

PC 1A

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Date: 17 May 2016



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Dave Webb
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Dear Mr Kemp

Stratford-on-Avon District Council Community Infrastructure Levy Charging Schedule – Inspectors Questions (PC1) Response

Thank you for your letter dated 25 February 2016 identifying several preliminary questions following the Inspector's initial appraisal of the Council's Community Infrastructure Levy (CIL) submission. This letter is the Council's formal response in relation to the questions identified in PC1.

The question numbering below corresponds to the PC1 letter and a brief explanation of the individual question's intent has been provided with the response underneath. Where the answer can be found in a document this has been referenced accordingly.

Residual relationship of s106/CIL once CIL is in place

1. Further clarity on what s106/s278 infrastructure will be developed post CIL.

1.1 The Council has prepared a 'Planning Obligations Position Statement' (May 2016) with a view to providing greater clarity on its intended use of planning obligations

and Section 106 (S106) agreements after the adoption of the Community Infrastructure Levy (CIL). The document is forwarded with this response.

2. Provide draft Supplementary Planning Guidance in advance of CIL hearings including how s106 will be calculated to mitigate development.

2.1 The indicative schedule attached at Appendix A sets out the intended scope of the Development Requirements Supplementary Planning Document (SPD). The scope is currently being refined ahead of initial consultation. It is envisaged that the SPD preparation process will follow the timetable below:

1.	Preparatory stage	Spring 2016
2.	Consultation on Scope	Summer/Autumn 2016
3.	Consultation on Final Draft	Winter 2016/Spring 2017
4.	Adoption	Summer 2017

As such, it is not envisaged that a draft document will be available at the time of the CIL examination hearings.

3. Further clarity on the use of the regulation 123 list and its intent.

3.1 The Council has prepared a 'Clarification of Draft Regulation 123 List' paper (May 2016) that seeks to provide greater clarity. It is forwarded with this response. The paper is more specific about the infrastructure types that will be funded via CIL and the specific exclusions that will apply. The excluded projects will continue to be funded through s106/other contributions. Many of the exclusions relate to the New Settlements at Long Marston Airfield and Gaydon Lighthorne Heath.

3.2 Within Section 6 of the 'Planning Obligations Position Statement' the Council has set out its position as regards 'Payment in kind' and 'Infrastructure Payments' (Sections 73, 73A, 73B and 74 of the CIL Regulations and PPG paragraphs 061 and 062 refer). This statement has been prepared after discussions with Warwickshire County Council. It is envisaged that payment in kind may be appropriate in some circumstances, and the regulations allow for this as may be necessary. Infrastructure payments are only permissible if the charging authority has issued a document giving notice that it is willing to accept such payments. At this stage there is no intention to issue such a document, but this is a matter that will be kept under review.

4. Provide past evidence on Affordable Housing Delivery, s106 costs on Strategic Sites and compare previous s106 contributions to future CIL receipts.

4.1 The Affordable Housing target for a number of years has been set at 35% on eligible sites. Attached at Appendix B is an extract from the Council's Annual Monitoring Report for 2014-15. Affordable housing delivery during the current plan period (April 2011 onwards) is of particular relevance. The extract shows that affordable units built over the period 2011-2015 comprise 36.4% of the overall completions. The issue is also referenced in the Position Statement.

- 4.2 In section 3 of the 'Planning Obligations Position Statement' the Council provides a comparison between the funding received from s106 agreements over the period April 2010-March 2015 and the estimated CIL receipt based on residential delivery over the remaining period covered by the Core Strategy. Information about the amount of funding collected in the last 5 years through S106 agreements is also documented in section 3, Table 1 of the Position Statement. From Table 1 it can be deduced that the S106 contributions collected per completed open market dwelling between 2010 and 2015 averaged £11,066 per unit.
- 4.3 Based on the recommended CIL rates, an open market unit of 90sqm would achieve about £6,750 per unit from schemes with 10 or fewer units and £13,500 per unit from schemes with 11 or more units (excluding the strategic sites). Whilst the small site CIL liability would be significantly lower than the average amount of S106 which has been collected in recent years, the average disguises the fact that many smaller schemes have made no contributions under S106. For the larger sites it seems likely that there will be an increase, but this is not marked.
- 4.4 As noted in para 5.3.28 of PBA's (Sept 2015) Report, no allowance for S106 is factored into the testing on the small sites. Instead, the potential for seeking a S106 contribution on top of CIL is considered when recommending the CIL rate, which includes a substantial financial cushion (or buffer). As per the PBA study, if making the calculation on the basis of an average unit having 90sqm of floorspace, for sites with 10 or fewer units this buffer would be £10,170 per open market unit (average headroom @ £188 - CIL @ £75 = £113 x 90sqm); and for sites with 11+ units this buffer would be £18,270 per open market unit (average headroom @ £353 - CIL @ £150 = £203 x 90sqm). So, if particular circumstances were to warrant it, there would be scope to seek specific obligations through S106 under an adopted CIL at the recommended rates.
- 4.5 As noted in para 5.3.29 and documented in Appendix C in PBA's (Sept 2015) Report, the assumed S106 costs for the two strategic sites have been factored into PBA's appraisals before a CIL rate has been recommended. It is therefore not easy to compare the proposed CIL charging schedule to ascertain any additional financial impact that CIL would have on development in comparison to historically achieved S106 agreements. But to identify the potential contribution from the strategic sites, Table 4.1 provides an estimate of the potential S106 and CIL amounts (based on the DCS charging schedule) for the two main strategic sites to be allocated in the Core Strategy.

Table 4.1 Estimated amounts of S106 and CIL contributions from the Strategic Sites

	Assumed S106		Assumed CIL		Total	
	Per unit	Total	CIL per sqm	Total	Total	Per unit
Gaydon-Lighthorne Heath	£12,377	£37,130,565	£110	£19,305,000	£56,435,565	£18,812
Long Marston Airfield	£24,429	£85,500,000	£75	£13,601,250	£96,491,774	£28,315

Note: these assumptions are based on the overall development capacity being wholly CIL liable, including that beyond the plan period but excluding the first 400 units at LMA, and assume 35% affordable housing with an average open market unit floorspace of 90sqm.

Evidence to support the assumptions in the Viability Study

5. Clarify Benchmark Threshold Land Values from 2014 and 2015 studies and impact on strategic sites financial headroom.

5.1 For clarification, the latest reported viability tests are found within the ‘Stratford-on-Avon District Council, Community Infrastructure Levy Economic Viability Study: Submission Charging Schedule’ (September 2015). As noted in the September 2015 report section ‘1.3 Relationship with other evidence base’ the Council will be relying on this latest report as the viability evidence for the CIL examination because this provides the latest method and latest evidence base which supports the Submission Charging Schedule for a CIL in Stratford-on-Avon District. This study supersedes the previous 2014 report. Therefore, for simplicity, it is recommended that the Examiner solely relies on the evidence presented in the September 2015 report.

5.2 Notwithstanding the above, the ‘financial headroom’ has increased on some strategic sites because of updated costs and values, and because profit in the strategic site profiles has been moved to the end of the project timeline (as is standard in most viability appraisal cashflows). In the earlier studies, profit was added as a cost in each month's sales which generated an artificial additional borrowing cost, marginally reducing the viability of the tested schemes.

6. Clarify increase in CIL rate for Long Marston Airfield.

6.1 The same reasoning in the response to Question 5 applies here. The consequence of the latest method and evidence with more up to date information about market conditions is that Long Marston Airfield can afford a CIL charge of £75 per sqm based on achieving headroom of £183 per sqm. This is an increase of £14 on the headroom reported in the Stratford-on-Avon District Council Viability and Deliverability of strategic sites Report (April 2014).

7. Provide evidence of viability appraisal summaries to ascertain assumptions made.

7.1 Since all the viability testing assumptions are documented in the Sept 2014 Report, along with an increasing number of tested sites and scenarios, it was considered unnecessary to show the appraisal sheets for all sites. In theory, it is possible to re-run the appraisals using the documented assumptions and come to the same results. But for clarity, attached with this letter you will find all the residential appraisals which have informed the latest PBA (Sept 2015) Report. The cashflows for these appraisals are not included (simply on the basis that they are felt to be too long and difficult to include), but the appraisals do provide the net cost of borrowing based on the assumed cashflow.

The Council trusts that the information now supplied will sufficiently address the questions posed by the examiner. However, if there are matters upon which you would like further clarification, please do not hesitate to contact this office.

Yours sincerely

A handwritten signature in black ink that reads "Dave Nash". The signature is written in a cursive, flowing style with a large initial 'D' and 'N'.

Dave Nash
Planning and Housing Policy Manager

Appendix A - Development Requirements SPD Indicative Scope

1.	Sustainable Energy
1.1	District Heating
2.	Climate Change and Sustainable Construction
3.	Water Environment and Flood Risk
3.1	Water Cycle Study 2015
4.	Natural Environment
4.1	Biodiversity offsetting
5.	Affordable Housing
5.1	Optimum Stock and Tenure Mix
5.2	On-site Integration
5.3	Quality Benchmarking
5.4	Calculations and terms for off-site financial contributions
5.5	Extra Care
5.6	Local Choice housing
6.	Housing Mix and Type
6.1	Space Standards/Extra Care/Supported Housing/home-based working/disability adaptability
6.2	Rural Housing
7.	Existing Housing Stock and Buildings
7.1	Space Standards/extensions
8.	District Design Principles
9.	Healthy Communities
9.1	Community Facilities
9.2	Open Space and Recreation
10.	Highways and Parking
10.1	Highway hierarchy and design
10.2	LTP
10.3	Smarter Choices
10.4	Transport Assessments
10.5	Transport Statements
10.6	Travel Plans
10.7	Car and Cycle Parking Standards
10.8	Car Free Residential development
11.	Pre-Application Engagement
11.	Development Implementation
11.1	Section 106 of the Town and Country Planning Act 1990
11.2	Regulation 122 of the CIL Regulations 2010 (as amended).
11.3	Regulation 123 of the CIL Regulations 2010 (as amended).
11.4	Approach to securing planning obligations and relationship with IDP
11.5	Planning Conditions
11.6	Payment-in-Kind
11.7	Clawback Mechanisms
11.8	Financial Viability
12.	Monitoring and Review

13.

Annexes

Parent Policy Compliance and Existing Policy Treatment Matrix

Water Cycle Study 2015 thresholds

LTP Objectives

Appendix B – Stratford on Avon Annual Monitoring Report for 2014-15 (extract)

Figure H11: Affordable Housing Completions: Past 10 Years

Period	Total dwellings		Of which: affordable:			
	All ⁷	Affordable	New build	Other ⁸	SDC funded (post 1 April 2004)	New build as % of total net housing supply
1 Apr 05 to 31 Mar 06		200	178	22	15	
1 Apr 06 to 31 Mar 07	454	54	45	9	8	9.6%
1 Apr 07 to 31 Mar 08	401	139	136	3	0	33.9%
1 Apr 08 to 31 Mar 09	172	51	44	7	0	25.6%
1 Apr 09 to 31 Mar 10	244	75	63	12	0 ⁹	25.8%
1 Apr 10 to 31 Mar 11	102	76	74	2	61	72.5%
1 Apr 11 to 31 Mar 12	132	105	101	4	0	76.5%
1 Apr 12 to 31 Mar 13	290	96	91	5	8	31.4%
1 Apr 13 to 31 Mar 14	319	122	120	2	20	37.6%
1 Apr 14 to 31 Mar 15	708	215	215	0	10	30.4%
Total (past 10 years)		1133	1067	66	99	
Core Strategy period (1 April 2011 onwards)	1449	538	527	11	38	36.4%

Notes:

- The above Table covers the past 10 years. Further data covering the period from 1996-1997 is also available on request.

⁷ All figures from 2006-07 onwards are net. Gross figures are available separately, but only up to 2011-12.

⁸ Includes existing dwelling purchases and purchases under Homebuy schemes.

⁹ Excludes indirect support for Briar Croft Extra Care scheme from developer land and cash contribution secured via S.106 Agreement.