

Funding Statement - in relation to sites allocated in the Allocations & Development Management DPD

Prepared by Newark & Sherwood District Council

Introduction

- 1.1 The District Council is progressing its LDF during a significant economic downturn. The Council considers it would be wrong to steer development away from areas of the district where the economic circumstances mean that viability is marginal. The plan period is to 2026 and it is considered important to create a framework for growth and recovery in these communities in preparation for an improvement in economic circumstances. This statement sets out how the Council will deal with short term problems of viability on the allocated sites to ensure delivery of new development during the whole of the Plan Period.

Background

- 2.1 The Allocations & Development Management DPD allocates 61 sites for housing, employment and mixed use development in 12 settlements in Newark & Sherwood. As part of the testing of the DPD the Council carried out a viability assessment of these allocations to ensure that the proposals would be viable. The results of the study were that the vast majority of the sites were viable and for those that were not, subject to the market reacting in the manner currently forecast by the property, industry, they would become viable in the short to medium term. The inspector has asked a number of questions about the assumptions of the assessment and the Council has addressed these through an amended Assessment. The methodology which has been adopted is in line with the Best Practice Guidance 'Viability Testing Local Plans.'
- 2.2 Whilst the vast majority of sites are viable in the short term, the Council recognises that particularly challenging economic circumstances currently exist in the west of the district, as they do in many parts of the Midlands and the North. Current residential sales values make the viability of much residential development marginal. However relatively minor sales value increases, as predicted in the East Midlands in the short to medium term, would resolve this. There are many factors that may influence sales values, in particular the re-introduction of accessible mortgage finance.
- 2.3 It is also worth noting that for the assessments for the 0-5 year delivery sites in the Mansfield Fringe and Ollerton areas that indicate negative viability, it is the abnormal site development costs that make up the vast majority of the negative cost. The Council has tried to take a reasonable view on land value to ensure landowners obtain sufficient return for sites to come forward. However on sites that have

significant abnormal cost to bring land up to a developable standard then these costs should be deducted from the land value, making the development much more viable. It will be a case of landowners taking a reasonable view on the impact of abnormal development cost on site value when considering release of land.

- 2.4 The Council also recognises that the dynamics of individual site development do not always tie in with the assumptions made in the study. Indeed experience on the ground in the west of the District does indicate that development with contributions towards infrastructure are being achieved (See Council's answers to the Inspectors initial questions) Nevertheless the Council recognises that whatever the individual circumstances an initial 'funding gap' could well exist on sites in Ollerton & Boughton, Edwinstowe, Bilsthorpe, Rainworth, Clipstone and Blidworth.

Approach

- 3.1 The Council is proposing to address these issues in a number of ways:

- A. Amend the Community Infrastructure Levy (CIL) Regulation 123 Infrastructure list to secure additional secondary school place provision across the District rather than just in Newark.
- B. Streamline the Developer Contributions SPD so that it reflects identified requirements of the Infrastructure Delivery Plan and the Green Spaces Strategy.
- C. Set out a clear way of identifying potential 'funding gaps' at application stage and putting in place appropriate mechanisms, including Council assistance, to secure appropriate infrastructure.

A Amend the CIL Regulation 123 Infrastructure List

- 3.2 The CIL which is designed to help meet the funding gap of infrastructure requirements was adopted by the District Council in September 2011 and enacted in December 2011. The infrastructure that the money is collected for is identified on a Regulation 123 list. Presently this list includes the provision of an additional Secondary School in Newark Urban Area. Initially because secondary school provision elsewhere does not require the provision of a new school – but expansion of existing provision – it was not included within the list.

- 3.3 Secondary education in the west of the District is provided at the Dukeries College (Ollerton & Boughton), the Joseph Whittaker School (Rainworth) and the Garribaldi College (just over the border from Clipstone in Mansfield District). Given the viability issues identified in the west of the District it is proposed that any additional secondary education provision required in Newark & Sherwood should be paid for via CIL contributions.

3.4 This adjustment to the CIL list will take the burden of Secondary Education provision from individual sites in areas of marginal viability.

B Streamline the Developer Contributions SPD

3.5 The District Council currently sets out its requirements for Developer Contributions to support the impact of new development in a Developer Contributions Supplementary Planning Document (SPD), prepared in 2008. Since that time the Council has adopted both its Core Strategy and the CIL and therefore the SPD needs to be updated to reflect this change in circumstance, and this is acknowledged in Spatial Policy 6 Infrastructure for Growth in the Core Strategy. Another major change since 2008 is the completion of a number of elements of the evidence base which support the LDF. These documents have provided detailed information on future infrastructure requirements in the District.

3.6 A new Developer Contributions SPD will be prepared to be in place alongside any finalised Allocations & Development Management DPD. The new SPD will be focused on the identified requirements of:

- Affordable Housing
- Infrastructure Delivery Plan requirements (not to be delivered as part of CIL)
- Green Space Strategy requirements

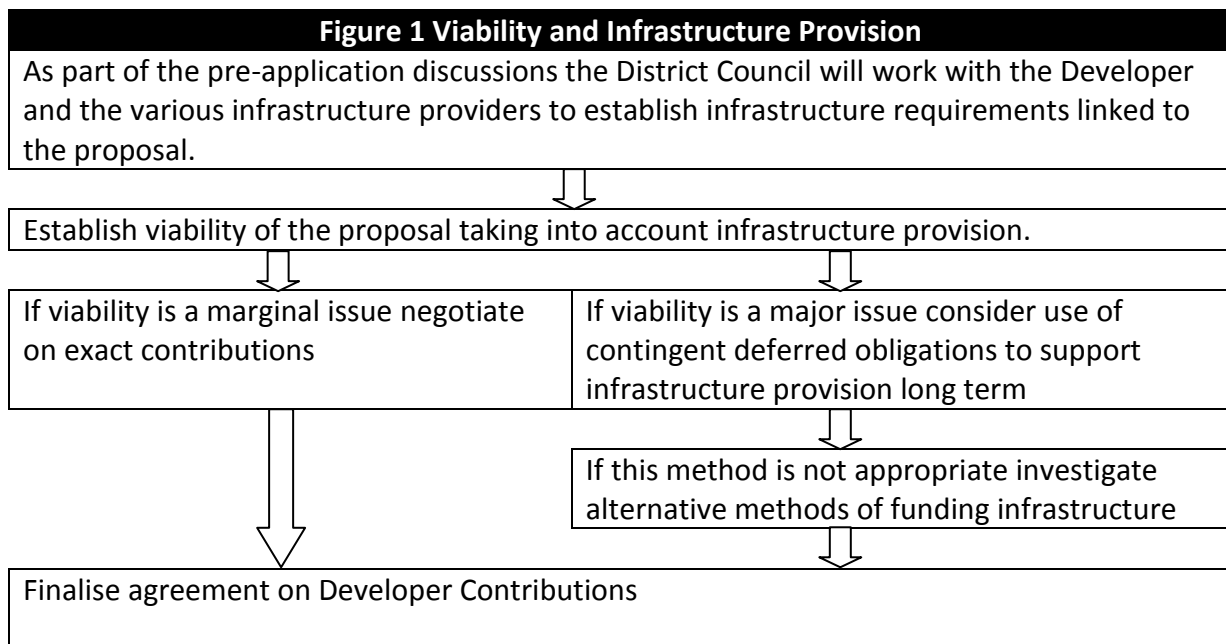
3.7 This approach will allow the Council to focus on the key infrastructure requirements of the District. This SPD will be monitored on a regular basis to ensure that the requirements are up to date.

C Identify and Support Development if Funding Gap exists

3.8 The measures set out above will assist in facilitating the delivery of new development however it will be key to ensure that new development is not made unviable because of infrastructure and section 106 requirements. It is proposed that a comprehensive approach will be taken with applications on Allocated sites.

3.9 Central to this approach will be the Council, Developers and Infrastructure Providers working together to support the delivery of new development. The requirements to support new development will be monitored over time and change will occur, dependent on the exact situation at the time of application submission and the infrastructure capacity. Set out in Figure 1 below is the three stage approach that the District Council will establish:

- Establish detailed infrastructure needs related to the site
- Establish viability issues
- Negotiate a solution



- 3.10 The District Council will need to work closely with developers once the Infrastructure requirements are identified and it becomes apparent that a ‘funding gap’ exists. The District Council will expect to operate an open book system with the developer to ensure that a full understanding of viability issues can be identified.
- 3.11 If viability is a major issue the Council considers that the use of contingent deferred payments may be the way to address many short term viability issues highlighted in the Viability Assessments. This is particularly the case with the allocated sites as most span a number of 5 year periods. Such obligations allow for the re-appraisal of viability throughout the development period and enable release of additional affordable housing and infrastructure contributions as market conditions and viability improve over time.
- 3.12 If the viability issues cannot be addressed by the contingent deferred payment the potential for alternative funding will be investigated. Whilst the Homes & Communities Agency has massively cut its funding programme, Registered Providers who operate in the District have access to allocated funds which could be used to assist in certain limited circumstances.
- 3.13 The District Council has significant Growth Point capital funding, £4.8 million, which it holds to assist in the provision of new infrastructure. Elements of this funding have been allocated to support the provision of new sporting infrastructure in Newark Urban Area. The remainder is allocated to infrastructure provision. There is potential that such funding could be used to support infrastructure provision were viability is marginal.
- 3.14 The District Council is also in receipt of New Homes Bonus (NHB). This is due to Council’s to reflect the additional burden of new development on the District.

Current NHB money is funding the Council's Growth Investment Fund which supports the growth of local companies in the District. Money from future years could be directed toward supporting infrastructure provision.