



Intelligent Plans
and examinations

AN EXAMINATION UNDER SECTION 212
OF THE PLANNING ACT 2008 (AS AMENDED)

**REPORT ON THE DRAFT STROUD DISTRICT
COMMUNITY INFRASTRUCTURE LEVY CHARGING SCHEDULE**

Independent Examiner (appointed by the Council): **Geoff Salter BA MRTPI**

Charging Schedule Submitted for Examination: 29 July 2016

Date of **Final Report**: 17 October 2016

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Main Findings - Executive Summary

In this report I have concluded that the draft Stroud District Community Infrastructure Levy Charging Schedule provides an appropriate basis for the collection of the levy in the area.

The Council has provided sufficient evidence that shows the proposed rates would not threaten delivery of the Local Plan as a whole.

One modification is necessary to meet the drafting requirements. This can be summarised as follows:

- Include footnotes clarifying the definition of chargeable retail development.

The specified modification recommended in this report does not alter the basis of the Council's overall approach or the appropriate balance achieved.

Introduction

1. I have been appointed by Stroud District Council, the charging authority, to examine the draft Stroud District Community Infrastructure Levy (CIL) Charging Schedule. I am a chartered town planner with more than 20 years experience inspecting and examining development plans and CIL Charging Schedules as a Government Planning Inspector.
2. This report contains my assessment of the Charging Schedule in terms of compliance with the requirements in Part 11 of the Planning Act 2008 as amended ('the Act') and the Community Infrastructure Regulations 2010 as amended ('the Regulations'). Section 212(4) of the Act terms these collectively as the "drafting requirements". I have also had regard to the National Planning Policy Framework (NPPF), notably paragraphs 173-177, and the CIL section of the Planning Practice Guidance (PPG), which replaced the stand alone CIL Statutory Guidance last published in February 2014.
3. To comply with the relevant legislation, the submitted Charging Schedule must strike what appears to the charging authority to be an appropriate balance between helping to fund necessary new infrastructure and the potential effects on the economic viability of development across the district. The PPG states that the examiner should establish that:
 - the charging authority has complied with the legislative requirements set out in the Act and the Regulations;
 - the draft charging schedule is supported by background documents containing appropriate available evidence;

- the proposed rate or rates are informed by and consistent with the evidence on economic viability across the charging authority's area; and
 - evidence has been provided that shows the proposed rate or rates would not threaten delivery of the relevant Plan as a whole.
4. The basis for the examination, which took place through written representations, is the submitted schedule of July 2016, which is effectively the same as the Draft Schedule published for public consultation in April 2016.
 5. In summary, the Council proposes an initial rate of £80 per sq. m. for residential development, other than that within the Stroud Valleys charging zone or on strategic sites identified in the Stroud District Local Plan (SDLP), and a rate of £75 per sq. m. for retail development.

Has the charging authority complied with the legislative requirements set out in the Act and the Regulations?

6. The Charging Schedule complies with the Act and the Regulations, including in respect of the statutory processes and public consultation, consistency with the adopted Local Plan and the Infrastructure Delivery Plan, and is supported by an adequate financial appraisal. I also consider it compliant with the national policy and guidance contained in the NPPF and PPG respectively.

Is the draft charging schedule supported by background documents containing appropriate available evidence?

Infrastructure planning evidence

7. The SDLP was adopted in November 2015. This sets out the main elements of housing and employment growth that will need to be supported by further infrastructure, the main items of which are new education and healthcare facilities, transport infrastructure and flood risk and water management measures. A comprehensive analysis of all infrastructure needs is contained in the Infrastructure Development Plan (IDP), updated in October 2014. The Council acknowledges that infrastructure planning is an iterative process during which requirements and costs may change over time, but the IDP does include considerable detail about projected needs, particularly with regard to strategic sites, where a nil CIL rate will apply. A supplementary document, the Infrastructure Funding Gap Analysis, May 2016, estimates the costs of infrastructure associated with all new housing of about £66 million(m).
8. The allocated strategic sites are expected to provide a very significant amount of the new housing over the SDLP period and the associated

infrastructure, through site specific Section 106 planning obligations. However, the SDLP also provides for some 2094 dwellings to come from development on windfall sites, both small and (potentially) large. These units would lead to prioritised infrastructure costs of about £40m, some £13m would be funded from other sources such as a Gloucestershire capital fund known as the 'Growth Deal' and NHS England/CCG commissioning. The housing development subject to CIL is expected to generate about £10m. In the light of the information provided, the proposed charge would therefore make a modest contribution towards filling the likely funding gap, leaving a potential shortfall of about £17m. Nevertheless, the charge has to be based on realistic viability assessments and a significant proportion of the new infrastructure, particularly highway works, to support the total housing provision set out in the SDLP is intended to be provided through Section 106 obligations associated with the major allocations. The figures demonstrate the need to levy CIL.

9. At this stage the Council is not required to publish a full and definitive list of all infrastructure schemes intended to be funded through CIL. However, a draft Section 123 list has been included as Appendix 2 to the Charging Schedule and is a component of the appropriate available evidence that has been used to inform the preparation of the Schedule by the Council. The Council has made some amendments to this indicative list published in Appendix 2 to reflect the comments of statutory providers of services and others but this appendix is not strictly part of this examination or subject to any modification by me. The distribution of the receipts from CIL, including the proportion to be passed on to Town and Parish Councils for their own projects, is set out in the Regulations and in similar fashion is not part of this examination.

Economic viability evidence

10. The Council commissioned a CIL Viability Study, dated January 2014, which was updated in March 2016 by the Viability Update (VU). The assessment uses a residual valuation approach, incorporating reasonable assumptions for a range of factors. Standard BCIS data (plus a minor uplift of 1.5%) are used for building costs, taking into account current government policy regarding environmental standards for new homes and including appropriate different contingency sums for both brownfield and greenfield sites. Normal industry assumptions regarding fees, developers' profit levels at 20% and a cautious approach to interest rates indicate that the predicted outcomes are sufficiently robust. The model takes account of government guidance that prospective land vendors should achieve a competitive return by factoring an uplift of 20% above existing use values, plus a further £350,000 per ha. on greenfield sites. The VU made an allowance for average Section 106 requirements on non-strategic sites equivalent to £1,000 per unit once CIL is in place. Such estimates of 'average' requirements may not accurately reflect very different costs at various sites but represent a reasonable overall assumption in the circumstances.

11. The ability of a range of sites to support CIL was tested through the modelling of 'additional profit', in essence the difference between projected values and all costs, including updated land values. Relevant local sales data on existing land values and likely sale prices based on a range of sites across the area based on data from the Strategic Housing Land Availability Assessment, using relevant density assumptions, was incorporated. Likely income from sales was adjusted to account for some slight increase in prices from Land Registry data since the original assessment. There appears to be a wide range of recent sale asking prices across the District, from about £2,550 per sq. m. to £3,650 per sq. m., which are reflected in the modelling results for different areas. Updated modelling for affordable housing, incorporating a revised assessment of the value of affordable rent homes and the testing of different proportions of shared ownership and rented housing, was also carried out. The assessments of commercial development also appear robust, taking into account different types of retail units and updated values.

Conclusion

12. The Draft Charging Schedule is supported by detailed evidence of community infrastructure needs. The updated viability assessment, the VU, provides a detailed range of development scenarios which have been used to support the approach taken. On this basis, the evidence which has been used to inform the Charging Schedule is robust, proportionate and appropriate.

Are the proposed rates informed by and consistent with the evidence on economic viability across the district?

Residential

13. The zero rating for Strategic Sites identified in the SDLP is justified by the detailed evidence set out in the Viability Update (VU). In essence, the considerable amount of infrastructure for each site identified in the SDLP has a clear adverse effect on the residual valuation. However, the same effect need not apply for any other large site that might come forward as a windfall. In such a case, infrastructure requirements might not be known, or might not be extensive. While the CIL would take the first slice out of development value, an individual viability assessment would be able to take into account the expected CIL contribution and normal affordable housing requirement costs before identifying the impact of Section 106 requirements on the overall viability of the development. The Council's draft Planning Obligations SPD clarifies that Section 106 contributions would be sought for site specific infrastructure only.

14. The similar results of the VU to the first assessment gives some reassurance that the previous work was reasonably robust; while both costs and values have increased, similar typologies of sites achieve broadly the same viability outcomes and thus the same ability to support CIL. There is further reassurance from the analysis of CIL as a proportion of Gross Development

Value (GDV). This is relatively low for most of the site examples, at around 2.5%. The housing sites that might not be viable as a result of CIL represent a very small proportion of the development proposed in the SDLP and the charge rate would not put the overall implementation of the Plan at risk.

15. The viability studies, including the latest VU, take full account of the cost implications of the affordable housing requirements as set out in the adopted SDLP, in accordance with government advice. The VU indicates that some improved viability has resulted from increased house prices in the District since the earlier study. The recent Court of Appeal decision¹ regarding government advice on the site size threshold for affordable housing requirements will improve the viability of development on smaller sites, increasing the ability of such schemes to support the CIL rate.
16. The designation of a zone in the Stroud Valley where a nil rate would apply for residential development reflects the detailed viability assessments, principally because of lower expected house values in the identified corridor, rather than any policy aspiration. There is no evidence to suggest that agricultural residential development tied to agriculture is not likely to be viable, either as self-build by farming enterprises or through barn conversions, for example. The VU is strongly supportive of the proposed instalments policy set out in the charging schedule, which should be instrumental in improving viability on larger residential sites.

Retail development

17. The results for commercial development are consistent with experience in many other areas; large format retail schemes will be able to be viable with CIL, while other office or industrial development will not. The retail rate has been reduced slightly to take account of increased building costs and more recent market conditions, including changing patterns of development towards medium sized convenience stores, rather than large superstores. The VU confirmed that smaller shops, which are most likely to be developed on brownfield land, are not likely to be able to support CIL. However, I consider a short explanatory addendum providing a definition of the supermarkets and retail warehouses subject to the charge would provide essential clarity, as set out in my recommended modification **EM1** in Appendix A.

Has evidence been provided that shows the proposed rates would not threaten delivery of the Local Plan as a whole?

18. In setting the CIL charging rate the Council has had regard to detailed evidence on infrastructure planning and the economic viability evidence of the development market in Stroud District. The Council has tried to be realistic in terms of achieving a reasonable level of income to address an

¹ *R (West Berkshire District Council and Reading Borough Council) v. Secretary of State for Communities and Local Government* [2016] EWCA Civ 441.

acknowledged gap in infrastructure funding, while ensuring that a range of development remains viable across most of the area covered by the Local Plan. While it is not a matter for my determination, the Council has helpfully set out a timescale for reviewing the charge every 3 years or in the event of evidence to suggest that local house prices have changed by more than 10% since the date of implementation of the CIL.

19. The Council's decision to apply residential and retail rates at the levels set out in the Draft Charging Schedule is based on reasonable assumptions about development values and likely costs. The evidence suggests that residential and retail development will remain viable across most of the area except the Stroud Valleys charging zone and the strategic allocations if the charge is applied as proposed. I consider the viability assessment to be robust and conclude that the residential and retail rates proposed would not threaten delivery of the Local Plan. The proposed rates are justified therefore.

Overall Conclusion

20. I conclude that the draft Stroud District Community Infrastructure Levy Charging Schedule, subject to the making of the modification set out in **EM1**, satisfies the drafting requirements and I therefore recommend that the draft Charging Schedule be approved.

Geoff Salter

Examiner

Attachments:

Appendix A – Modification that the examiner specifies so that the Charging Schedule may be approved.

Appendix A

Examiner Modification (EM) recommended in order that the charging schedule may be approved.

EM1

Add the following footnotes:

1. Supermarkets are shopping destinations in their own right where weekly food shopping needs are met and can include non-food floorspace as part of the overall mix of the unit.
2. Retail warehouses are large stores specialising in the sale of household goods (such as carpets, furniture and electrical goods), DIY items and other ranges of goods, catering for mainly car-borne customers.