,220	£256,337	£102,343	-£122,741	-£249,598

Source: Gerald Eve

12.33. As indicated in the sensitivity tables, the respective level of CIL rates incorporated within the model have limited impact to the viability of the tested schemes. However, in both sensitivity tests, the number of viable typologies reduces to 40% at -5% revenue and +5% costs. Further analysis of the Zone D CIL rates results is included within **Section 13**.

<p>Seafront Scenario</p>	<p>12.34. It was evident from our market research that private residential units positioned on the seafront within the district could achieve a minimum 10% premium when compared to similar products located in-land. Furthermore, evidence of coastal developments in the pipeline, including Folkestone Seafront and Princes Parade suggest that flatted schemes would be most prevalent, maximising the efficiency in regard to space available.</p>
	<p>12.35. Following discussions with the Council regarding our initial hypothesis, we have tested an additional typology scenario, reflecting a new CIL band along the coastline, running through and overarching current CIL Zones of A, B & C.</p>
	<p>12.36. During our due diligence process, our area-wide inspection suggested that apartment developments tended to be within c.100 meters from the seafront, with the example of Figure 14. Therefore, the hypothetical 'Zone S' banding would be considered to be 100 metres wide, along the coast front.</p>
	<p>12.37. Figure 14: Seafront Development, St Mary's Bay (Zone B)</p>  <p><i>Source: Gerald Eve</i></p>
	<p>12.38. Therefore, the residential typology set has been tested for a new 'CIL Zone S', for schemes designed as 100% apartment units, with private residential sales values reflecting c.£380 per sq ft. Furthermore, specific assumptions regarding existing uses and areas have been formed due to the reduced space requirements for solely apartment developments. Additionally, the model assumptions regarding off-plan sales have been increased to a minimum of 50% off-plan sales, reflecting the anticipated premium and demand for seafront dwellings.</p>
	<p>12.39. We formed the opinion that for typologies of 50 units or greater, the existing land would generally be sourced as brownfield land due to the composition of existing seafront uses.</p>
	<p>12.40. With the tested 'Zone S' being positioned over three existing CIL zones, we have attributed the higher CIL rate from Zone C within our testing, with the addition of a 10% buffer. Therefore, 'Zone S' has been assessed with a CIL rate of £117.73 per sq m (including 10% buffer).</p>

12.41. **Table 42: Seafront Residential Development Output Summary**

Site Number	Typology Description	Example Site	Surplus / Deficit (c£10,000)
21	Zone S: 5 Flats	Scenario Site (S5)	£110,000
22	Zone S: 10 Flats	Scenario Site (S10)	£120,000
23	Zone S: 25 Flats	Scenario Site (S25)	£330,000
24	Zone S: 50 Flats	Scenario Site (S50)	-£310,000
25	Zone S: 100 Flats	Scenario Site (S100)	-£360,000

Source: Gerald Eve

Seafront Sensitivity

12.42. **Table 43: Seafront (Zone S) CIL Zone Sensitivity Analysis**

Sensitivity Analysis	Sensitivity Variance	Zone S:	Zone S:	Zone S:	Zone S:	Zone S:
		5 Houses Greenfield	10 Houses Greenfield	25 Mixed Greenfield	50 Mixed Brownfield	100 Mixed Brownfield
BLV		£55,000	£85,000	£125,000	£1,280,000	£1,585,000
Surplus / Deficit (Against BLV)	Sales +5% & Cost -5%	£177,597	£248,641	£637,142	£291,195	£755,005
	Sales +2.5% & Cost -2.5%	£142,457	£185,245	£481,400	-£7,808	£196,585
	Base Scenario	£107,317	£121,849	£325,658	-£306,812	-£364,676
	Sales -2.5% & Cost +2.5%	£72,177	£58,453	£169,917	-£607,204	-£927,645
	Sales -5% & Cost +5%	£37,037	-£4,943	£14,175	-£907,764	-£1,492,665

Source: Gerald Eve

12.43. At a baseline level, the tested typologies reflect a 60% viable position, falling 10% below the threshold. The scenario zone seems to be highly sensitive, with 100% of typologies generating a surplus with +5% revenue and -5% costs. And when inversed, the typology viability shifts by 60%, reflecting 40% of typologies with a viable output. Further analysis of the Seafront Sensitivity is included within **Section 13**.

Senior Living (C3) Scenario

12.44. As previously detailed within **Section 6**, Senior Living typology has not been previously assessed within past CIL Charging Reviews as a separate residential typology, due to falling within the (C3) asset class. With an aging population in the district driving demand and the understood revenue premiums applicable for the asset class, additional testing has been conducted to ascertain where the correct CIL rates are currently being charged for an 'Age Restrictive Accommodation without Provision of Significant Care' typology.

12.45. As such, the typology has been tested within the four CIL Zones, with the current 2022 rates, with a 10% buffer. The four zoned typologies produced the following outcome:

Table 44: Senior Living CIL Rate Adopted per Zone and Output Summary

Typology	BLV	CIL Rate Applied (Inc. 10% Buffer)	Surplus / Deficit (c£10,000)
Zone A	£55,000	£0	£660,000
Zone B	£55,000	£64.75	£1,170,000
Zone C	£55,000	£129.50	£990,000
Zone D	£55,000	£161.88	£1,580,000

Senior Living (C3) Sensitivity 12.46. With the scenario testing implying a surplus within each zone, when applying zonal CIL rates, further sensitivity testing has been conducted to establish the durability of the typology in withstanding potential changes in market conditions. Therefore, simultaneous impacts of varying construction costs and sales values have been assessed, identifying whether the minimum threshold is met within the set viability buffer zone.

12.47. **Table 45: Senior Living CIL Zone Sensitivity Analysis (10% Buffer)**

Sensitivity Analysis	Sensitivity Variance	Senior Living	Senior Living	Senior Living	Senior Living
		Zone A	Zone B	Zone C	Zone D
BLV		£55,000	£55,000	£55,000	£55,000
Surplus / Deficit (Against BLV)	Sales +5% & Cost -5%	£1,320,208	£1,856,727	£1,677,877	£2,303,806
	Sales +2.5% & Cost -2.5%	£991,754	£1,511,241	£1,332,390	£1,941,287
	Base Scenario	£663,299	£1,165,754	£986,903	£1,578,769
	Sales -2.5% & Cost +2.5%	£334,844	£820,267	£641,417	£1,216,250
	Sales -5% & Cost +5%	£6,389	£474,781	£295,930	£853,732

Source: Gerald Eve

12.48. Following market sensitivity, the Senior Living typology suggests that 100% of tested sites are viable through testing. Therefore, further tests have been conducted to establish the impact of introducing a CIL premium to each zone.

12.49. Analysis of the Senior Living Sensitivity is included within **Section 13**.

Strategic Sites

12.50. In assessing the four Strategic Sites, sensitivity testing has been conducted within the bespoke Argus Developer appraisals. As such, the stepped sensitivity variation of +/-2.5% increments, up to a 5% variance (up and down) for each site is included in **Appendix 12(iv)**, showing steps in private sales, construction costs and both inputs simultaneously.

12.51. The sensitivity analysis has been identified as a method of incorporating an appropriate viability 'buffer' of 10% in assessing the viability positions of the Strategic Sites against their respective BLV's. As such, the range between +/-5% in costs and revenue would encapsulate an allowance for potential market variances. Therefore, we believe that each sensitivity level would require a surplus in order to consider additional charging through CIL.

12.52. Due to the length of programme and quantum of homes, we would anticipate that variation in market conditions would have considerable impact on the viability of the Strategic Sites over the course of their life-span. In regard to recent market conditions, we understand that it is plausible for conditions to potentially vary further than the tested +/-5% changes over the construction programmes and therefore consideration must be made during analysis of results.

12.53. As a base position, the Strategic Sites indicate an improved viability position when compared to their previous assessments undertaken in November 2020 and June 2021 (Otterpool Park), through indexing the respective inputs. Of the four sites, three viability outputs represent a potential surplus when compared to their benchmark land values, indicating that an additional contribution could be supported through CIL charging. However, when tested through sensitivity to establish the 10% viability 'buffer', all four Strategic Sites reflect either a substantial deficit or a position that does not support additional CIL obligations to the scheme.

12.54. It is evident that due to the length of programme, quantum of units within the design of each Strategic Site and the respective infrastructure cost requirements, the schemes are very sensitive to small changes to the key inputs.

	<p>12.55. As an additional point, specifically in relation to Otterpool Park, if the scheme generates a surplus above a reasonable Developer Return, as the Council is a beneficiary party of the LLP, there should be an opportunity for the surplus to be reinvested in the project to further support the development and meet planning policy requirements. This statement is made in accordance with evidence given to the Examination of the Core Strategy Review.</p>																		
<p>Commercial Simultaneous Variation</p>	<p>12.56. In assessing simultaneous variation within the commercial typologies, market conditions have been tested to a +/-5% level, in 2.5% stepped increments. The market inputs that have been tested are commercial revenues and construction costs. The commercial simultaneous sensitivity table is included within Appendix 12(iii).</p>																		
	<p>12.57. Figure 15: Stacked Bar Graph Conveying the Sensitivity Variance in Commercial Viability Positions Across Folkestone & Hythe District</p> <div data-bbox="488 763 1426 1308" data-label="Figure"> <table border="1"> <caption>Commercial: Revenue & Cost Sensitivity</caption> <thead> <tr> <th>Stepped Sensitivity Variance</th> <th>Unviable</th> <th>Viable</th> </tr> </thead> <tbody> <tr> <td>Sales +5% & Cost -5%</td> <td>6</td> <td>3 (33%)</td> </tr> <tr> <td>Sales +2.5% & Cost -2.5%</td> <td>6</td> <td>3 (33%)</td> </tr> <tr> <td>Base Scenario</td> <td>6</td> <td>3 (33%)</td> </tr> <tr> <td>Sales -2.5% & Cost +2.5%</td> <td>6</td> <td>3 (33%)</td> </tr> <tr> <td>Sales -5% & Cost +5%</td> <td>6</td> <td>3 (33%)</td> </tr> </tbody> </table> </div> <p>Source: Gerald Eve</p>	Stepped Sensitivity Variance	Unviable	Viable	Sales +5% & Cost -5%	6	3 (33%)	Sales +2.5% & Cost -2.5%	6	3 (33%)	Base Scenario	6	3 (33%)	Sales -2.5% & Cost +2.5%	6	3 (33%)	Sales -5% & Cost +5%	6	3 (33%)
Stepped Sensitivity Variance	Unviable	Viable																	
Sales +5% & Cost -5%	6	3 (33%)																	
Sales +2.5% & Cost -2.5%	6	3 (33%)																	
Base Scenario	6	3 (33%)																	
Sales -2.5% & Cost +2.5%	6	3 (33%)																	
Sales -5% & Cost +5%	6	3 (33%)																	
	<p>12.58. The results indicate that at all tested levels of variance produce 33% of commercial typologies producing a positive surplus. The remaining 67% of tested typologies generate a deficit when tested with current CIL rates (including a 10% buffer, where rates apply).</p>																		
<p>Supermarket Scenario</p>	<p>12.59. In analysing the results, it is evident that the 'Retail – Larger Format (Supermarket)' typology generates a large surplus, when tested with current 2022 CIL rates (£117.73 psm +10% buffer) and the adopted commercial assumptions for the area.</p>																		
	<p>12.60. Initial testing for a supermarket typology assumed development on undeveloped land, resulting in a lower benchmark land value in our assessment. To assist with the council's decision making, a further scenario financially test has been conducted to establish the typology's viability if it were to be delivered on previously developed land.</p>																		

12.61. **Table 46: Supermarket Sensitivity: Greenfield vs Brownfield Existing Use**

Sensitivity Analysis	Construction Costs & Revenue Sensitivity Variance	Retail - Larger format (A1) Convenience (Large Supermarket)	Retail - Larger format (A1) Convenience (Large Supermarket)
		Greenfield	Brownfield
	BLV	£155,000	£655,000
Surplus / Deficit (Against BLV)	Sales +5% & Cost -5%	£3,296,808	£2,796,808
	Sales +2.5% & Cost -2.5%	£3,002,841	£2,502,841
	Base Scenario	£2,708,875	£2,208,875
	Sales -2.5% & Cost +2.5%	£2,414,909	£1,914,909
	Sales -5% & Cost +5%	£2,120,942	£1,620,942

Source: Gerald Eve

12.62. Further analysis of the supermarket scenarios has been included within **Section 13**.

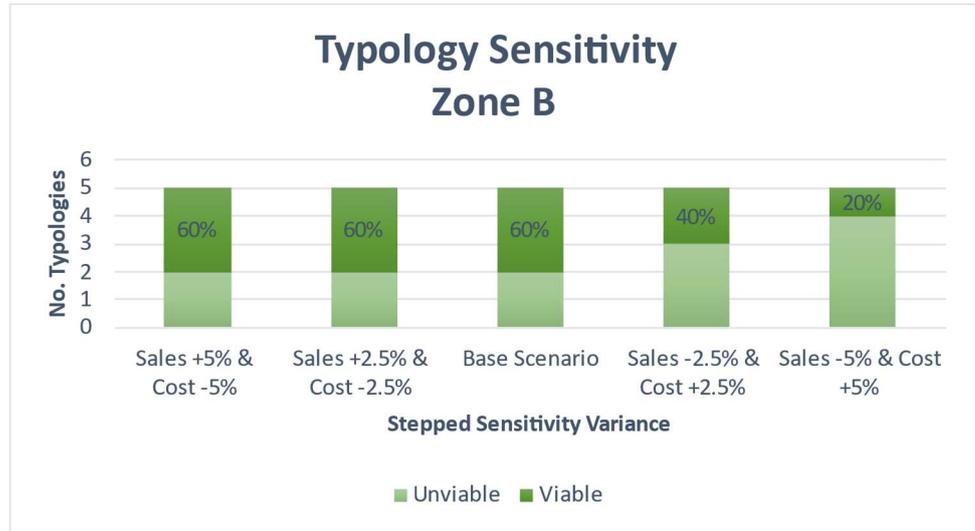
13. ASSESSMENT OF THE RESULTS

Introduction	13.1.	This section, as outlined in our methodology in Section 5, reviews the results of the assessment and the sensitivity analysis to interpret the results based on our assumptions. We provide a qualitative view based on the quantitative assessment and our knowledge of viability and of Folkestone & Hythe itself.																												
	13.2.	As outlined in Section 11 , we have grouped the typologies and provide a qualitative assessment of these below.																												
	13.3.	In assessing the results of our review, consideration must be made to current CIL charging rates and how such rates will continue to be indexed per annum as per the Royal Institution of Chartered Surveyors (RICS) Building Cost Information Services (BCIS) 'All In Tender Prices Index'. Therefore, in the event that the financial viability outcome within this report indicates that there could be a potential to increase CIL levels, the new rate would additionally be subject to annual indexation.																												
	13.4.	Current volatility in construction market conditions and the potential fallback that could incur on revenues suggest that significant evidence must be required in order to justify implementing additional costs to future schemes, at present. Therefore, the modelled results must be considered within their basis of sensitivity, to ensure that the threshold of 70% of typologies per zone are viable, when tested to all potential market conditions.																												
	13.5.	For the purposes of our modelling, the current 2022 indexed CIL rates have been adopted. To ensure a contingency due to variation in schemes/design/external factors, a 'buffer zone' has been incorporated in testing, with an additional 10% applied to the tested CIL rates. The current CIL rates that have been reviewed are as follows:																												
		<p>Table 47: The Council's CIL Rates and Adopted Figures</p> <table border="1"> <thead> <tr> <th>Typology</th> <th>Original CIL Rate (2016)</th> <th>2022 CIL Rate (Indexed)</th> <th>CIL Rate Applied (Inc. 10% Buffer)</th> </tr> </thead> <tbody> <tr> <td>Zone A</td> <td>£0</td> <td>£0</td> <td>£0</td> </tr> <tr> <td>Zone B</td> <td>£50</td> <td>£58.86</td> <td>£64.75</td> </tr> <tr> <td>Zone C</td> <td>£100</td> <td>£117.73</td> <td>£129.50</td> </tr> <tr> <td>Zone D</td> <td>£125</td> <td>£147.16</td> <td>£161.88</td> </tr> <tr> <td>Large Retail (>280 sqm)</td> <td>£100</td> <td>£117.73</td> <td>£129.50</td> </tr> <tr> <td>Retail / Commercial</td> <td>£0</td> <td>£0</td> <td>£0</td> </tr> </tbody> </table> <p><i>Source: The Council</i></p>	Typology	Original CIL Rate (2016)	2022 CIL Rate (Indexed)	CIL Rate Applied (Inc. 10% Buffer)	Zone A	£0	£0	£0	Zone B	£50	£58.86	£64.75	Zone C	£100	£117.73	£129.50	Zone D	£125	£147.16	£161.88	Large Retail (>280 sqm)	£100	£117.73	£129.50	Retail / Commercial	£0	£0	£0
Typology	Original CIL Rate (2016)	2022 CIL Rate (Indexed)	CIL Rate Applied (Inc. 10% Buffer)																											
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Large Retail (>280 sqm)	£100	£117.73	£129.50																											
Retail / Commercial	£0	£0	£0																											
	13.6.	It is of note that it is not necessary for the modelling to cover every potential scheme type and as such, it is more necessary to consider the more relevant schemes and typologies aligned with the anticipated delivery within Folkestone and Hythe.																												

	13.7.	In regard to the tested schemes, some individual typologies (residential and commercial) may not be in a position to support the collective requirement, especially when delivered on certain existing use types, such as brownfield land. However, the schemes producing a deficit may be unviable either prior to or following the inclusion of CIL rates, among other costs and site requirements. As such, it is unlikely that an unviable position would be as a direct result of solely imposing CIL. The viability would most likely be impacted through wider market conditions, requirement for affordable housing, design/specification of a scheme, legislations such as environmental requirements and wider planning objectives.																														
	13.8.	An example of an unviable typology has been identified as the 5-Houses scheme. The typology has been tested in all four CIL zones, with base positions and sensitivity producing viability deficits. As previously noted, all typologies have been modelled with a 10% buffer in regard to current CIL rates. However, the results indicate that wider assumptions implicate the financial viability of the typology and the deficit is not solely caused through inclusion of CIL.																														
Zone A	13.9.	At present, Zone A is subject to nil CIL rates due to the anticipated impact of reduced private residential sales values in the area. Results indicate that 20% of the five tested typologies produce a surplus when tested against the calculated BLV.																														
	13.10.	<p>Figure 16: Stacked Bar Graph Conveying the Sensitivity Variance in Commercial Viability Positions in Zone A</p> <table border="1"> <caption>Typology Sensitivity Zone A</caption> <thead> <tr> <th>Stepped Sensitivity Variance</th> <th>Unviable</th> <th>Viable</th> <th>Total</th> <th>% Viable</th> </tr> </thead> <tbody> <tr> <td>Sales +5% & Cost -5%</td> <td>2</td> <td>4</td> <td>6</td> <td>60%</td> </tr> <tr> <td>Sales +2.5% & Cost -2.5%</td> <td>2</td> <td>4</td> <td>6</td> <td>60%</td> </tr> <tr> <td>Base Scenario</td> <td>4</td> <td>1</td> <td>5</td> <td>20%</td> </tr> <tr> <td>Sales -2.5% & Cost +2.5%</td> <td>4</td> <td>1</td> <td>5</td> <td>20%</td> </tr> <tr> <td>Sales -5% & Cost +5%</td> <td>4</td> <td>1</td> <td>5</td> <td>20%</td> </tr> </tbody> </table> <p>Source: Gerald Eve</p>	Stepped Sensitivity Variance	Unviable	Viable	Total	% Viable	Sales +5% & Cost -5%	2	4	6	60%	Sales +2.5% & Cost -2.5%	2	4	6	60%	Base Scenario	4	1	5	20%	Sales -2.5% & Cost +2.5%	4	1	5	20%	Sales -5% & Cost +5%	4	1	5	20%
Stepped Sensitivity Variance	Unviable	Viable	Total	% Viable																												
Sales +5% & Cost -5%	2	4	6	60%																												
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Base Scenario	4	1	5	20%																												
Sales -2.5% & Cost +2.5%	4	1	5	20%																												
Sales -5% & Cost +5%	4	1	5	20%																												
	13.11.	Sensitivity analysis reflects flexibility in improving the viability outcome, with 60% of typologies producing a surplus with a 2.5% increase in sales values. However, this ‘best case’ instance would still fall below the 70% threshold required for potentially applying a CIL rate for the zone. Furthermore, the typologies become further unviable when tested for harsher market conditions.																														
	13.12.	Therefore, the evidence suggests that the current nil rate of CIL for Zone A is adequate, and the financial results of CIL testing do not provide evidence to implement a charging rate.																														
Zone B	13.13.	CIL Zone B represents the largest zone within the district, incorporating a coastal stretch to the East and largely inland rural areas to the West, in addition to urban areas within Folkestone town. Within our model, Zone B contained the highest proportion of example sites (4/5) to be used as typologies, including the Former Hope All Saints Garden Centre and Land at Rear of Varne Boat Club. With use of example sites, the indicative outcomes can be attributed further weight in our recommendations.																														

13.14. On the basis of the adopted inputs, Zone B modelling implies that 60% of tested typologies could produce a viable outcome at the current CIL rate (including a 10% buffer).

13.15. **Figure 17: Stacked Bar Graph Conveying the Sensitivity Variance in Commercial Viability Positions in Zone B**



Source: Gerald Eve

13.16. As previously noted with the impact of sensitivity, Zone B is considered to be highly sensitive in respect to market conditions, resulting in a single viable scheme when tested by +5% costs and a reduction of -5% in sales values, with the sole surplus being circa £14,000. Additionally, there seems to be a potential implication of developing on brownfield land, due to the respective BLV calculated within the model. It is understood that a 50-unit scheme within Zone B could realistically be delivered on greenfield land, resulting in a reduced BLV for comparison within our assessment, however the chosen typology is based upon an example within the district. Therefore, the scheme is a valid representation of potential developments that could be bought forward.

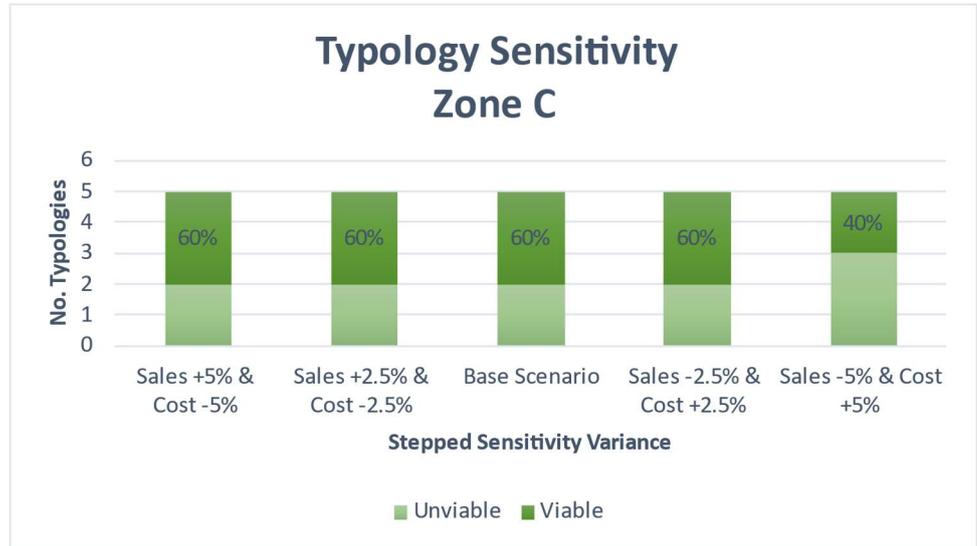
13.17. Due to high levels of sensitivity within Zone B and the viability outputs not surpassing the threshold, evidence suggests that the Zone could maintain the current CIL rates, however there is no justifiable evidence to increase rates.

Zone C

13.18. Zone C has produced a relatively stable set of results, with tested typologies being acutely impacted through sensitivity testing. As such, only one additional typology shifts to become unviable within sensitivity.

13.19. CIL Zone C incorporates the most populated areas of the district with a large coastal stretch incorporating Hythe and positioning of Strategic Sites. With the area being predominantly urban, the assumption of existing land use would generally entail previously developed land. Therefore, the respective results are in regard to higher BLVs, and further justify the stability of the results within the zone.

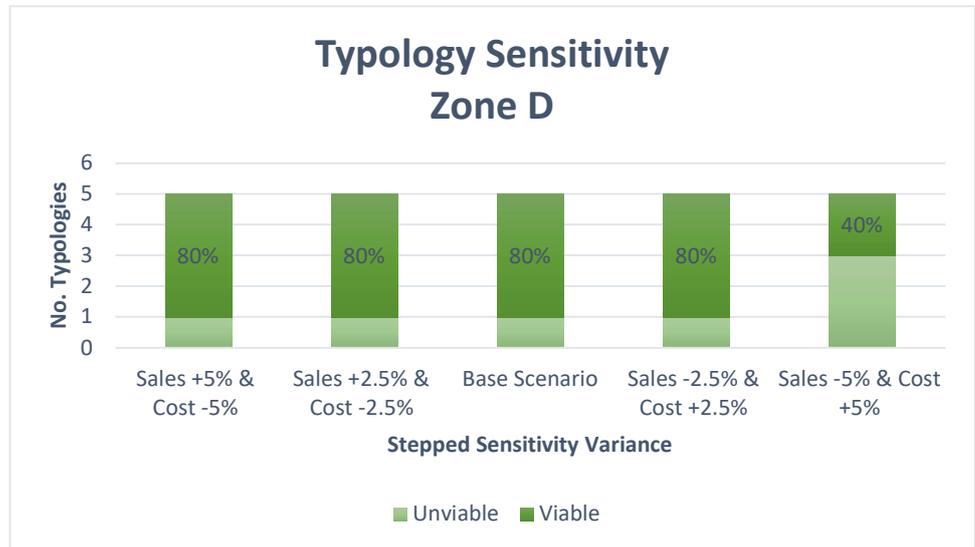
Figure 18: Stacked Bar Graph Conveying the Sensitivity Variance in Commercial Viability Positions in Zone C



Source: Gerald Eve

	<p>13.20. The sample set presents 60% of the tested schemes producing a surplus when delivered at the current CIL level, whilst including the 10% buffer. The results suggest that the current rate is maintainable within Zone C and further sensitivity does not justify for the CIL rate to be adjusted.</p>
<p>Zone D</p>	<p>13.21. As per the sensitivity testing detailed within Section 12, initial findings indicated that Zone D could have potential for adjusting the current CIL rate applicable for new developments. Initial baseline tests with the 10% CIL buffer presented 80% viability within the tested typologies. This initial testing indicated an excess of 10% above the threshold.</p>
	<p>13.22. As per our methodology, further sensitivity testing was conducted to ascertain the impact through varying levels of market conditions, and whether the threshold would still be met.</p>

Figure 19: Stacked Bar Graph Conveying the Sensitivity Variance in Commercial Viability Positions in Zone D



Source: Gerald Eve

- 13.23. The sensitivity analysis expressed an additional two typologies becoming unviable if market conditions were to aggravate costs and sales. Most notably, the larger schemes were the most effected. Therefore, the minimum requirement of viable typologies would fall to 40% and does not meet the threshold.
- 13.24. To further assess the CIL implications within Zone D, we conducted two further sensitivity tests with an increased 15% buffering to CIL, to determine how sensitive the developments within the Zone are to solely CIL levels. As detailed within the sensitivity tables included in **Section 12**, there seems to be minimal variance in deficits for the 50 & 100 Mixed Schemes, with a circa 20% variance per step. This therefore indicates that the resulting deficits are not solely due to the applied CIL levels and more the potential market conditions impacting the financial viability.
- 13.25. Despite initial findings indicating that the 70% viability threshold being met within Zone D, further analysis has concluded that the threshold is not met with variance to market levels. It is evident that changes in CIL rates have limited impact within the Zone, however the financial evidence does not support any adjustment to CIL rates due to the uncertainty in future market conditions and its relation to potential sensitivity results.
- 13.26. It is understood that the financial analysis is to aid the Council in their decision regarding the appropriate CIL rates to be applied within the district. As such, the high levels of surplus presented at a base level and the other sensitivity levels could suggest that an increase in CIL rates could be possible with the caveat that certain typologies could be greater impacted. If the rate was to increase within Zone D, there may be a reduction in future delivery of larger developments and therefore a large proportion of potential CIL payments not being bought forward. Therefore, we would not recommend an adjustment, as to maximise the potential CIL captured within the Zone.
- 13.27. As detailed within **Section 12**, the Senior Living typology produced a greater surplus than standard residential typologies (including the 10% CIL buffer) within our financial modelling due to the revenue premium impacting the potential schemes. Due to the typology's link to residential CIL charging, we have conducted scenario testing to determine whether the typology could financially afford to support an additional premium to the respective residential CIL zone rates and whether it would be appropriate.

Senior Living (C3)

13.28. As such, the typology CIL inputs have been amended to test additional CIL contribution by incorporating percentage increases. Therefore, we have applied an additional 10% above the standard 10% buffer, resulting in a 20% CIL sensitivity test on applied each zonal CIL Rate.

13.29. **Table 48: Senior Living Sensitivity Table Reflecting a 10% Premium (20% Buffer) to Residential CIL rates per Zone:**

Sensitivity Analysis	Sensitivity Variance (20% CIL Buffer)	Senior Living	Senior Living	Senior Living	Senior Living
		Zone A	Zone B	Zone C	Zone D
BLV		£55,000	£55,000	£55,000	£55,000
Surplus / Deficit (Against BLV)	Sales +5% & Cost -5%	£1,320,208	£1,840,471	£1,645,361	£2,263,162
	Sales +2.5% & Cost -2.5%	£991,754	£1,494,984	£1,299,874	£1,900,644
	Base Scenario	£663,299	£1,149,498	£954,388	£1,538,125
	Sales -2.5% & Cost +2.5%	£334,844	£804,011	£608,901	£1,175,606
	Sales -5% & Cost +5%	£6,389	£458,524	£263,414	£813,088

Source: Gerald Eve

13.30. Base level outputs indicate that all four zones could support up to a 10% premium to the current CIL levels, allowing for an additional 10% buffer. At a sensitivity variance of +5% costs and -5% revenue, the typology experiences 100% viability across all four zones. Therefore, there could be potential to apply a premium to the relative residential CIL rate for Senior Living products.

13.31. The above sensitivity conveys that at a 20% buffer, Senior Living would still generate excess surplus, portraying scope to potentially increase a potential CIL premium further, however in our experience, we would not recommend a substantial increase to CIL rates, due to the potential implications to developer appetite.

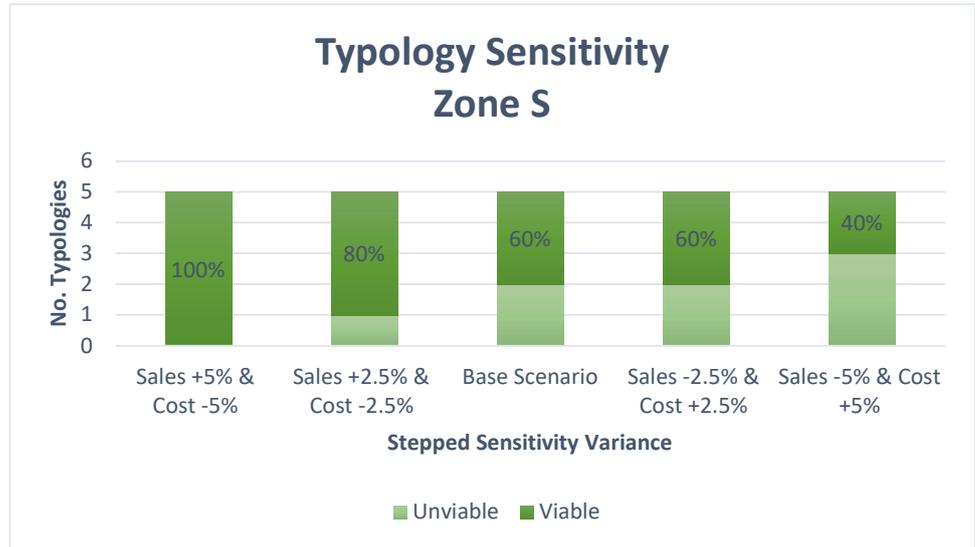
13.32. Additionally, further consideration would be required by the Council to establish relevant planning guidance and policies relating to the definition of Senior Living and the required criteria/specification to capture the potential CIL premium. As such, we believe that application of a CIL premium may prove challenging and would require legal consultation, if it is to be considered.

Seafront

13.33. Due to the anticipated premium to be achieved at seafront developments, an initial hypothesis was considered for the implementation of a new CIL zone banding along the coast, overarching Zones A, B and C. A new 'Zone S' would apply a singular CIL rate for a strip of c.100m from the seafront.

13.34. With the tested typology and assumptions being adjusted to emulate the delivery of 100% apartment schemes, further testing was conducted regarding sensitivity. Testing indicated that general viability surpluses were generated along the coast, however the typology appears to be sensitive to the existing land use, specifically the financial implications of developing on brownfield land.

Figure 20: Stacked Bar Graph Conveying the Sensitivity Variance in Commercial Viability Positions in Zone S



Source: Gerald Eve

	13.35.	Due to implications of expected development land within close proximity to the seafront being previously developed, the resulting model outputs do not support the proposed Zone S CIL charging band. Additionally, upon further review of a new band, we believe that its implication would be difficult in practice due to developers potentially setting back their developments to avoid being captured within the band.
Strategic Sites	13.36.	Analysis of the bespoke appraisals constructed for the chosen Strategic Sites indicate that at a Base level, three of the four sites reflect a positive surplus in respect t the BLV, when incorporating the assumptions detailed within this report..
	13.37.	The Strategic Sites are understood to be susceptible to changes in market conditions over their project life-spans due to the quantum of homes and respective programme lengths. Therefore, a 10% viability 'buffer' is required to capture the potential for a scope of variance in future market conditions in our analysis.
	13.38.	As detailed within Section 12 , the Strategic Sites have been tested in stepped (up and down) increments of +/-2.5% in revenues and construction costs, up to +/-5%, resulting in an overall 10% variance buffer to the base RLV. Incorporating the required 'buffer', the scope of the sensitivity analysis indicates that if revenues were to be reduced and construction costs increased, the sites would be all express an unviable position or positions that would not justify implementing CIL.
Commercial	13.39.	The sensitivity analysis of commercial typologies demonstrated that nil typologies are implicated by potential market conditions in terms of changing viability position. At present, all typologies tested that contribute a £0 per sq m either generate a deficit or a minimal surplus. Therefore, no evidence is substantiated in order to adjust the nil CIL rate.
Supermarket	13.40.	It should be noted however that the 'Retail - Larger format (A1) Convenience (Large Supermarket)' typology generates an excess when tested for development on both greenfield and brownfield. Additionally, market sensitivity also demonstrates a surplus for both existing uses, when revenue decreases -5% and construction costs increase +5%.

-
- 13.41. On a financial basis, our model implies that supermarkets could viably afford further CIL contributions within the district. Calculations have been conducted with the adopted CIL rate of c.£118 per sq m rate, plus a +10% buffer. The outcome of our model is purely financial and is to assist the Council in their decision making regarding potential CIL levels. Therefore, these results are to be considered in addition to further research to supply/demand for supermarkets within the district, planning policies and the Local Plan.
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14. CONCLUSION

Introduction	14.1. As a result of the above assessment of results we can make the following conclusions:
Residential CIL Zones	14.2. At a base level, the financial modelling generates an output of 55% of policy compliant residential typologies generating a surplus at current CIL levels, including the 10% buffer. This figure rests 15% below the set minimum viability threshold of 70%.
	14.3. As per Section 12, our assessment has indicated that the current residential CIL charging rates should be maintained across all geographical zones, A-D.
	14.4. In Zone A, 20% of the tested typologies produced viable outcomes. However, sensitivity analysis suggests that a minimal variance is required to demonstrate a positive viability in two additional typologies, which would result in 60% of typologies across the zone.
	14.5. In Zones B and C, 60% of tested typologies produced viable outcomes at the current adopted CIL rates.
	Zone D produced the most stable results per typology set and suggests scope to potentially increase CIL rates, with a 10% excess above the 70% minimum threshold across the zone. However, sensitivity testing suggest that potential detrimental market conditions could result in a reduction of viable typologies to 40%, being a 30% deficit to the threshold.
	14.6. If the CIL rate in Zone D is increased, there is concern that it may have a negative impact on the delivery of larger schemes within the Zone and therefore a reduction in the quantum of units developed, including affordable housing. This could hinder development in an already restricted area which is largely subject to Area of Outstanding Natural beauty (AONB) status.
Seafront	14.7. Based on initial research of sales values, a hypothesis was drafted with the Council suggesting developments located on the seafront in Zones B and C may be able to absorb a higher CIL contribution than currently applied. Through our analysis, we therefore tested an additional scenario – seafront CIL band (Zone S). However, the initial results indicate that there is not sufficient evidence to justify increasing the CIL charge in this location, with under 70% of the typologies being viable.
	14.8. We understand that there may be instances where some seafront schemes could benefit from current CIL rates charged within their respective zone. However, an increase in CIL rate may result in an overall reduction in the quantum of developments due to other schemes no longer being viable and thus a reduction in overall CIL contribution.
	14.9. Practically, it would also be difficult to set the boundary for the seafront zone, for example, distance from the seafront. In our view this could lead to complex discussions between developer and the Council moving forward.
	14.10. The above combined factors demonstrate that a new 'Zone S' would not be beneficial, in practice.

Senior Living (C3)	<p>14.11. Senior Living (C3) was not tested within Dixon Searles original assessment due to the typology being categorised as an extension to the residential use class (C3) and therefore subject to residential CIL rates. We agree with this approach, however, due to the anticipated premium associated with an 'Age Restrictive Accommodation without Provision of Significant Care' product, we were of the view that there could be potential to apply an additional premium to the residential zoning CIL rates for Senior Living (C3) schemes. Therefore, the typology was included within our residential model.</p>
	<p>14.12. Sensitivity results indicate that Senior Living (C3) could financially support a further premium to standard zonal residential CIL rates. Further testing suggested that an additional 10% premium would be absorbed within the financial modal, in addition to the 10% buffer.</p>
	<p>14.13. However, we anticipate that the application of an exclusive premium for Senior Living, as part of Residential C3 use, would be challenging to implement. The concept would require legal consideration and further research into the supply/demand implications and alignment with the Council's vision.</p>
Strategic Sites	<p>14.14. At a base level, the individual assessments of the Strategic Sites suggest that three out of four sites indicate the potential of producing a viable position in respect to their BLV's. However, when incorporating the required 10% viability 'buffer' into our analysis, it is evident that the schemes are highly sensitive to external market influences. As such, 100% of the tested Strategic Sites express a position of relative viability deficit when experiencing negative market conditions, such as increased construction costs or a reduction in sales values..</p>
	<p>14.15. With current uncertainty in the construction market and UK economy, as detailed within Section 8, and the potential impact posed to the large schemes over their programme length, we are of the view that the Strategic Sites could not viably support an additional contribution through CIL.</p>
	<p>14.16. Additionally, we would anticipate that any potential surplus generated within the Strategic Sites could be targeted towards necessary Section 106 contributions, as required.</p>
Commercial	<p>14.17. The analysis demonstrates that there is insufficient evidence to support an increase in CIL rates across the different commercial typologies. At present, all typologies tested that contribute a £0 per sq m, either generate a deficit or a minimal surplus. Similarly for Large Retail (>280 sqm), there is limited evidence to support any adjustment to the current CIL rate.</p>
	<p>14.18. Following our conclusions, we confirm that the conclusions of our CIL charging model provide a solely financial outlook regarding respective charging levels and all results must be assessed in a holistic view. As such, we recommend further consideration regarding both planning and political implications that may incur through adjusting CIL rates and alignment with the Council's vision.</p>

15. RECOMMENDATIONS

Introduction	15.1. This section provides our recommendations to the Council having regard to our overall review and conclusions made in the previous section. These recommendations are not proposed policy changes and the Council is the final plan maker as set out in the NPPF and NPG.																																				
Residential CIL Zones	15.2. As outlined within our review, there is economic uncertainty currently and it should be noted that our stakeholder consultation responses indicate an increase in CIL beyond the current charging schedule level (allowing for indexation); or an increase in affordable housing obligations was considered by developers to potentially create an additional impact on viability. In our opinion, we have taken reasonable steps to reflect this concern in our assessment.																																				
	15.3. Following our independent review of the Community Infrastructure Levy Charging Schedule implemented by the Council, we provide the following recommendations:																																				
	<p>15.4. Table 49: THE COUNCIL CIL Recommendation per Zone</p> <table border="1"> <thead> <tr> <th>CIL Zone</th> <th>Original CIL Rate (2016)</th> <th>2022 CIL Rate (Indexed)</th> <th>Recommendation</th> </tr> </thead> <tbody> <tr> <td>Zone A</td> <td>£0</td> <td>£0</td> <td>Maintain</td> </tr> <tr> <td>Zone B</td> <td>£50</td> <td>£58.86</td> <td>Maintain</td> </tr> <tr> <td>Zone C</td> <td>£100</td> <td>£117.73</td> <td>Maintain</td> </tr> <tr> <td>Zone D</td> <td>£125</td> <td>£147.16</td> <td>Maintain</td> </tr> <tr> <td>Senior Living</td> <td>Residential Zonal Rates</td> <td>Residential Zonal Rates</td> <td>Maintain</td> </tr> <tr> <td>Large Retail (>280 sqm)</td> <td>£100</td> <td>£117.73</td> <td>Maintain</td> </tr> <tr> <td>Retail</td> <td>£0</td> <td>£0</td> <td>Maintain</td> </tr> <tr> <td>Strategic Sites</td> <td>£0</td> <td>£0</td> <td>Maintain</td> </tr> </tbody> </table> <p><i>Source: The Council</i></p>	CIL Zone	Original CIL Rate (2016)	2022 CIL Rate (Indexed)	Recommendation	Zone A	£0	£0	Maintain	Zone B	£50	£58.86	Maintain	Zone C	£100	£117.73	Maintain	Zone D	£125	£147.16	Maintain	Senior Living	Residential Zonal Rates	Residential Zonal Rates	Maintain	Large Retail (>280 sqm)	£100	£117.73	Maintain	Retail	£0	£0	Maintain	Strategic Sites	£0	£0	Maintain
CIL Zone	Original CIL Rate (2016)	2022 CIL Rate (Indexed)	Recommendation																																		
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Retail	£0	£0	Maintain																																		
Strategic Sites	£0	£0	Maintain																																		
	15.5. We have concluded that at this stage it would not be reasonable to apply a premium to the seafront areas in Zones B and C. We recommend however that this is kept under review by the Council and revisited at the next CIL Charging Schedule Review.																																				
	15.6. Due to their site specific complexities and ongoing discussions with the Council, further analysis should be undertaken to determine the potential surplus that the strategic sites could achieve moving forward. The Council should seek to determine whether additional contributions could be sought for Section 106 on a site-by-site basis, at the planning application stage.																																				
	15.7. As highlighted within this review, the development market is currently experiencing high levels of uncertainty of which may impact future delivery within the District. Where substantial evidence is not present to support adjusting CIL rates, we recommend that the figures are maintained.																																				





Appendices

