

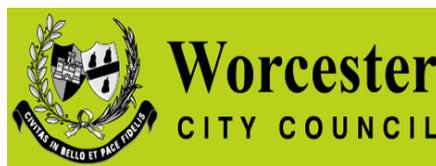
# Community Infrastructure Levy

## Draft Charging Schedule Background Document: Justifying the Levy (Updated)

Malvern Hills District Council  
Worcester City Council  
Wychavon District Council

**Consultation Document**

**April 2016**



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# **1 Purpose of the document**

- 1.1 This document supports the Draft Charging Schedule (DCS) for the Community Infrastructure Levy ("the Levy" or CIL) in South Worcestershire published for consultation in April 2016. The CIL is being prepared jointly by Malvern Hills District Council, Worcester City Council and Wychavon District Council, which are collectively referred to as the South Worcestershire Councils (SWC).
- 1.2 The initial stage of preparing a charging schedule focuses on determining the Levy rate(s). The SWC, as charging authorities, must provide evidence relating to economic viability and infrastructure planning as background documentation.
- 1.3 The Levy is expected to have a positive economic effect on development across South Worcestershire. The rate should be set at a level that balances the requirement for infrastructure to support development against the potential economic impact of imposing the Levy across South Worcestershire. The need for this balance is set out in regulation 14(1)<sup>1</sup> of the CIL Regulations 2010 (as amended), which states that the charging authority must "strike an appropriate balance" between the desirability of funding infrastructure from the Levy and "the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area". Additionally, CIL Guidance states that councils should "show and explain how their proposed Levy rate (or rates) will contribute towards the implementation of their relevant Plan and support the development of their area."
- 1.4 This document will set out the process the SWC have followed so far in setting the Levy rates. This document will:
  - A. Show and explain how the proposed rates will have a positive economic effect on development across South Worcestershire by securing additional investment for infrastructure to support development (as identified in the South Worcestershire Infrastructure Delivery Plan [SWIDP]) without threatening delivery of development proposed by the South Worcestershire Development

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<sup>1</sup> Guidance on the Community Infrastructure Levy was added to the National Planning Practice Guidance (NPPG) website on 12 June 2014. This replaced the standalone guidance that was published in February 2014.

Plan (SWDP).

- B. Explain evidence collated to date on the aggregate infrastructure funding gap and show how this is directly related to the infrastructure assessment underpinning the SWDP.
  
- C. Set out how the SWC have engaged with stakeholders (including developers, landowners, housing associations, etc.) in developing the Levy and how this work is continuing to progress.

All CIL related content for South Worcestershire is available on the [CIL page of the SWDP website](#).

## **2 Infrastructure**

### **Infrastructure Funding Gap**

- 2.1 The SWC carried out an assessment of crucial infrastructure requirements, in close consultation with Worcestershire County Council (WCC). This was set out in the May 2013 version of the SWIDP which was submitted as evidence alongside the SWDP in May 2013 to the Planning Inspectorate. The 'live' SWIDP has been subsequently updated in support of the uplift in the SWDP housing figures. The latest version was published in October 2014.
- 2.2 The SWIDP sets out the physical, social and green infrastructure required to support the delivery of the SWDP and is the main accompaniment to policy SWDP 7: Infrastructure. The SWIDP is a 'living document' and it will continue to be updated as necessary to support the delivery of the SWDP throughout the plan period. A full update of the SWIDP is currently proposed for 2016.
- 2.3 The SWIDP identifies around £550m worth of overall infrastructure required over the plan period, with approximately half of which identified as the current funding gap (as at October 2014). An updated indicative breakdown of the costs of some the main infrastructure typologies from the SWIDP (i.e. Transport, Education and Sports and Recreation) are outlined below in Table 1 (following infrastructure workshops in autumn 2015, which in turn fed into the 2016 viability update), indicating that the overall funding gap is increasing in size and may have now surpassed the SWIDP figure (circa £275m), given that the funding gap alone for transport, education and sports and recreation now stands at circa £260m. This increase is in part due to the unknown future value of section 106 receipts (s.106 or s.106 agreements) for Sports and Recreation infrastructure from s.106 and other funding sources.
- 2.4 It is fully recognised that it would not be appropriate to fund all infrastructure required from the Levy, nor would the Levy generate sufficient funding to deliver the entire infrastructure requirements. As such the SWC, together with infrastructure providers (including WCC), are continuously working to identify other funding streams needed to facilitate delivery, including other Government funding sources, s.106, etc. A full exploration of these funding mechanisms is set out in Section 10 of the SWIDP "*Delivery of infrastructure: funding mechanisms*".

- 2.5 The current position of the SWC on the relationship between s.106 agreements and the Levy is set out in **Appendix A** of the DCS consultation document, as part of an indicative split between those items to be charged CIL (in whole or in part) and those items from which s.106 agreements will be sought.
- 2.6 The headline figures for the main infrastructure typologies that are likely to be funded from money raised through implementation of the Levy are provided below in Table 1. It should be noted that this table is not reflective of the full list of infrastructure requirements of the SWIDP and does therefore not show the full funding gap for South Worcestershire. The table shows an indicative aggregate funding gap of £259.27m for the main infrastructure typologies (Transport, Education and Sports and Recreation), up from £185.19m million in the CIL PDCS justification document (February 2015). As previously stated (paragraph 2.3), these are updated figures which indicate that the infrastructure costs (and therefore the funding gap) for South Worcestershire are increasing.

**Table 1: Aggregate Funding Gap Update of the Main Infrastructure Types\***

Infrastructure Type	Funding Requirement (from SWIDP/update work)	Anticipated Delivery via s.106	Other Anticipated Funding	Aggregate Funding Gap (total gap circa £275m)
<b>Transport</b>	£226m	£70m	£0m	£156m
<b>Education</b>	£103.71m	£58.09m	£18.65m	£26.97m
<b>Sport and Recreation</b>	£76.3m	Not Known	Not Known	£76.3m
<b>Total</b>	£406.01m	£128.09m	£18.65m	<b>£259.27m</b>

\*Figures in Table 1 updated to Nov 2015, except 'Sports and Recreation' (Oct 2014 SWIDP requirement only)

### **Section 106 Agreements (Planning Obligations)**

- 2.7 Planning obligations can be required in accordance with s.106 of the Town and Country Planning Act 1990 (as amended). They are legally binding obligations that are registered as local land charges. S.106 agreements enable a council to secure funding for contributions towards services, infrastructure and amenities in order to support and facilitate a proposed development. The requirements of s.106 agreements will vary according to the size, impact and nature of the proposed development.

- 2.8 Once the Levy is introduced, s.106 agreements will be scaled back to fund only those matters directly related to site-specific impacts. To encourage councils to adopt CIL, the Government have implemented restrictions on the use of s.106 agreements. Since April 2015 no more than five s.106 agreements can be pooled towards one project or type of infrastructure (back dated to April 2010, the date CIL regulations came into force). Further information relating to the approach being taken in South Worcestershire with regard to s.106 agreements can be found in the SWC Developer Contributions Supplementary Planning Document (SPD), which is being closely prepared alongside CIL.
- 2.9 Site-specific planning obligations should only be sought where they can be justified with reference to the underpinning evidence on infrastructure planning. Contributions must satisfy three tests (in accordance with CIL Regulation 122); they must be:
1. Necessary to make the development acceptable in planning terms;
  2. Directly related to the development; and
  3. Fairly and reasonably related in scale and kind to the development.
- 2.10 CIL Regulations prevent developers from being asked to fund the same item of infrastructure through both the Levy and s.106 agreements. This is achieved through the CIL Regulation 123 requirements, which requires charging authorities to set out a list of those projects or types of infrastructure they intend to fund through the Levy. The CIL Regulation 123 list will therefore set out a list of infrastructure projects or types of infrastructure that SWC intend to be, or which may be, wholly or partly funded by CIL (please see **Appendix A** of the main DCS report for the full list).
- 2.11 Where a generic category (such as 'education' or 'transport') is included on the Regulation 123 list, s.106 agreements should not normally be used to fund projects in that category, unless projects have been included in the Regulation 123 list as site specific site mitigation requirements. This is to ensure there is no duplication between the two types of contributions for the same items of infrastructure.

### **3 Viability**

#### **Approach**

- 3.1 Charging authorities need to prepare evidence in relation to the Levy's effect on economic viability in order to demonstrate to an independent Inspector that their proposed rates strike an appropriate balance. The Levy charge must only be set on the basis of viability and should not be used as a policy tool.
- 3.2 Charging Schedules may include differential rates, but only where they can be justified on the basis of either economic viability of different parts of the area or by economic viability of different types of development. A zero rate can also be charged if viability testing shows that it would be unviable for a particular use or area to pay the Levy.
- 3.3 In 2012, WCC in liaison with the six district councils, commissioned HDH Planning and Development (HDH) to undertake an independent CIL viability analysis of the county to provide the evidence required to develop Charging Schedules across Worcestershire. This analysis used a recognised valuation methodology to identify the maximum amount of CIL that a range of modelled sites from the development plan could bear whilst still sustaining a sufficient land price to provide the landowner and the developer with a 'competitive return'. This was published in early 2013. In addition, HDH undertook a viability study for the SWC in November 2012.
- 3.4 Further viability work was undertaken for SWC in 2013 and this formed the evidence base for the SWC CIL rates in September 2013. Additional viability work was undertaken by HDH in September and December 2014 as a result of the outcome of the SWDP Stage 1 Examination. Following the 2015 PDCS consultation, further viability update work was carried out by the SWC, with WCC and HDH during late 2015/early 2016 and it is this update (January 2016) which has informed the proposed CIL rates and evidence base for the DCS. All of the viability reports are available on the [SWDP website](#).

3.5 The approach to valuation was 'broad-brush' and based on a residual valuation method to establish the "*additional profit*" of a scheme, which is the amount of profit over and above the normal profit made by developers having purchased the land (at a price that reflects the site's alternative use value plus an uplift), developed the site and sold the units (including providing any affordable housing that is required):

$$\begin{array}{c} \textbf{Gross Development Value} \\ \text{(The combined value of the completed development) LESS} \\ \textbf{Cost of creating the asset, including profit margin} \\ \text{(land + construction + fees + finance charges + developers' normal} \\ \text{profit)} \\ = \\ \textbf{Any Additional Profit} \end{array}$$

3.6 The assessments were based on modelling a range of development sites (known as typologies), both residential and non-residential, which are broadly representative of the type of development that is likely to come forward through the SWDP in each authority area. The modelling was not designed to exactly reflect actual sites within South Worcestershire but the evidence has been informed by them.

3.7 An important part of the process was engagement with the development industry. A workshop was held in July 2012 where the approach to viability testing was explored and stakeholders were offered the opportunity to make representations on the day and for a number of weeks following the workshop. These comments were considered during the production of the CIL viability study. A further session, where the findings of the study were presented, was held in October 2012 and stakeholders were again offered an opportunity to comment following the workshop.

3.8 A further event was held during the first South Worcestershire PDCS consultation in autumn 2013 at which local and national developers, land owners, agents, registered providers, etc. commented on the proposed approach to developing the Charging Schedules. An update of this engagement process, in the form of workshops for land agents/consultants and parish/town council members (including a viability update), was held in March 2015 as part of the revised PDCS consultation stage. Similar workshops are proposed during this round of consultation.

## Findings

- 3.9 Summary information extracted from the appraisals undertaken by HDH is set out in tables 2 to 6 below (as updated January 2016), shows the residual value (in £ per hectare) of each development typology.
- 3.10 The results below utilise the Residual Valuation approach. This approach assesses the value of the site (in £ per hectare) after taking into account the costs of development, the likely income from sales and/or rents and an appropriate amount of developers' profit. In order for the proposed development to be described as viable, it is necessary for this value to exceed the Viability Threshold (that being the Existing Use Value plus the appropriate uplift to provide a competitive return to the landowner) by a satisfactory margin. At this time, this is approximately £330,000 for greenfield sites, £420,000 for brownfield sites and £330,000 to £360,000 for smaller village and other small 'town' sites. These thresholds have therefore not changed since the 2015 PDCS consultation.
- 3.11 For table 2 (residential typologies), this appraisal displays the residual values with the application of CIL rates at £40m<sup>2</sup>, (the recommended rate), full SWDP policy requirements (public open space, density, etc.) and a percentage of affordable housing as per the policy requirements of SWDP 15: Meeting Affordable Housing Needs. Table 3 displays the residual values of the strategic sites (with a range of CIL charges applied), and tables 4 and 5 show the results for the residual values of non-residential development and student accommodation. Table 6 shows the development types where there has been no viability update.

**Table 2: Residential Typologies Viability Assessment Update (as tested at a £40m<sup>2</sup> CIL charge)**

Table 2: Residential: Residual Value (£/ha) outcome at £40m <sup>2</sup> CIL, full policy requirements of SWDP and Current Affordable Housing Targets as per SWDP 15 (Oct 2015)		Greenfield 1	Greenfield 2	Greenfield 3	Greenfield 4	Greenfield 5	Brown Redevelop Large	Urban Flats	Brown Redevelop Medium	Medium Brownfield	Medium Greenfield	Urban Edge	Town Centre Flats	Ex-garage Site	Town/Village Infill	Small Village Scheme	Village House	TOTALS
Viability Threshold (£/hectare)		330,000	330,000	330,000	330,000	330,000	420,000	420,000	420,000	420,000	330,000	360,000	420,000	330,000	360,000	360,000	360,000	n/a
Malvern Hills	Residual Value (£/hectare)	384,779	353,265	340,883	405,675	499,921	-471,561	-4,538,895	21,300	112,200	96,377	478,262	144,565	-817,706	54,367	-312,198	4,783	n/a
	Number of Sites in Appraisal	0	1	3	14	9	2	0	3	6	11	0	0	0	1	6	0	56
	Number of Units in Appraisal	0	190	278	693	296	359	0	69	77	166	0	0	0	6	36	0	2,170
Worcester City	Residual Value (£/hectare)	282,697	295,155	228,663	433,358	613,905	74,850	-4,135,029	726,221	284,680	257,373	617,172	298,156	-817,706	-14,410	-862,029	-193,759	n/a
	Number of Sites in Appraisal	0	0	2	1	4	6	1	5	8	1	2	15	3	0	0	0	48
	Number of Units in Appraisal	0	0	200	45	94	1355	100	193	110	13	25	254	28	0	0	0	2,417
Wychavon	Residual Value (£/hectare)	356,939	711,607	340,883	548,827	989,224	747,178	-5,512,843	459,321	-83,504	-277,740	431,815	-474,987	459,820	179,406	745,119	615,680	n/a
	Number of Sites in Appraisal	4	1	3	6	6	3	0	1	5	12	3	1	3	3	10	0	61
	Number of Units in Appraisal	2306	200	312	347	197	280	0	36	62	200	26	15	45	19	69	0	4,114

Table 2 shows that in general, Malvern Hills and Wychavon (non-strategic sites) are able to bear an element of CIL on greenfield sites but not on brownfield sites when CIL at £40m<sup>2</sup> is tested. For Worcester City, the majority of development will be on brownfield land, where a CIL charge in addition to on-site costs such as remediation, would not be viable. In an additional update, viability evidence for older people's accommodation suggests a CIL rate of zero for all authorities.

**Table 3: SWDP Strategic Sites Viability Update (CIL at £20m<sup>2</sup> to £70m<sup>2</sup>)**

Table 3: Strategic Sites Residual Values (CIL at £20m <sup>2</sup> to £70m <sup>2</sup> )		Alternative Use Value (£/ha)	Viability Threshold (£/ha)	CIL Rate (£m <sup>2</sup> )					
				£20	£30	£40	£50	£60	£70
				Residual Value (£/ha)					
Site 1	Worcester South Urban Extension	25,000	330,000	38,199	32,936	27,625	22,201	16,778	11,355
Site 2	Worcester West Urban Extension	25,000	330,000	91,830	83,133	74,436	65,738	56,785	47,816
Site 3	Crown Packaging, Worcester	350,000	420,000	232,056	221,845	211,634	201,423	191,213	181,002
Site 4	Vine's Lane, Droitwich	25,000	330,000	307,588	298,154	288,720	279,286	269,852	260,418
Site 5	Cheltenham Road, Evesham	25,000	330,000	816,146	791,619	767,092	742,564	718,037	693,509
Site 6	QinetiQ, Malvern	300,000	420,000	1,278,488	1,212,534	1,146,085	1,079,636	1,013,186	946,737
Site 7	Malvern North East Urban Extension	25,000	330,000	491,938	468,101	444,264	420,427	396,590	372,752
Site 8	Swinesherd Way	25,000	330,000	62,452	58,212	53,972	49,733	45,493	41,254

Table 3 shows that viability is generally good for sites 5, 6 and 7 across all CIL rates, though much more marginal for site 7 – Malvern North East. None of the other strategic sites are considered viable for any of the CIL rates shown.

**Table 4: Non-Residential Viability Appraisal Updates – South Worcestershire (Recommended rate of CIL £60m<sup>2</sup> shown as per viability update)**

Table 4: Retail Updates Residual Value at £60m <sup>2</sup> CIL rate		Larger Super- markets	Smaller Super- markets	Retail Warehouse
Greenfield (CIL £60m <sup>2</sup> )	Residual Land Worth	176,327	221,096	899,707
	Viability Threshold	278,750	278,750	278,750
	Residual Value (£/ha)	88,163	442,192	499,837
Brownfield (CIL £60m <sup>2</sup> )	Residual Land Worth	-533,821	6,703	525,268
	Viability Threshold	402,500	402,500	402,500
	Residual Value (£/ha)	-266,911	13,407	291,815

Table 4 shows that greenfield sites are generally viable for supermarkets and retail warehouses with a CIL charge of £60m<sup>2</sup>. Brownfield sites are not considered to be viable. The proposed CIL rate has been reduced from £100m<sup>2</sup> in the PDCS 2015.

**Table 5: Student Accommodation Viability Appraisal Update**

Table 5: Student Accommodation	CIL at £0m <sup>2</sup>	CIL at £20m <sup>2</sup>	CIL at £40m <sup>2</sup>	CIL at £60m <sup>2</sup>	CIL at £80m <sup>2</sup>	CIL at £100m <sup>2</sup>
<b>Residual Land Worth</b>	593,130	508,969	424,807	340,646	256,484	172,323
<b>Existing Use Value</b>	350,000	350,000	350,000	350,000	350,000	350,000
<b>Viability Threshold</b>	402,500	402,500	402,500	402,500	402,500	402,500
<b>Residual Value (£/ha)</b>	1,977,101	1,696,562	1,416,024	1,135,485	854,947	574,408

Table 5 shows that student accommodation is considered to be viable across all appraisal scenarios up to a CIL charge of £100m<sup>2</sup>.

**Table 6: Other Developments**

Small and Large Industrial and Offices	Shops	Hotel and Leisure
<b>No viability updates – zero rate recommended as per previous studies</b>		

Viability appraisal updates on small and large industrial sites, offices, shops, hotels and leisure uses have not been carried out for the purposes of this update. None of these uses have previously been considered viable.

For the full extent of all viability assessments, please see the CIL Viability Study Update: January 2016.

**Source for tables 2 to 6:** CIL Viability Study Update: January 2016.

- 3.12 For residential development, the viability evidence in Table 2 shows that Malvern Hills and Wychavon (non-strategic sites) are able to bear an element of CIL on greenfield sites but not on brownfield sites. The majority of brownfield development will take place in the main urban areas of Malvern, Upton-upon-Severn and Tenbury Wells for Malvern Hills and Droitwich Spa, Evesham and Pershore for Wychavon. A different CIL charge is therefore proposed for these specific geographical locations. For Worcester City, the majority of development will be on brownfield land. Despite a reduction in the affordable housing requirement to 30% for Worcester, requiring CIL in addition to this (as well as other potential on-site costs), would still not be viable.
- 3.13 The evidence on strategic sites (Table 3) suggests that viability is generally low for most of the sites when a CIL charge is applied, except for land at Cheltenham Road, Evesham, land at Qinetiq, Malvern, and land at North East Malvern urban extension, where an additional CIL charge can be accommodated. The residual value is however much closer to the viability threshold limit for land at North East Malvern. Lower residual values on the strategic sites is predominantly due to the higher, site specific infrastructure and utility costs which are borne by the developer on-site. As shown in table 9 (page 21), some of the strategic sites already have obtained planning permission or are current planning applications awaiting determination that may pre-date CIL implementation and so would not be charged CIL. Only applications submitted after the adoption of CIL can be required to pay the levy.
- 3.14 For non-residential development (Tables 4 to 6), the viability appraisal updates suggest a lower rate of CIL for supermarkets and retail warehouses (£60m<sup>2</sup>), previously £100m<sup>2</sup> at the 2015 PDCS stage. The latest viability update includes both large and small supermarkets within the study. Student accommodation development (table 5) can justify a CIL Levy across South Worcestershire at a rate of £100m<sup>2</sup>. No viability appraisal updates were carried out for small and large industrial sites, offices, shops, hotels and leisure uses as these development uses were all previously considered unable to bear a CIL charge in earlier viability updates and it is unlikely that the situation has changed.

### **Neighbouring Authority Rates**

- 3.15 Whilst the rate of CIL must be set based on evidence, it is useful to consider the proposed rates in the context of those being introduced by neighbouring or nearby

authorities, as this could have an impact on deliverability of development in South Worcestershire. For example, a very low rate in a neighbouring authority could put delivery of the Development Plan at risk if developers prefer to build in an area with a lower rate of CIL.

**Table 7: Local Authority CIL Charging Rates Comparison (as at January 2016)**

Local Authority	CIL Status	Use	Charge (per m <sup>2</sup> )
<b>Birmingham City Council</b>	Adopted, Charging from January 2016.	Residential (zones)	£0 to £69
		Student Accommodation	£0 to £69
		Supermarket	£260
		Small supermarket and retail	£0
		Office	£0
		Hotel	£0 to £27
		Leisure	£0
		Industrial	£0
		All Other Uses	£0
<b>Bristol City Council</b>	Adopted, Charging (January 2013).	Residential	£50 to £70
		Student Accommodation	110
		Retail	£120
		Commercial, Industrial and Office	£0
		Hotel	£70
		All Other Uses	£50
<b>Herefordshire Council</b>	Consultation PDCS closed (April 2013). No further updates as at January 2016.	Residential	£0 to £140
		Small convenience retail	£80
		Large convenience retail	£120
		Town centre comparison retail	£90
		Out of centre comparison retail	£125
		Commercial, Industrial and Office	£0
		Hotel	£25
		All Other Uses	£0
<b>Shropshire Council</b>	Adopted, Charging (Jan 2012).	Residential	£40 to £80
		All Other Uses	£0

<b>Solihull Council</b>	June 2014 - DCS submitted for Examination.	Residential	£0 to £150
	June 2015 - Examination	Small convenience retail	£0 to £150
	October 2015 – modifications consultation.	Large convenience retail	£0 to £300
	December 2015 - Inspector's report: approval recommended.	Other retail formats	£0 to £50
		A2	£0 to £25
		A3, A4 and A5	£0 to £100
<b>Stratford-upon-Avon District Council</b>	Consultation on Draft Charging Schedule closed (October 2014).	Residential	£85 to £150
	CIL Submission	Retail	£0 to £120
	Charging Schedule Consultation - October to November 2015.	Employment	£0
	Submitted to Planning Inspectorate for Examination – January 2016.	Hotels	£0
		Extra Care Housing	£0
		Mixed Leisure	£0
<b>Warwick District Council</b>	Consultation on DCS closed (April 2015). No further updates as at January 2016.	Public Service and Community	£0
		Facilities	£0
		Other Uses	£0
		Residential (zones)	£30 to £180
		Office	£0 to £105
		Supermarkets and retail parks	£65
	Retail in "prime Leamington Spa"	£0	
	Other retail	£80	
	Hotel	£80	
	Student Accommodation	£80	
	Industry and Warehousing	£0	

## **4 Rate Setting**

4.1 In setting the proposed charging schedules, the SWC considered the viability work that has been undertaken and weighed up the various policy priorities, including the delivery of affordable housing and the continuing use of s.106 agreements to fund site-specific, directly related infrastructure.

4.2 CIL Regulations (as updated<sup>2</sup>) state that a charging authority “must strike appropriate balance between” the desirability of funding infrastructure from the levy and “the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area”.

4.3 Evidence that has been considered includes:

- Worcestershire CIL Viability Study (January 2013).
- Policies within the submitted SWDP (May 2013, policies updated to ‘as at’ 7<sup>th</sup> October 2015 for the purposes of the 2016 viability update) and their impact on viability, see South Worcestershire Overall Viability Study (November 2012, updated in 2014, and again in January 2016).
- SWIDP and infrastructure funding gap assessment (live document, latest update 2 October 2014), plus emerging evidence updates for key infrastructure types.
- Local authority CIL charging rates comparison exercise (see table 7).

4.4 Taking into account all of the appropriate, available evidence, the SWC have developed a strategy for CIL which is based on the following three principles:

### **1. Set the Levy at a cautious level**

- i) The performance of the national economy remains mixed and increases in house prices are not guaranteed. Build cost have risen significantly since 2012 and show no signs of decline. It can be concluded therefore that confidence has not fully returned to the market.
- ii) Setting the Levy close to the limits of viability could have an adverse impact on development coming forward. Setting the Levy at cautious levels will allow the

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<sup>2</sup> Guidance on the Community Infrastructure Levy was added to the National Planning Practice Guidance (NPPG) website on 12 June 2014. This replaced the standalone guidance that was published in February 2014.

SWC to (subject to site specific viability issues):

- Continue to deal with site-specific issues via s.106 agreements in a complementary manner;
- Continue to deliver affordable housing requirements in line with SWDP policy (also see the SWC Affordable Housing SPD which is being prepared in parallel);
- Meet policy aspirations on design and environmental standards; and
- Establish the principle of the Levy within the development industry in South Worcestershire.

## **2. Consideration of different rates on strategic sites**

- i) Charging authorities are permitted to treat major strategic sites as a separate geographical zone, where this can be supported by robust economic viability evidence.
- ii) The SWC are considering different Levy rates for strategic sites. Such sites result in substantial infrastructure requirements in their own right which are more likely to be delivered by the developers or via s.106 agreements. This affects the economic viability of their delivery in a different way to smaller sites. The exact rate will depend on whether it is most appropriate to deliver the infrastructure required as a result of the development via s.106 agreements or through CIL. Due to the revised CIL timetable and the current status of planning permissions/applications, it is apparent that some of the strategic site allocations within the SWDP will not be charged CIL. This is because planning applications have already been determined or are submitted applications awaiting determination. Only applications submitted after the adoption of CIL can be required to pay the CIL.
- iii) Work has been undertaken by HDH to update the economic viability of the SWDP strategic development sites across South Worcestershire. This work (January 2016) has identified that, with the exception of Cheltenham Road, Evesham and Qinetiq, Malvern, none of the other SWDP strategic

sites currently without planning permission can justify a separate CIL charging rate on economic viability grounds - see Table 4 above.

- iv) Where site-specific rates of CIL are recommended, where the standard district-wide rate is considered to be too high in terms of economic viability considerations, developers will need to work in collaboration with the SWC and infrastructure providers to provide updated evidence on the actual revised costs of delivering the infrastructure, in order to determine whether CIL is the most appropriate method for funding infrastructure delivery on a particular site. A clear delivery strategy must also be demonstrated to ensure any difference in rate is justified by reference to the economic viability of the development. Landowners and site promoters will be expected to provide sufficient, good quality information to allow the charging authority to make an informed judgement.

### **3. Look to revise the CIL at an appropriate time**

- i) Over the coming years, values and costs of development could change significantly and the market could become more certain. It is difficult to predict how these may change and when. It will be important to monitor the market and review the Levy at an appropriate time.

## **Conclusions**

- 4.5 Taking all the above considerations into account, the following CIL rates were considered appropriate and will allow the SWC to strike the appropriate balance between funding infrastructure required to support development of the area, and the effects on the economic viability of development across South Worcestershire, taking into account all the appropriate available evidence. Additionally, a map showing the administrative charging areas of CIL for the SWC is available under 'Appendix B' of the main DCS report.

## 5 The Draft Charging Schedules

**Table 8 - Proposed CIL Draft Charging Schedules for the Charging Authorities**

Charging Authority Proposed Levy Rate (per m <sup>2</sup> )			
Use Type	Malvern Hills	Worcester City	Wychavon
Residential – Main Urban Areas	£0 (Malvern, Upton upon Severn and Tenbury Wells)	£0	£0 (Droitwich, Evesham and Pershore)
Residential – All other Areas	£40	£0	£40
Student Accommodation	£100	£100	£100
Food Retail (Supermarkets)	£60	£60	£60
Retail Warehouses	£60	£60	£60
Shops	£0	£0	£0
Hotels	£0	£0	£0
Industrial and Office	£0	£0	£0
Education, Health, Community and all Other Uses	£0	£0	£0

5.1 Proposed charging rates for residential development differ across and within the SWC, with all but the Malvern Hills and Wychavon ‘all other areas’ proposing a £0 rate for residential development. All other rates are equal across South Worcestershire in line with the viability evidence (January 2016). The updated viability work has also recommended a lower rate of £60m<sup>2</sup> for Food Retail (both large and small Supermarkets) and Retail Warehouses (previously £100m<sup>2</sup> in the PDCS).

**Table 9 - SWDP Strategic Sites Assessed (Viability Update): Proposed Rates**

Site	Proposed CIL Rate (£/m <sup>2</sup> )	Charging Authority	Comments
SWDP 45/1 Worcester South Urban Extension	£0m <sup>2</sup>	Malvern Hills/ Wychavon/ Worcester City	Current Planning Application
SWDP 45/2 Worcester West Urban Extension	£0m <sup>2</sup>	Malvern Hills	Current Planning Application
SWDP 45/4 Gwillam's Farm	£0m <sup>2</sup>	Wychavon	Approved
WO135 & WO136 Crown Packaging, Worcester	£0m <sup>2</sup>	Worcester City	As for Worcester City Residential Rate
SWDP 45/3 Kilbury Drive, Worcester	£0m <sup>2</sup>	Wychavon	Approved
SWDP 45/5 Swinesherd Way	£0m <sup>2</sup>	Wychavon	Current Planning Application
SWDP 48/1 Vines Lane, Droitwich	£0m <sup>2</sup>	Wychavon	No Planning Application to Date
SWDP 51/1 Cheltenham Road, Evesham	£40m <sup>2</sup>	Wychavon	As for Wychavon 'Residential – All other Areas' Rate
SWDP 47/1 Pershore Urban Extension	£0m <sup>2</sup>	Wychavon	Approved
SWDP 53 QinetiQ, Malvern	£40m <sup>2</sup>	Malvern Hills	As for Malvern Hills 'Residential – All other Areas' Rate
SWDP 56 North East Malvern Urban Extension	£0m <sup>2</sup>	Malvern Hills	Current Planning Application

5.2 With the exception of Cheltenham Road, Evesham and Qinetiq, Malvern, none of the other SWDP strategic sites currently without planning permission can justify a separate

CIL charging rate on economic viability grounds.

- 5.3 In very broad terms, it is estimated that the proposed **residential sites** liable for CIL in South Worcestershire could contribute around £13,502,160 in Levy receipts. This is based on the assessment of a wide range of residential typologies reflective of site allocations in the SWDP (Greenfield 1 to 5 and Greenfield Medium typologies only from table 2, page 12) and the strategic sites that would charge CIL (all other types of development excluded) over the remainder of the plan period. This is collected from Malvern Hills and Wychavon outside of the main urban areas at £40m<sup>2</sup> and the strategic sites of Cheltenham Road, Evesham and Qinetiq, Malvern (both also £40m<sup>2</sup>), as these are the only areas where a residential charge is proposed. The total is based on an English household usable floor area average of 94m<sup>2</sup> and a reduction of 40% on the dwellings total for affordable housing provision<sup>3</sup>). The exact amount to be earned through CIL will undoubtedly differ given that a number of applications on SWDP allocation sites may be determined ahead of CIL (and so no charge will be levied) and CIL rates may change over time. It is also the case that unanticipated future windfall sites (i.e. sites not allocated in the SWDP) may also come forward and contribute towards CIL.
- 5.4 The DCS consultation will allow the development industry and other stakeholders the opportunity to submit representations and evidence as to the viability and suitability of the above approach. All responses will be considered carefully before submitting the DCS to the Planning Inspectorate for examination later in 2016. A full timetable can be found within the DCS main consultation document and in the Local Development Scheme (LDS).

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<sup>3</sup> The useable floor area average is based on private rented (78m<sup>2</sup>) and owner occupied (109m<sup>2</sup>) homes only. Social rented homes (66m<sup>2</sup>) have not been included in the average floor area calculation as these dwellings have already been discounted under the affordable housing portion. **Source:** English Housing Survey – Profile of English Housing 2013-14 Department for Communities and Local Government (DCLG) Published July 2015