Item 7

North York Moors National Park Authority
Development Plan Working Group Meeting

18 March 2015

Community Infrastructure Levy

1. **Purpose of the Report**

1.1 To advise Members of the results of viability work that has been done in relation to agricultural and minerals development, assess the implications and recommend that CIL is not taken forward by the Authority in the short term.

2. **Background**

2.1 The Community Infrastructure Levy (CIL) is intended to be a transparent mechanism for securing money to fund the infrastructure required to support new development through a standard charge levied on new development according to its size and type. At present S106 of the Town and Country Planning Act (1990) enables legal agreements to be attached to planning permissions to secure on and off site contributions towards works needed as a result of new development. From the 1st April 2015 Local Planning Authorities will be restricted to the pooling of no more than five S106 obligations together to pay for a single infrastructure project or type of infrastructure.

2.2 In late 2012 Peter Brett Associates were appointed to carry out a Community Infrastructure Levy Viability Study for the National Park. The overall conclusion of that Study which was presented to the Authority at its meeting on 16th December 2013 was that three types of new development could support the introduction of a levy – new residential development, convenience food retailing and retail warehousing. Alongside the viability work, an Infrastructure Delivery Plan has been developed to demonstrate the need for additional funding to support new infrastructure in the National Park.

2.3 At the last meeting of the Development Plan Working Group in May last year Members considered the implications of changes to the CIL Regulations that came into force earlier that year. In summary these changes will reduce the level of funding that could be generated from the introduction of the levy. Members also considered the impact that CIL could have on the delivery of affordable housing. The changes were discussed and noted and Members resolved to commission further work on the Viability Study to investigate whether other types of development could be charged with the results to be reported to Planning Committee. That report has now been finalised however Officers have some reservations with regards to the conclusions which are outlined later in this report.

3. **Implications for the National Park**

3.1 The Viability Study report presented to the meeting of the Authority on 16th December 2013 estimated the projected revenue that could be expected from charging CIL, the majority of which would come from residential development. The Study estimated that £124,488 per annum could be generated based on a rate of 26 dwellings completed per year. These completions included affordable housing (not liable for CIL), completions of open market and local occupancy dwellings on infill plots and small sites in the Service Villages and completions in Helmsley. As outlined below, changes

in the CIL Regulations, the timing of new residential development in Helmsley and other factors significantly alters this position.

3.2 The main change to the Regulations affecting the operation of CIL in the National Park is the exemption of self-build housing, residential extensions and annexes from the charge. Since 2008 when the Core Strategy was adopted, the majority of new build completions in the Park have been on single plots for an identified occupier. The definition of self-build in the Regulations includes houses commissioned from a builder and most of the completions in the Park will fall within this category. Even where completions are taking place on larger sites and buyers are purchasing 'off plan', there is evidence that builders are marketing individual plots in such a way as to make them exempt from the Levy. The type of new build completions taking place in the National Park is shown in the table below:

Breakdown of New Build Completions by Size of Site 2008 - 2014

Year	Completions on Single Plots	Completions on Multiple Plots	Total New Build Completions
2008/09	3	2	5
2009/10	5	3	8
2010/11	3	2	15
2011/12	4	0	4
2012/13	8	0	8
2013/14	4	0	4

3.3 As Members will be aware the Helmsley Plan Examination took place earlier this month, however permission has already been granted for 85 new dwellings on two of the sites allocated in the Helmsley Plan. It is anticipated that an application for development of the last remaining allocation site will be submitted sometime in 2015 and in advance of any examination into CIL. The development of sites in Helmsley in advance of the adoption of CIL significantly reduces further the potential income that could be generated.

3.4 A further problem has arisen in relation to the method of calculating viability that has been used by the consultants that have produced the Viability Study. This has been identified following the examination into the Hambleton CIL during which it was argued by an objector that developer costs had been underestimated. The consultants have confirmed that there is an error in the excel spreadsheet used in the viability model, the effect of which is to underestimate developer purchase costs. This has an impact on developer profit and reduces the rate that can be charged for all types of new development. The consultant has confirmed that the study that has been produced for the National Park is affected by this error. Furthermore there are concerns that the viability study has not accounted for appropriate transfer values and this either means that the CIL needs to be reduced or the on-site affordable housing provision needs to be lowered.

4. Agriculture and Minerals Development

4.1 In view of the more limited income streams likely to be generated by residential development, the Development Plan Working Group resolved that the consultant producing the Viability Study should be commissioned to investigate whether other types of development could support a levy. It was agreed that this should cover the more intensive forms of agriculture such as pigs and poultry production which require larger scale farm buildings with a greater landscape and environmental impact as well as minerals and gas development. The report at Appendix 1 shows the result of that

investigation. The consultant has indicated that there are no other authorities pursuing specific charges for these types of uses and that the methodology for arriving at a cost per square metre is untried and has not been tested at examination.

4.2 The report concludes that a charge of £5 per square metre could be supported for pig and poultry buildings. However, the majority of the new agricultural buildings are for general purpose storage or cattle which would not be chargeable. On average there are around five applications made per year for poultry or pig finishing buildings which at £5 per square metre would not generate enough income to spend on infrastructure to justify the introduction of the levy.

4.3 In relation to minerals development, the report demonstrates the profitability of this form of development. However, the approach suggested to link cashflow and floorspace to produce a charging rate per square metre relates to a specific development proposal and end user, which would not necessarily be applicable to other operators or other forms of minerals development. This approach is likely to be heavily challenged by the industry at any examination. Other proposed minerals development will need to be in accordance with the allocations in the emerging Joint Minerals and Waste Plan and at present only one relatively small quarry proposal has been submitted for consideration and this type of proposal is unlikely to require significant built structures which would be applicable to CIL. As with developments in Helmsley the proposal by York Potash is likely to be determined in advance of a CIL examination and therefore the main opportunity for seeking contributions will have been missed.

5. Conclusion

5.1 Taking into account the implications of the new Regulations, the timing of development in Helmsley and the conclusions of the additional Study on charging for other uses, it is concluded that at the present time, the costs of pursuing the Community Infrastructure Levy in terms of both officer time and financial commitment to the cost of an examination will outweigh the potential income.

5.2 The position could become more favourable if a new Local Plan adopts a different strategy to new development in the Park, although the outcome of this is uncertain. In the meantime, Section 106 agreements will continue to be available as a mechanism to secure funding towards specific items of infrastructure but the CIL regulations have introduced some changes to the way that section 106 agreements operate. From April 2015 the number of individual s106 contributions that can be 'pooled' to fund a specific item of infrastructure will be limited to five. The scope of s106 contributions has also been scaled back since April 2010 and must meet the following tests:

- necessary to make the development acceptable in planning terms
- directly related to the development
- fairly and reasonably related in scale and kind to the development

5.3 So for example, the provision of open space directly related to a housing site could continue to be sought through a section 106 agreement. However, contributions towards open space to meet a shortfall in playing field provision from a wider area would not meet the above tests. The Helmsley Plan sets out clear policies in relation to planning obligations and the approach has proved successful with £44,352 already received by the Authority by Wharfedale Homes which has been passed onto Helmsley Town Council for improvements to Baxtons Lane community facilities. A further £46,370 for improvements to these facilities has been secured through the Black Swan development proposal.

5.4 The main implications of this for the Authority are that it will need to be more proactive and robust in negotiating developer contributions through section 106 agreements. In practice, there are unlikely to be any items of infrastructure so large as to require more than five separate agreements to be pooled together. An Infrastructure Delivery Plan has been progressed alongside work on CIL but at the moment is fairly general in content. This satisfied the requirements of CIL but it needs further work to include more specific community infrastructure requirements in order to provide a more robust framework for negotiating developer contributions from section 106. This work could be progressed with community input alongside the preparation of a new Local Plan.

4. Financial and Staffing Implications

4.1 An amount of £2500 is still payable for completion of the first part of the Viability Study. However, in view of the errors that have been made by the consultants further negotiations will take place with a view to reducing or avoiding this cost altogether. The second part of the study has not been affected by the error in the modelling as it is based on a different approach and the cost of this has been budgeted for.

5. Contribution to National Park Management Plan

5.1 The implications of not pursuing CIL at the present time are that there will be less revenue to support the delivery of Management Plan objectives, particularly in relation to green infrastructure which was an important component of the Infrastructure Delivery Plan.

6. Legal Implications

6.1 There are no direct legal implications arising from this report.

7. Recommendation

7.1 That for the reasons outlined in the report, CIL is not pursued at the present time but that a 'watching brief' is kept on the CIL regime and that the position is reassessed when progress has been made on the preparation of a new Local Plan.

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Background documents to this report	**File ref**
Community Infrastructure Levy	3052/4

North York Moors National Park

Community Infrastructure Levy
Pigs, Poultry and Potash

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July 2014

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Document Control Sheet

Project Name: **Community Infrastructure Levy**
Report Title: **Pigs, Poultry and Potash**
Project Ref:
Doc Ref:

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Prepared by:				
Reviewed by:				
Approved by:				
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Revision	Date	Description	Prepared	Reviewed	Approved

THIS REPORT IS FORMATTED FOR DOUBLE-SIDED PRINTING

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APPENDICES

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1 INTRODUCTION

1.1 PBA is appointed by North York Moors National Park Authority (NYMNPA) to advise on the scope for introducing the Community Infrastructure Levy. In a separate report, PBA has provided advice in respect of the main development types expected in the National Park.

1.2 Given the significant costs associated to the infrastructure investment required in the National Park, and the relatively limited scale of development likely to take place, there is a need to consider other, perhaps less frequent, forms of development that may be capable to accommodating a CIL charge. This is because CIL Regulation 14 requires authorities to '*strike an appropriate balance'* between the desirability of funding the delivery of necessary infrastructure through CIL and the effects on the viability of development across its area.

1.3 The Authority considers that the revenue likely to be generated through CIL on the main forms of development (houses, offices, retail etc) would not generate adequate revenue to funding the necessary infrastructure and therefore does not achieve the balance required by Regulation 14.

1.4 As such, NYMNPA have asked PBA to undertake further research and analysis in relation to other types of development that are likely to take place within the National Park. These are intensive agricultural development (such as pig and poultry) and minerals development.

1.5 The purpose of this report is to set out our findings in relation to the viability of each of these uses and the factors which influence it (i.e. the range of costs and revenues involved in each type of development). Using these analyses, we consider the scope for CIL to be charged on these forms of development in the NYMNP area.

1.6 This report should be read in conjunction with the main CIL Viability Study prepared on behalf of NYMPA and covers issues including the legal and regulatory framework for CIL, implementation issues and the like.

2 AGRICULTURAL DEVELOPMENT

Introduction

2.1 To inform any viability assessment it is important to have a set of assumptions that are accurate and well informed. To this end we have undertaken significant desk-based research to understand the key inputs to our bespoke modelling. Unlike residential and other employment uses, there is not a similar weight of evidence for the specific development types being tested in this report.

2.2 Our assumptions are therefore based on the available evidence that has been sourced and where they are made, are conservative to reflect the fact that there is limited evidence to base them on. For ease, the three development types are reviewed separately.

Land Value

2.3 The Valuation Office Agency (VOA), until 2011, produced land value reports for various land typologies, including values for agricultural land. Their assumptions were focussed around arable farming land and dairy farming land with a third figure calculated as a 'mixed farming' land value (an average of the arable and dairy figures). The values have been indexed by county and provide data at the North Yorkshire county level.

2.4 For arable land the VOA suggest a figure of £20,995 per ha, for dairy farming, £18,525 per ha and £19,760 per ha for 'mixed farming'

2.5 In addition to these values we have undertaken desk-based research on agricultural land currently being marketed. Our primary sources for these comparibles have been www.uklandandfarms.co.uk and www.uklanddirectory.org.uk. There are a number of examples currently being marketed in the North Yorkshire area. The price of land will be influenced by its size, its grade as well as any associated farming infrastructure included within the sale.

2.6 Review of the data suggests a broad range of between £11,000 per ha for large areas of land (c.150+ ha) to £32,000 per hectare for smaller parcels of land (c.5 ha). Typically, figures in region of £20,000 per ha would appear to reflect the current market conditions for agricultural land allowing for a discount from the marketed value.

Pig Farm Buildings

Build Costs

2.7 A review of the BCIS database provides limited information with regard to the cost of building pig-specific agricultural developments. There is a category covering livestock buildings which includes items such as pig pen enclosures, however the sample size contains only 2 examples, both of which are very different in value. One

is at £188 per sq. m and the second at £381 per sq. m. No meaningful value can be drawn from this information.

2.8 Further research online highlighted BPEX, a department of the Agricultural and Horticultural Development Board. BPEX recently completed (2013) a case study report, 'Finisher Pig Buildings Design and Build – a blueprint for English farms'[1], on pig finisher buildings. There are two distinct types of building assumed – a straw bedded finisher building and a concrete slatted floor finisher building.

2.9 Straw bedded finisher buildings have a lower build cost compared to concrete slatted floor finisher buildings. The build costs, based on their assumptions are as follows: £170 per sq. m for straw bedded buildings and £245 per sq. m for concrete slatted buildings. We have used these same figures in our calculations.

Other Costs

2.10 There are a range of additional costs that need to be taken into consideration when undertaking a thorough cashflow analysis. Other costs included in an assessment cover items such as labour costs, equipment hire, utilities, insurance costs, finance costs as well as costs such as building and equipment repairs.

2.11 An important point to make, which highlights the difference in revenues generated is that whilst a straw bedded finishing shed is cheaper to construct in the first instance, it has higher operating costs over the twenty year operational lifespan of the building. However, given this additional cost the straw bedded version is favoured because of perceived welfare benefits.

Values

2.12 The most likely form of development to take place with pig sheds are owner-occupier, where a farmer will only build a building that they need as opposed to renting from a third party.

2.13 The value attributed to a building therefore will be the value it generates in terms of the outputs i.e. the pigs. Referring back to the aforementioned BPEX report it identifies the total incomes that could be generated from year one. It is suggested that the first year could generate a total income of £42,690 for a straw bedded finisher shed and £36,890 for concrete slatted finisher sheds.

2.14 The cashflow analysis (shown in Section 4) then applies 1% inflation year-on-year for the 20 year analysis that has been undertaken. This results in a total income in year twenty of £51,570 and £44,575 respectively.

Revenue

2.15 The cashflow model on which the calculations are based on a twenty year period. The final revenue generated at the end of this period will be the figure on which the CIL charge will be calculated. This assessment is undertaken later in the report.

[1] www.bpex.org.uk/downloads/303046/303082/finisher

Chicken Farm Buildings

Build Costs

2.16 A review of the BCIS database provides limited information with regard to the cost of building chicken-specific agricultural developments. There is a category covering livestock buildings which includes items such as chicken sheds, however the sample size contains only 2 examples, both of which are very different in value. One is at £188 per sq. m and the second at £381 per sq. m. No meaningful value can be drawn from this information.

2.17 Further research online highlighted two further sources of information, Farmers Weekly [2] and Rural Business Research department at the University of Reading[3] which have undertaken research and provide guidance on various elements of commercial scale chicken farming. There are distinct types of building for chicken production – a shed associated with free range farming and those associated with non-free range farming. There does not appear to be much difference between the build costs of each building type.

2.18 For the purpose of the analysis of a likely example that may come forward in the North York Moors (and what we believe to be a typical example) a shed of 1,800 sq. m. This size shed would accommodate between 50,000 and 60,000 chickens. Based on the analysis undertaken, a build cost of £275 per sq. m has been assumed.

Other Costs

2.19 There are a range of additional costs that need to be taken into consideration when undertaking a thorough cashflow analysis. Other costs included in an assessment cover items such as labour costs, equipment hire, utilities, insurance costs, finance costs as well as costs such as building and equipment repairs.

Values

2.20 The most likely form of development to take place with chicken sheds are owner-occupier, where a farmer will only build a building that they need as opposed to renting from a third party.

2.21 The value attributed to a building therefore will be the value it generates in terms of the outputs i.e. the poultry. Based on the research we have undertaken it has been possible to identify the total incomes that could be generated from year one. It is suggested that the first year could generate a total income in the region of £70,000.

[2] http://www.fwi.co.uk/articles/30/01/2014/114833/tips-on-starting-out-in-free-range-egg-production.htm
[3] http://www.fbspartnership.co.uk/documents/2010_11/Poultry_Production_2010-11.pdf

Revenue

2.22 The cashflow model on which the calculations are based on a twenty year period. The final revenue generated at the end of this period will be the figure on which the CIL charge will be calculated. This assessment is undertaken later in the report.

Other Agricultural Development

2.23 Whilst pig and poultry farm buildings have been the most prevalent in the National Park in recent years, it is clear that this does not cover all forms of agricultural development. It is understood that dairy farming is relatively less common in the National Park than poultry and pig farming,. Similarly, other agricultural buildings such as barns for the storage of hay and other materials do not themselves generate revenue and it is therefore not possible to undertake a viability assessment.

2.24 For this reason, any agricultural development not associated with pig or poultry farming will be exempt from a CIL charge.

3 MINERALS DEVELOPMENT

Introduction

3.1 The North York Moors benefits from the presence of mineral deposits, most notably of potash. Therefore, for the purposes of assessing the viability of minerals development, we have focussed primarily on a potash mining operation.

3.2 There are a range of buildings that may be associated with the entrance site to an underground mine. These types of buildings can include offices and canteens as well as changing facilities. These buildings are required in order for a mine to be operational and therefore can be considered to be value generating as they contribute towards the overall output of the mining operation.

Land Value

3.3 Whilst underground mining operations can cover vast areas, the main mining operations above ground covers a much smaller area. The land is usually of an agricultural existing use and is located somewhat remote of surrounding settlements.

3.4 As a result of these characteristics we have assumed an agricultural land value for a development site.

3.5 The Valuation Office Agency (VOA), until 2011, produced land value reports for various land typologies, including values for agricultural land. Their assumptions were focussed around arable farming land and dairy farming land with a third figure calculated as a 'mixed farming' land value (an average of the arable and dairy figures). The values have been indexed by county and provide data at the North Yorkshire county level.

3.6 For arable land the VOA suggest a figure of £20,995 per ha, for dairy farming, £18,525 per ha and £19,760 per ha for 'mixed farming'

3.7 In addition to these values we have undertaken desk-based research on agricultural land currently being marketed. Our primary sources for these comparibles have been www.uklandandfarms.co.uk and www.uklanddirectory.org.uk. There are a number of examples currently being marketed in the North Yorkshire area. The price of land will be influenced by its size, its grade as well as any associated farming infrastructure included within the sale.

3.8 Review of the data suggests a broad range of between £11,000 per ha for large areas of land (c.150+ ha) to £32,000 for smaller parcels of land (c.5 ha). Typically, figures in region of £20,000 per ha would appear to reflect the current market conditions for agricultural land allowing for a discount from the marketed value.

Build Costs

3.9 The cost of opening up and making operational a new mine is significant. In the case of the York Potash project currently being proposed, these costs are estimated by the company to amount to $1,945 million (£1,215 million) as shown in the table below.

3.10 The table also shows the operating costs of the mining operation per tonne of potash extracted. The costs, both capital and revenue, can be compared against the likely revenue of the operation.

Area	Capital Cost[1] 2013-2016 US$m	2017 US$m	2018 US$m	Total US$m	Operating Cost[1] US$/tonne
Mining	133	66	22	**221**	**10.7**
Shafts	738	12	-	**750**	**1.4**
Processing at Mine	123	-	-	**123**	**3.6**
Pipeline	242	-	-	**242**	**3.0**
Processing at Port	70	18	14	**102**	**12.0**
Port Infrastructure	204	61	6	**270**	**4.3**
General Infrastructure	113	33	-	**146**	**2.0**
Power and Energy Infrastructure	91	-	-	**91**	**-**
Total	**1,714**	**189**	**42**	1,945	**36.9**

Revenue/Values

3.11 When understanding the value that can be generated by these buildings, we must look at the mining operation as a whole. Given that these buildings may not, in themselves, generate a value from which a CIL rate can be drawn, they are necessary for the mine to work and so indirectly contribute towards the value of the mine.

3.12 A potash mine is a high revenue generating industry, especially at the scale proposed in North Yorkshire. The revenue will be a function of the amount of potash extracted and its value. The current value of potash is c£170 per tonne. The first production from the mine is expected to be in 2016 with production values ramping up to 5 million tonnes per annum by 2018. This suggests total revenues of c£800 million per annum at full production levels, albeit that production costs (estimated at £115 million per annum for this level of production) will be deducted to deduce net revenues.

3.13 The cashflow model on which the calculations are based on a twenty year period. The final revenue generated at the end of this period will be the figure on which the CIL charge will be calculated. This assessment is shown in Section 4 below.

4 VIABILITY SUMMARIES

Introduction

4.1 Using the information researched in sections 2 and 3 above, we have been able to undertake high level assessments of the three development types being assessed. The assessments have been undertaken over a cashflow period of 20 years. The summary output tables are set out below.

Pig Farm Buildings

4.2 The summary table below shows that, for straw bedded pig sheds, a positive balance is achieved in year 10 of the 20 year cashflow.

Table 4.1 Straw Bedded Pig Finishing Shed Cashflow Summary

Year	Income	Balance
0	-	-£160,000
1	£42,688	-£146,038
2	£43,115	-£131,385
3	£43,546	-£116,012
4	£43,982	-£99,891
5	£44,421	-£82,990
6	£44,866	-£65,275
7	£45,314	-£46,715
8	£45,767	-£27,273
9	£46,225	-£6,913
10	£46,687	£14,405
11	£47,154	£35,856
12	£47,626	£57,007
13	£48,102	£77,840
14	£48,583	£98,336

15	£49,069	£118,475
16	£49,560	£138,237
17	£50,055	£157,600
18	£50,556	£176,544
19	£51,061	£195,044
20	£51,572	£213,079

4.3 Based on the case study example used to inform the research and assumptions shown above, a straw bedded pig finishing shed would have a 20 year revenue of £223 per sq. m. This value is considered to be the maximum potential CIL charge.

4.4 The same exercise was undertaken for a different type of pig finishing shed, the cashflow analysis summary is shown below.

Table 4.2 Concrete Slatted Pig Finishing Shed Cashflow Analysis

Year	Income	Balance
0	-	-£190,000
1	£36,890	-£174,607
2	£37,259	-£158,225
3	£37,632	-£140,798
4	£38,008	-£122,272
5	£38,388	-£102,585
6	£38,772	-£81,673
7	£39,160	-£59,471
8	£39,551	-£35,906
9	£39,947	-£10,904
10	£40,346	£15,613
11	£40,750	£42,793
12	£41,157	£69,973

13	£41,569	£97,146
14	£41,984	£124,302
15	£42,404	£151,434
16	£42,828	£178,531
17	£43,257	£205,584
18	£43,689	£232,584
19	£44,126	£259,521
20	£44,567	£286,383

4.5 Based on the case study example used to inform the research and assumptions shown above, a concrete slatted pig finishing shed would have a 20 year revenue of £371 per sq. m. This value is considered to be the maximum potential CIL charge.

Chicken Farm Buildings

4.6 The same exercise as set out above was undertaken for a chicken shed of 1800m sq capable of holding 50,000 to 60,000 chickens. The cashflow analysis summary is shown below.

Table 4.3 Chicken Shed Cashflow Analysis

Year	Income	Balance
0	-	-£525,000
1	£70,000	-£491,750
2	£70,000	-£456,173
3	£70,000	-£418,105
4	£70,000	-£377,372
5	£70,000	-£333,788
6	£70,000	-£287,153
7	£70,000	-£237,254
8	£70,000	-£183,862

9	£70,000	-£126,732
10	£70,000	-£65,603
11	£70,000	-£195
12	£70,000	£69,805
13	£70,000	£139,805
14	£70,000	£209,805
15	£70,000	£279,805
16	£70,000	£349,805
17	£70,000	£419,805
18	£70,000	£489,805
19	£70,000	£559,805
20	£70,000	£629,804

4.7 Based on the case study example used to inform the research and assumptions shown above, a 50,000 to 60,000 chicken, chicken shed would have a 20 year revenue of £349 per sq. m. This value is considered to be the maximum potential CIL charge.

Minerals Development

4.8 We have also sought to undertake a cashflow analysis of a potash mining development within North York Moors. A summary table of the cashflow is shown below.

Table 4.4 Potash Mining Cashflow Analysis Summary

Year	Income	Balance
0	-	-£1,215,625,000
1	£684,687,500	-£958,375,000
2	£684,687,500	-£340,773,750
3	£684,687,500	£320,059,588
4	£684,687,500	£1,004,747,088

5	£684,687,500	£1,689,434,588
6	£684,687,500	£2,374,122,088
7	£684,687,500	£3,058,809,588
8	£684,687,500	£3,743,497,088
9	£684,687,500	£4,428,184,588
10	£684,687,500	£5,112,872,088
11	£684,687,500	£5,797,559,588
12	£684,687,500	£6,482,247,088
13	£684,687,500	£7,166,934,588
14	£684,687,500	£7,851,622,088
15	£684,687,500	£8,536,309,588
16	£684,687,500	£9,220,997,088
17	£684,687,500	£9,905,684,588
18	£684,687,500	£10,590,372,088
19	£684,687,500	£11,275,059,588
20	£684,687,500	£11,959,747,088

4.9 Based on the case study example used to inform the research and assumptions shown above, a potash mine with ancillary buildings up to 5,400 sq. m would have a 20 year revenue of £2,214,767 per sq. m. This value is considered to be the maximum potential CIL charge.

5 CHARGE RATE OPTIONS

Introduction

5.1 Following cashflow analysis shown in section 4 above we have to understand an acceptable charge to place on the respective development types.

Agricultural Developments

5.2 Following the analysis we have undertaken on agricultural developments, it is suggested that both pig and chicken farming uses can accommodate a small charge. Other forms of agricultural development should not have a charge imposed.

5.3 We suggest that a low level charge should be set where it would not be considered to be a significant material consideration as to whether a development comes forward. Using a range of 0-5% of the development revenue we reach a range of £0 to £11.15 (straw bedded pig finishing sheds), £18.55 (concrete slatted pig finishing sheds) and £18.95 (chicken sheds) per sq. m.

5.4 We propose a charge of £5 per sq. m for each of these development types, which represents less than 2% of the revenue generate by each type of building. When compared against residential development which generally has a charge between 50 and 75% of the maximum potential charge, it is considered a very small development cost that would not impact on the delivery of these forms of agricultural development.

5.5 Other agricultural development such as hay barns and the like, are not proposed to be charged.

Minerals Development

5.6 Following the analysis we have undertaken, we have concluded that there is significant scope for minerals developments to accommodate a charge. The total net revenue over 20 years shown by the cashflow analyses above can be divided by the size of the buildings likely to be required, which are estimated at 5,400 sq. m.

5.7 Assuming that just 1.5% of the net revenue over 20 years of the minerals operation is expressed as a rate per sq. m, the charge rate would be £33,200 per sq. m.

APPENDIX A

A.1