The Planning Inspectorate

Report to Stratford-on-Avon District Council

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an Examiner appointed by the Council

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PLANNING ACT 2008 (AS AMENDED)

SECTION 212(2)

REPORT ON THE EXAMINATION OF THE STRATFORD-ON-AVON DISTRICT COUNCIL COMMUNITY INFRASTRUCTURE LEVY SUBMISSION CHARGING SCHEDULE

Charging Schedule submitted for examination on 6 January 2016

Examination hearings held on 20 September 2016 and 19 December 2016

File Ref: PINS/J3720/429/3

Non-Technical Summary
This report concludes that the Stratford-on-Avon District Council Community Infrastructure Levy Submission Charging Schedule (SCS) provides an appropriate basis for the collection of the levy in the area. The Council has sufficient evidence to support the schedule and can show that the levy is set at a level that will not put the overall development of the area at risk. Three modifications are needed to meet the statutory requirements. They can be summarised as follows: • The rate for residential development at Long Marston Airfield to be £0 psm[1] • The rate for residential development at Gaydon/Lighthorne Heath to be £0 psm • The rate for care homes to be £0 psm The modifications recommended in this report are based on matters discussed during the public hearing sessions and do not significantly alter the basis of the Council's overall approach or the appropriate balance achieved.

Introduction

1. This report contains my assessment of Stratford-on-Avon District Council's draft Community Infrastructure Levy (CIL) Charging Schedule in terms of Section 212 of the Planning Act 2008 (as amended). It considers whether the schedule is compliant in legal terms and whether it is economically viable, as well as reasonable, realistic and consistent with national guidance set out in the Planning Practice Guidance (PPG).

2. To comply with the relevant legislation and guidance, the local charging authority has to submit a charging schedule that should set an appropriate balance between helping to fund necessary new infrastructure and the potential effect of the proposed CIL rates on the economic viability of development across its area.

3. The basis for the examination is the Submission Charging Schedule (SCS) of October 2015. A hearing was held on 20 September 2016 and another on 19 December 2016 which, amongst other things considered a proposed revision to the SCS to reduce the rate for residential development at the Long Marston Airfield (LMA) site from £75psm to £0psm.

4. Following the hearing on 19 December 2016, I informed the Council that I had concerns regarding the updated viability assessment for the Gaydon/Lighthorne Heath (GLH) site and its conclusions in respect of the proposed rate for residential development for GLH (£110 psm). The Council carried out further work (discussed below) and now propose a nil rate for residential development at GLH. The proposed changes to the SCS were advertised on the Council's website from March to May 2017.

[1] Per square metre

5. Following the work referred to above, the Council revised the rates as follows:

Development Sector	**Proposed CIL £ per psm**
Residential Development	
Gaydon/Lighthorne Heath new settlement (GLH)	£0
Long Marston Airfield (LMA)	£0
Canal Quarter Regeneration Zone (11 units or more)	£85
Small Sites (up to and including 10 units)	£75
Rest of District (11 units or more)	£150
Extra Care	£ as above prevailing rate
Retirement Dwellings	£0
Retail (A1-A5)	
Within all Identified Centres	£0
Within Gaydon/Lighthorne Heath and Long Marston Airfield	£10
Out of Centre Retail	£120
All Other Forms of Liable Floor Space	£0

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

Stratford-on-Avon District Local Plan and Infrastructure Planning Evidence

6. The Stratford-on-Avon Core Strategy (CS) 2011 - 2031 was adopted in July 2016 and is therefore a recent and up to date development plan. It sets out the Council's spatial vision and strategy for the area. The CS allocates key sites for Stratford upon Avon and the Main Rural Centres and identifies three strategic locations – new settlements at Gaydon/Lighthorne Heath (GLH) and Long Marston Airfield (LMA) - and the Stratford Canal Quarter Regeneration Zone. It also provides broad numbers for housing in the Local Service Villages where sites will be identified in a Site Allocations Plan or through the Neighbourhood Development Plan process.

7. The CS was supported by an Infrastructure Delivery Plan (IDP)[2] within which is a Schedule of Infrastructure Projects (SIP) that was accurate at the time of adoption of the CS. It sets out the infrastructure required to support growth over the CS period and distinguishes between infrastructure that is critical to enable growth to take place and that which would meet the Plan's wider objectives. It was used as the basis for producing a more up to date SIP (September 2016) to support the CIL proposals.

8. For completeness, the IDP was subsequently updated following the first hearing of the CIL examination[3] whereupon it became clear that certain items of infrastructure are to be provided at the strategic sites via S106 obligations. Notwithstanding this, the submitted SIP remains relevant and assesses and analyses the infrastructure needs across a range of categories including transport and highways; education; health; green infrastructure, open space and sports provision; emergency services; water and utility services and other social infrastructure. Projects are assessed as to whether they are 'critical' to delivery.

9. The Council calculates that, once known funding sources are deducted, there is an infrastructure funding gap of approximately £118 million[4] in the plan period. It estimates that CIL may provide a sum of circa £44.9 million[5] from residential developments, towards filling the gap. Overall, the evidence indicates that the funding gap is substantial and that the imposition of a CIL regime is justified. CIL revenue would make a modest, but nonetheless important, contribution to reducing that gap and supporting the delivery of new infrastructure required to support growth.

10. The Council has produced a Draft Regulation 123 list[6] that sets out the infrastructure that it intends to fund, partly or wholly, through CIL receipts. This includes a separate list that identifies where site specific infrastructure would be dealt with by S106 Planning agreements (or agreements under S278 of the Highways Act 1980). Prior to the hearings and to clarify matters raised by representors, the Council produced a table[7] listing those aspects of infrastructure for which the Council would use CIL contributions and those for which it would continue to seek on-site S106/S278 contributions. This table replaces and updates the original Draft Regulation 123 list in the SCS Appendix A. In my view, with the updated table, the Draft Regulation 123 list is clear and provides the certainty and transparency on the destiny of CIL revenues.

Economic viability evidence

Methodology

11. The Council has produced viability evidence in the form of a CIL Economic

[2] Infrastructure Delivery Plan: September 2016 EBD.23
[3] Infrastructure Delivery Plan: September 2016 EBD.24
[4] Infrastructure Delivery Plan: Schedule of Infrastructure Projects (September 2016) EBD. 23
[5] Economic Viability Study: Submission Charging Schedule (September 2015)
[6] CIL Submission Charging Schedule (October 2015) : Appendix A
[7] Submission Charging Schedule Clarification of Draft Regulation 123 list (May 2016) : PC 1C

Viability Study (September 2015) which forms part of a suite of documents including earlier Viability studies dated September 2013 and June 2014 as well as the Canal Quarter and Employment Sites Viability and Deliverability Report (April 2014), the Viability and Deliverability Strategic Sites report (April 2014) and Plan Viability and Affordable Housing Study (April 2014). The Council confirmed that it relied upon the September 2015 study as the supporting viability evidence for the CIL charges but that the other documents provided a useful reference point to show how the work progressed. For simplicity, I refer to all of this body of evidence as the Viability Assessment (VA).

12. For both residential and retail developments, the viability model uses a residual valuation approach. In summary, this seeks to take the difference between the development values and costs, including assumed allowances for build costs and developer profit, and compares the 'residual land value' (RLV) with a threshold land value (TLV) to determine the balance that could be available to support policy costs such as affordable housing, infrastructure and CIL. For the strategic sites, the model has been adapted to test for a range of different infrastructure requirements and the timing of when they will be required. This was built into the cash flow modelling to assess viability through the lifetime of the development, where costs and returns would be moving through the development cycle.

Residential Development - Viability Model

13. The modelling assessed a range of generic residential development typologies that the Council considers are reflective of the sites identified in the Strategic Housing Land Availability Assessment (SHLAA) and the CS as well as being likely to come forward as windfalls, based on an analysis of past delivery. In addition to these generic scenarios, the VA also tested a list of planned residential development sites. These sites were allocated to the site typology profiles. Evidence shows that the strength of the housing market, in terms of house/land value, differs across the District. Three areas were identified for the purposes of evaluating sales values; lower (the west), medium (the east) and high (the central area). Following a consultation workshop with the development industry, a wider range of smaller sites was also tested. Density, size, site coverage and type of units were evaluated. I am satisfied that the range of generic and allocated sites tested is thorough and comprehensive.

14. The Council has assessed viability by comparing the residual value generated by a scheme arising from the granting of planning permission to a TLV which reflects a competitive return for a landowner. The difference between the TLV and the RLV represents the amount of money available to contribute to affordable housing policy, S106/S278 contributions and CIL. This approach is considered to strike a reasonable balance between ensuring attractive levels of return for landowners (to entice them to sell land) and funding the requirements deemed necessary through the planning system, to allow the development to proceed. The approach adopted to arrive at TLV was based on published data on land values and discussion with local property agents and other stakeholders.

15. An analysis was undertaken of current market value and existing use/alternative use values. Account was also taken of current and future policy requirements. A distinction was made for sites that may reflect extra costs for opening up, abnormals or securing planning permission. I consider the Council's TLVs derived by this method to be appropriate for CIL testing purposes.

Residential Development

Sensitivity Analysis

16. During the examination I raised concerns that there had been no sensitivity testing to examine the potential effects of changes in key variables such as sales values, site opening costs and build costs. The Council agreed to undertake further viability appraisals as part of a sensitivity analysis. This is discussed in more detail below.

Assumptions

17. Local residential sales value assumptions were derived from an analysis of prices achieved in the area using data sourced from the Land Registry and generic websites such as Zoopla and Rightmove. Current residential revenues were also obtained via direct research with developers and land agents operating in the area. These were compared against other districts in Warwickshire.

18. Representors argued that the sales values in some parts of Stratford-on-Avon had been overstated and did not reflect what was being achieved in the area. This was particularly said to be the case for the planned new strategic sites, which in effect would be new settlements and said to not benefit from an established location. The same concern was expressed for some of the larger brownfield sites. It was agreed at the first hearing that participants representing developers and housebuilders would provide up-to-date evidence to the Council on achieved sales values for new homes in the area[8].

19. New build sales values dating back to the fourth quarter (Q4) of 2014 up to the latest data available, including the updated sales values referred to above, were taken into account, together with other assumptions and adjusted data inputs[9], and the viability appraisals were re-run as part of further sensitivity testing following the first hearing. Furthermore, updated Land Registry data meant that it was possible for the Council to match the nearly 500 transactions for new build property in the area with their Energy Performance Certificates (EPC) which provide a price psm and means that a value psm could be identified. The results were then provided and analysed in a paper[10] produced by the Council prior to the second hearing held in December 2016. I return to this below.

[8] Agreed Actions for Further Viability Analysis (5 October 2016) EBD. 25
[9] Agreed Actions for Further Viability Analysis (5 October 2016) EBD. 25
[10] Review of Residential Values, Costs and Scenario Testing (November 2016) EBD.26

20. Following a challenge regarding assumptions relating to levels of affordable housing, the Council produced additional evidence of affordable housing transfer values[11]. The information from 3 of its partner housing associations confirmed that the affordable housing transfer rates used in the VA are appropriate as inputs into high-level economic viability modelling. The feedback from these partner organisations confirmed that rates for social rent would be within a range of 30% - 45%, affordable rent would be within a range between 45% - 55% and intermediate rent between 65% - 70%.

21. These slight changes in transfer values may be due to the Government's introduction of rent review in July 2016 which followed the VA which was undertaken in September 2015. To reflect the information provided by the local registered providers the Council re-tested the appraisals using affordable housing transfer values as follows:-

- Social Rent 40%
- Affordable Rent 53%
- Intermediate Rent 67.5%

22. I consider the affordable housing values used within the sensitivity testing to be reasonable.

23. The VA provides building costs based on BCIS data for new builds over a 15-year period. These have been rebased to Stratford-on-Avon and Q4 of 2014 prices, using BCIS defined adjustments. I consider that this approach is robust. It has been suggested that the reduction in unit size resulting in more accurate data from the Land Registry and EPC could be due to the omission of garage space and that CIL will still be charged on it. However, if this is the case then there would be sufficient buffer in the rate to ensure that development would remain viable. The Council's policy in respect of improved building standards (notably an uplift of 2.5% to take account of new national building standards which will allow for these improved standards) have been included.

24. Several representations challenged the assumptions made in the VA regarding, amongst other things, build costs, the allowance of external works, the 5% contingency and professional fees. However, the sensitivity testing undertaken by the Council[12] included updated BCIS costs to match the agreed updated range of sales values (as outlined above). Professional fees and a 5% contingency were also applied to the external works costs and the viability appraisals were re-run. I consider this methodology to be appropriate.

25. With regard to professional fees, the Council pointed out that an increasing number of viability studies were applying 8%, this is particularly the case for larger schemes that tend to build standardised units. The Harman report[13] suggests that professional fees can range from 8 – 10% for straightforward sites or above this level for the most complex, multi-phase

[11] Affordable Housing Transfer Values EBD. 30
[12] Review of Residential Values, Costs and Scenario Testing (November 2016) EBD.26
[13] Local Housing Delivery Group Chaired by Sir John Harman (2012) Viability Testing Local Plans (9)

sites. In the absence of any robust evidence that professional fees should rise above 10% and given that there would be few complex sites in Stratford District to warrant such an increase, the sensitivity testing undertaken applied 10% to build costs and external works costs for professional fees. I consider this to be an appropriate approach.

26. Turning to cash flow, the Council direct me to the current low levels of interest rates coupled with a healthy housing market in Stratford District. The updated appraisals applied finance costs at 6.5% and I consider this to be consistent with other viability assessments and an appropriate level for the purposes of sensitivity testing.

27. The VA states that sales costs associated with unit disposals (e.g. legal, marketing and agent's fees) are applied at a cost of 3% of the Gross Development Value (GDV) of the open market units only. However, during the examination it was pointed out that the 3% sales costs had been applied to the GDV of all tenures (i.e. all units). The consequence for some appraisals (notably the GLH site appraisal) is that there has been an over-estimate of sales costs. The re-run of the appraisals of the sensitivity testing ensured that sales costs were applied only to the market housing GDV.

28. It was also agreed that the sensitivity testing would be undertaken to reflect updated Stamp Duty Land Tax HMRC rates which were revised in March 2016 to more accurately reflect known costs. In addition, the site acquisition fees were adjusted to 1.8% of RLV to sensitivity test market practice relating to agent's and legal fees.

29. Several representors maintained that the assumed site opening up and abnormal costs associated with developing both brownfield and greenfield sites including the strategic allocations and other planned schemes in the District had been substantially underestimated. Also, that known site abnormals in some schemes, for example, remediation of contaminated land, demolition and removal of existing structures, the relaying of a high pressure gas pipe and noise attenuation at the LMA site had not been factored into the appraisals. The Council re-ran the appraisals to test 3 scenarios in the sensitivity analysis – namely, increasing opening up costs to £17,000, £20,000 and £23,000 which is referred to in the Harman report as being typical of the strategic infrastructure costs associated with larger scale schemes and as such was considered to be a more appropriate range for site opening up costs, particularly for strategic sites.

30. The VA model calculates the available CIL 'headroom' outside of the VA. Several representors objected to this on the basis that once CIL is in place it will be a fixed cost on development. In turn, this was said to have an effect on cash flow and development finance in terms of interest paid. CIL is recognised as an appropriate cost which should be taken into account in cash flow considerations in the Harman report. However, the Council contends that adding CIL to the start of the appraisal is a cost neutral exercise. To demonstrate this, the Council took the GLH site appraisal and cash flow that informed the VA then undertook the same appraisal with the recommended CIL rate included in the cash flow. This shows that when the

CIL is input to the model as an early cost with interest, this additional cost will reduce the land value input cost and its borrowing costs by an equal amount. On the basis of the analysis, I agree that this would be a cost neutral exercise.

31. Developer profit was modelled at two different levels. The first level assumed profit of 20% on GDV on all market units whilst the second level assumed 6% profit on affordable housing, reflecting its typically de-risked pre-sale (to a Registered Provider). In my view, these levels are appropriate and typically applied in other CIL examinations.

32. All other cost assumptions were reasonable and conformed to industry norms. In setting the CIL charging rates, the Council considered appropriate levels of buffer in the VA report to take account of potential S106 or S278 contributions. For smaller sites, which are acknowledged as needed to contribute to supply in the CS, a 60% buffer was considered as being appropriate in the VA report. This would be achieved in the central and east areas but may not be achieved on all small sites in the west area. However, the west area is not relied upon as heavily to meet supply[14].

33. For sites of 11-199 dwellings, a buffer of around 50% was considered appropriate in the VA report. For larger sites it was suggested that the buffer would be increased as S106 or S278 costs would be likely to be higher. For all site typologies, other than the strategic sites, no allowance was made in the viability appraisals for S106 or S278 costs. However, the VA report identified sufficient financial headroom to include a large enough buffer to support likely future developer contributions as well as a CIL charge.

34. The evidence shows that potential S106/S278 costs can be adequately accommodated within these buffers and still allow reasonable headroom for unforeseen changes in values or costs. I consider this approach to buffers strikes the appropriate balance between the desirability of funding the cost of infrastructure to support the development of the area and the potential effects of imposing CIL on the viability of development.

Retail and Non-Residential Development

35. The Council tested assumed typologies on a hypothetical basis for a wide range of commercial developments. These included different types and sizes of retail units, office development, industrial development, mixed leisure schemes, budget hotels and health and fitness developments. The VA considered historical comparable data for new sales values on a local, regional and national level. A similar approach was taken to establishing GDV as that for residential uses. The assumptions employed for land values, build costs, developer's profit margin (20% of GDV), fees, contingencies and finance appear reasonable for high level CIL testing purposes.

Sensitivity Analysis Conclusions and Council's Recommendations for CIL

[14] CIL Economic Viability Study: Draft Charging Schedule (June 2014)

36. In response to my request for the sensitivity testing, the Council produced a report containing additional technical evidence[15]. The sensitivity testing, together with further work carried out at my request, led the Council to recommended that the CIL rate applied to the LMA and GLH strategic sites should be £0. I return to this and the implications of the findings for the setting of the CIL rates for other residential development, below.

37. The updated appraisals looked separately at the most recent new build homes at Meon Vale in the central area. From reviewing the sales values at Meon Vale compared to the rest of the averages for the District (particularly compared to the central value area where it is located) and new builds elsewhere the values are much lower than expected. It was suggested that the values at Meon Vale should be comparable with those used for assessment of the LMA site. However, LMA is being designed as a new community that has been submitted for Garden Village status. It would include substantial community facilities as well as supporting infrastructure.

38. The Meon Vale development is in its initial phase and the Council point to most of these as being lower value units rather than the higher value units that are due to come forward on the site. Furthermore, the sales data may reflect the fact that early buyers are purchasing homes near to a construction site with other homes and community infrastructure yet to be built. I agree that this may impact upon the values being seen and the reported values may have included a discount to encourage take up. The initial phases are thus expected to produce lower values than would be expected of later phases and do not fully reflect the average return for a completed scheme which I agree needs to be considered when setting a CIL rate.

39. The flatted development typology of 30 units in the central area was also considered as not likely to be viable in the sensitivity analysis. However, the Council contends that it is not relying on such sites to ensure effective delivery of the CS and consider it unnecessary to reflect this type of scheme in setting the CIL charge. I agree that this approach is in line with the Harman report which advocates a proportionate and practical approach in which local authorities create and test a range of appropriate site typologies reflecting the mix of sites upon which the plan relies.

Conclusion

40. I consider a number of matters in greater detail below. However, I am satisfied that the SCS is supported by detailed evidence of the infrastructure needed to deliver the growth identified in the Core Strategy and a robust analysis of viability.

[15] CIL Review of Residential Values, Costs and Scenario Testing (November 2016) (EBD. 26)

Is the charging rate informed by and consistent with the evidence?

CIL rates for housing for older people

41. The VA considered the viability of retirement and extra care dwellings as well as care homes. The assumptions used for retirement development are in line with those recommended in the Three Dragons advice on retirement housing[16]. Comparable data on sales values are much more limited for extra care homes. However, the Council followed the Three Dragons guidance and provided an uplift of 25% on sales values for retirement dwellings. I consider this to be a reasonable approach.

42. The recommended £ nil CIL rate for retirement dwellings is proposed on the basis that this type of development would be required to contribute 35% affordable housing. As such, a CIL charge would not be economically viable. For extra care housing, development would not be required to contribute to affordable housing. As such, the Council propose to charge CIL at the prevailing residential rate, in respect of the location and size of the development. The VA demonstrates that a CIL contribution would be viable and that there would still be a reasonable buffer across all the zones. I thus agree that CIL could be sought without putting the delivery of extra care housing in jeopardy.

43. In respect of care homes, the viability testing showed that this type of development is unlikely to be viable enough to support a CIL charge. The evidence also points to concerns about occupancy rates and the ability to sustain current prices. On the basis of the evidence, I agree with this approach. In the interests of clarification, I recommend that care homes be clearly identified in the CIL schedule as having a zero rate (see Appendix A).

Conclusions for CIL rates for retail and non-residential development

44. The viability testing indicated that only retail development types (for Class A1 – A5 uses) could support CIL charges; all other tested commercial development scenarios generated negative results.

45. Different types and sizes of retail development were tested. For out-of-centre retail, there were differing levels of viability for different types of retail premises. However, a CIL charge of £120, as proposed, was shown to be viable for all identified types of out-of-centre retail development.

46. For in-centre retail development, the residual analysis shows that town centre retail in Stratford-upon-Avon is not currently able to support a CIL charge. Additional testing was undertaken for smaller town and village centres in the District. However, the Council found that the majority of development likely to come forward in these locations would either be redevelopment of existing space or under the 100 sqm floor space threshold. As such, neither would be liable for a CIL charge.

47. The CS sets a requirement for a new local centre – likely to be around 6,000

[16] Briefing Note on Viability Prepared for Retirement Housing Group by Three Dragons (May 2013)

sqm – to be provided at the GLH strategic site. The VA tested the viability of bringing a mixed-use centre forward. The hypothetical testing assumed a small supermarket with a range of other convenience, comparison and service units would be provided. The analysis suggested that the combined residual values would result in a viable scheme, though the amount of CIL that would be feasible would be modest. A new centre similar to that proposed at GLH is likely to be provided at the LMA strategic site. The Council considers that the same viability issues are likely to apply and that the same approach should be taken to both sites. Accordingly, it is proposed that a £10 CIL rate would be achievable and as such would be applied at both sites.

48. Based on the evidence, I agree that the charges proposed to retail development would pose no threat to scheme viability or put at risk retail development across the district.

Viability appraisal findings and the GLH £110 psm CIL charge

49. Further to the additional sensitivity testing, the Council recommended that the previous proposed CIL rate of £110 psm for the GLH site should remain. Just prior to the reconvened hearing in December, the Council made some amendments to the modelling for the GLH site[17]. These were made to correct an error that ran through the modelling related to cash flow, as well as to amend infrastructure costs and sales values. Turley, on behalf of the site promoter IM Properties, had an opportunity to respond to these amendments and did so in writing[18]. These updated assessments were discussed at the hearing. Following the hearing, the Council were invited to respond to the briefing note prepared by Turley as well as other queries that arose at the hearing in order to inform the CIL examination.

50. The Council responded using updated appraisals and cash flows to test the impact of any of the changes referred to on scheme viability[19]. The updated appraisals added 3 years to the cash flow so that the timescale for completion of the site was 17-18 years as per the trajectory tested in the VA. The timescale for acquisition, purchase and opening up costs were also adjusted to 50% of the construction/sales periods to align with the original VA. In addition, the updated appraisal was amended to reflect the agreed amount and trigger points for payment of S106 and S278 costs. I am satisfied that in respect of these changes, the updated appraisals are consistent with the evidence.

51. The Council also responded to other points raised at the hearing including the timing of the drawdown of developers profit as well as providing updated sales values. This response was available for comment by other participants, including Turley, and in March, I wrote to the Council in respect of these aspects of the updated appraisals[20]. In that letter, I raised

[17] CIL Review of Residential Values, Costs and Scenario Testing (November 2016) Revised Appendix F (EBD. 28), Revised Table 6.1 and Table 7.1 (EBD. 29) dated 16th December 2016
[18] IM Properties Briefing Note: Additional Evidence (19th December 2016)
[19] Stratford-on-Avon Response to Briefing Note prepared by IM Properties (23rd December 2016)
[20] Letter to Stratford-on-Avon District Council from the Examiner (7th March 2017)

concerns that the methodology adopted in the viability appraisals for all residential typologies apart from the GLH site assumes profit is drawn down throughout the sales period. However, for the GLH site it is assumed that profit would be released at the end of the scheme. This could affect scheme viability through higher interest costs being incurred. Furthermore, I am mindful that drawing down profit throughout the sales period is the approach most likely to be standard practice for larger, multi-phase and longer-term projects such as that envisaged at the GLH site.

52. I also queried the newer sales values used for the GLH site in the updated evidence and the fact that this new evidence differed from that which had been put forward during the course of the examination and discussed at the hearings. The data in the VA dates from early 2015 and as such, correlates to the timescales for analysis of sales prices across the wider viability evidence base. For example, it is broadly consistent with the period used in respect of the BCIS data. It is also the data that has underpinned the Council's evidence base and has been relied upon throughout the consultation stages and examination.

53. In response to my questions, the Council re-ran the appraisal[21] for the GLH site which included an adjusted cash flow with profit drawn down throughout the sales period. It also included an adjusted sales value to reflect a difference in floor space between the marketing report used and the planning application for 'The Hatfield' brand of dwelling at Ettington Park which was used to inform sales values for GLH. Based on these assumptions, the re-run appraisals show that the potential viability headroom at GLH would be -£19 per psm. The Council also noted that the context had changed since the examination hearings in respect of the position on reaching agreement for S106 obligations and the expectation of delivery of the GLH strategic site. As such, the Council confirmed that it proposed a CIL rate of £0 at the GLH site and in light of the viability evidence I agree that a nil rate would be appropriate.

Viability appraisal findings and the LMA £75 psm CIL charge

54. The sensitivity testing showed that development of the LMA strategic site would not be viable enough to support a CIL charge. However, at the reconvened hearing held to discuss the sensitivity testing in December, the Council proposed that a rate of £30 per sqm would be sought towards the Stratford Transport Package which is identified in the IDP. The Council said that this figure had been previously advocated by the site promoters. Also, the Council considered that higher sales values were likely to be achieved at LMA owing to the fact that it was being brought forward as a Garden Village led by an upmarket (as opposed to a volume) housebuilder. However, it was unclear to me how this proposed charge related to the findings of the viability assessments and whether this rate had been shown to be viable.

[21] Stratford-on-Avon District Council Response to Examiner's Further Questions (April 2017)

55. In response to further questions that I asked following the second hearing[22], the Council considered that it would be appropriate to propose a CIL rate of £0 at the LMA strategic site[23]. The findings of the updated assessment shows that a CIL charge is unlikely to be viable due to the lowered assumed sales values, updated build costs and known S106 infrastructure costs. Furthermore, the Council confirmed that agreement for LMA Phase 1 had been achieved and the planning decision issued on 28th February 2017. The context has thus changed in respect of the S106 planning obligations in terms of what infrastructure had been agreed to be funded. In light of the evidence, I agree that the CIL rate should be nil.

Viability appraisal findings and the Canal Quarter £85 psm CIL charge

56. For the Canal Quarter Regeneration Zone, cost assumptions for the likely site specific S106 or S278 infrastructure requirements were factored into the viability assessments. Further updates based on a clearer understanding of site-specific infrastructure costs were also factored into later iterations of the assessments. On the basis of not setting a CIL rate at the ceiling of viability the recommended rate is £85 psm which would allow for a headroom or "buffer" of around 20%. I am satisfied that this rate is consistent with the latest evidence and would not put the development of this regeneration zone at risk.

Viability appraisal findings and the district wide £150 psm CIL charge

57. The majority of growth planned in the CS would be located in towns and villages in the central area. Viability was found to be best in the central and east areas but it varies within these areas according to the type and size of the development. The highest values were found in sites of between 7 and 30 dwellings, with greenfield sites performing better than brownfield sites. Smaller sites of less than 10 dwellings were not shown to perform as well either.

58. The viability testing and subsequent iterations show that whilst development in the west is less viable, given the difficulties and complexity of preparing more fine-grained data for setting a CIL zone not based on defined settlements; on balance the benefits of doing so would not outweigh the minimal risk of threatening delivery in the west of the District. This is particularly the case when its overall contribution to the development of the District would be minimal compared to other areas. On this basis a single District-wide CIL charging zone for residential development, with the exception of small sites and the strategic sites, is appropriate.

59. In considering likely future sites for the supply of housing, if the strategic sites are omitted then the VA found that these would be split by around 25% to be found on small sites of under 10 dwellings and 75% would be on medium to large sites, mostly in the central and east areas. In setting the proposed CIL rates, the Council sought to set a charge on the basis that the

[22] Letter to Stratford-on-Avon District Council from the Examiner (7th March 2017)
[23] Stratford-on-Avon District Council Response to Examiner's Further Questions (April 2017)

majority of development i.e. that which would be located in the central and east areas and would be over 10 dwellings, would not be put at risk. The proposed CIL rate of £75 psm for small sites would allow for a buffer of around 60%. This would be comfortably achieved on all the tested sites with the exception of those in the west where it is more marginal.

60. For sites of 11-199 dwellings a buffer of around 50% was recommended in the VA to take account of potential S106 or S278 contributions that may be sought on a site of this size. On the basis of not setting CIL at the ceiling of what would be viable, it was recommended that a charge of £150 psm would be set for all development apart from the strategic sites. A buffer of 50% could be achieved with a CIL rate set at £150 psm.

61. For larger non-strategic sites of 200 dwellings or more, the buffer should be increased as S106 or S278 costs could be higher. The VA report concludes that relatively high values achieved in the District means that in the majority of areas where future development is planned, viability is not of major concern. The evidence confirms that the proposed £150 psm District-wide CIL charge can be readily accommodated and that it would not put the overall delivery of residential development in the District at risk.

Viability appraisal findings and the small sites £75 psm CIL charge

62. Following the consultation on the Viability Assessment undertaken in June 2014 and responding to suggestions made by the development industry, a wider range of smaller residential sites were tested.

63. All tested typologies were found to be viable and to provide headroom against a TLV. For the purposes of this generic testing it was assumed that no contribution towards affordable housing would be sought on schemes of below 11 dwellings, for the reasons explained below. It was found that setting a CIL charge at £75 psm for small sites, there would be significant average headroom and that this charge could be comfortably accommodated. Smaller sites would be unlikely to have to contribute to infrastructure requirements sought via S106 or S278 agreements. However, in setting this rate the Council considered it important to ensure that a significant buffer would be achieved, given the importance of small sites to the housing supply. Also, the likely broad pattern in terms of the location of small sites would mean that they would not necessarily be confined to the higher value central or east areas.

64. Furthermore, Parishes not listed in CS Policy CS.18 for developments of 6 or more dwellings would have an affordable housing target set at 35%. This target would also apply to developments of 6 or more dwellings with a combined floorspace of more than 1,000 sqm. These smaller sites have yet to be identified, but in the past they have only accounted for around 5% of planning permissions. A pragmatic approach has thus been taken whereby the appraisals assumed a nil contribution towards affordable housing for all development of 10 dwellings or less but a greater buffer of 60% was allowed in setting the CIL rate to allow for any smaller sites that may have

to contribute to affordable housing. I thus consider that small sites of 10 units or less could viably support the proposed CIL rate of £75 psm.

Does the evidence demonstrate that the proposed charging rate would not put the overall development of the area at serious risk?

65. Subject to the changes set out in Appendix A, the rates in the Submission Charging Schedule are based on reasonable assumptions about development values and likely costs. The evidence suggests that residential and commercial development will remain viable across most of the area if the charge is applied.

Overall Conclusions

66. 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 Stratford-on-Avon. The Council has sought to be realistic in terms of achieving a reasonable level of income to address an acknowledged gap in infrastructure funding, while ensuring that a range of development remains viable across the District. Given the amount of infrastructure necessary to support the Plan and the significant funding gap, the evidence demonstrates a sizeable infrastructure funding gap that justifies the introduction of a CIL regime.

67. The Core Strategy has been adopted and the delivery planned at Gaydon/Lighthorne Heath and Long Marston Airfield strategic sites is critical to meeting the District's housing needs. Based on the viability evidence, I consider the Council's proposal to reduce the CIL rate to nil on these sites to be necessary.

68. The Council's proposed residential development CIL charges will not threaten the viability of planned residential development. Indeed, the evidence indicates that the CIL would be set at a level where there will be a comfortable viability buffer across the majority of the tested residential development scenarios. The Council's evidence also supports its differentiation and the CIL charges for various types of retail development, which are set with substantial headroom to avoid any risk to scheme viability.

LEGAL REQUIREMENTS	
National Policy / Guidance	The Charging Schedule complies with national policy / guidance.
2008 Planning Act and 2010 Regulations (as amended)	The Charging Schedule complies with the Act and the Regulations, including in respect of the statutory processes and public consultation, and consistency with the Stratford-on-Avon Core Strategy 2011 - 2031 and is supported by an adequate financial appraisal.

69. I conclude that subject to the modifications set out in Appendix A, the Stratford-on-Avon District Council Community Infrastructure Levy Submission Charging Schedule satisfies the requirements of Section 212 of the 2008 Act and meets the criteria for viability in the 2010 Regulations (as amended). I therefore recommend that the Charging Schedule be approved.

R Phillips

Examiner

Appendix A – Modification specified by the examiner required to enable the Charging Schedule to be approved.

Modification	Amend as follows:
Residential development at Gaydon/Lighthorne Heath new settlement[i]	Modify the rate to £0 psm
Residential development at Long Marston Airfield[ii]	Modify the rate to £0 psm
Care Homes	£0 psm

[i] Boundaries of GLH as defined on pages 35, 39 and 40 of the proposed modifications in response to the Inspector's Interim Conclusions (August 2015)

[ii] Boundaries of LMA as defined on pages 35, 39 and 40 of the proposed modifications in response to the Inspector's Interim Conclusions (August 2015)