



Suffolk Coastal...  
*...where quality of life counts*

# Community Infrastructure Levy

Background Document

October 2014

# SUFFOLK COASTAL DISTRICT COUNCIL

## COMMUNITY INFRASTRUCTURE LEVY

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#### ***Introduction***

This document sets out the Council's evidence and approach to setting a Community Infrastructure Levy (CIL) charge on new developments across the district. CIL charges are to be based on size, type and location of the development proposed and the money raised will be used to pay for infrastructure to support development.

The ability to implement a CIL charge is set out in the Planning Act 2008 as amended by the Localism Act 2011 and the National Planning Policy Framework 2012. Further support is provided by the Community Infrastructure Levy Regulations 2010 with further amendments in 2011, 2012, 2013 and most recently in February 2014. Collectively these regulations are referred to as the CIL Regulations 2010 (as amended).

The Government believe that CIL is a clear, fair and transparent way to ensure that new development contributes to infrastructure provision. Most new developments have an impact on the demand for services, facilities and infrastructure within an area and therefore the Government consider it appropriate that such developments pay a share of the relevant costs, a view shared by Suffolk Coastal District Council.

The introduction of CIL across the district will allow the Council to raise money to fund the infrastructure required alongside the level of growth as detailed within the Suffolk Coastal Core Strategy, adopted July 2013. A CIL charge is a non-negotiable, fair and transparent way of ensuring that developers contribute to funding the infrastructure that is needed to make their development acceptable and sustainable.

#### ***CIL in Suffolk Coastal***

Suffolk Coastal is a large district which covers an area of nearly 90,000 hectares (900km<sup>2</sup>) and includes a mixed natural environment of open countryside, sparse settlements, villages, traditional market towns, the key commercial centres of Woodbridge and Felixstowe, as well as the urbanised fringes of Ipswich, an important regional town. A large proportion of the district (36%) is nationally designated as an Area of Outstanding Natural Beauty (AONB) for its environmental quality and importance.

The Suffolk Coasts and Heaths AONB is a major tourist destination, being highly attractive to visitors and playing a key role in the local economy. In addition, the Deben Estuary Special Protection Area (SPA) and Orwell Estuary SPA are internationally important wildlife sites and have to be carefully managed in order to ensure that the special characteristics of the district are retained.

The Suffolk Coastal District Council Core Strategy was adopted in July 2013 and sets out the overarching approach to development within the district. The Core Strategy sets out provision for a minimum of 7,900 dwellings to be delivered during the period 2010 – 2027 which equates to an average of 465 dwellings per year over the plan period.

### ***What is a Charging Schedule?***

A charging schedule is the document in which the Council sets out the rates of CIL which are to be charged on development in the area. The CIL is expressed as £ per sqm and charged on the net additional floor space generated by a development. A CIL charging schedule can either be set as a single rate which covers all types of development within an area. Or a charging schedule can set different rates for different types of development for different parts of the district, where these charges are based on a robust and comprehensive evidence base. It is also possible for some types of development to have a zero charge when based on viability evidence.

As required by the regulations, before a CIL charge can be introduced into an area, a charging schedule must be subject to two rounds of public consultation and an examination conducted by an Independent Examiner, which can be the Planning Inspectorate... This background document is intended to provide further information and explanation as to the process the Council has undertaken with regards to the introduction of CIL across the district.

### ***Infrastructure Need***

Alongside the housing requirement, the Core Strategy in Table 6.1 details the infrastructure required to support the growth expected in the district over the plan period. Government guidance on the CIL states that “a charging authority needs to identify the total cost of infrastructure that it desires to fund in whole or in part from the levy”. The Council recognises that in order to deliver the level of growth identified within the Core Strategy, it will be necessary to align plans and funding for new infrastructure.

In order to further understand the infrastructure first identified in Table 6.1 of the Core Strategy, Navigus Planning were commissioned to produce an Infrastructure Delivery Plan (IDP) which considers the level of growth identified in the Core Strategy. The IDP provides greater information in relation to the infrastructure required in the district. Through engagement with key stakeholders’ (such as utility companies, service providers and Suffolk

County Council), the IDP details the level of funding required to provide infrastructure and the timescales for when it is likely to be required.

The IDP identifies that the total cost of infrastructure needed across the district will cost in excess of £100m. The figure is based on a scenario of high growth levels in various locations such as market towns. The Council does not expect the high level of growth outlined but this represents the “worst case” scenario.

Greater certainty regarding the locations of growth will come forward as part of the Site Allocations document, Felixstowe Peninsula Area Action Plan and Neighbourhood Plans in time, which may result in a need to review infrastructure requirements across the district. Should this be the case, the Council will look to review infrastructure evidence accordingly.

Based on the information available, existing funding streams total £21.85m but may increase once providers know the actual level of growth outlined by future Site Allocations work. Therefore a funding gap of over £80m has been identified by the IDP which in part justifies the introduction of CIL across the district.

It should be noted that the IDP represents an assessment of infrastructure, need, cost and funding opportunities at a point in time and will need to be kept up to date and reviewed regularly to ensure that it continues to inform the spending of CIL across the district. Priorities may change over time and new funding streams may arise. Therefore just because a project is mentioned in the IDP it does not commit the Council to spending future CIL receipts on it. Similarly the absence of a project or type of infrastructure does not preclude it.

Once CIL is introduced in Suffolk Coastal, the Council will publish a Regulation 123 List which will detail the infrastructure projects and types CIL receipts will be spent on. The Regulation 123 List will be subject to regular review and although will be informed by the IDP, it will not be dictated by it.

### ***Financial Viability***

To help determine the level of CIL, Suffolk Coastal, in partnership with other Suffolk authorities (excluding Waveney) and Suffolk County Council, commissioned Peter Brett Associates to undertake a Stage One Viability Study (August 2013) to look at the potential to charge CIL within each district.

The stage one study examined the planning and development context in the authorities across Suffolk, set out the methodology and assumptions used in calculating the viability assessments and recommended CIL charges for different land uses. Please note that due to commercially sensitive issues and information relating to other local authorities the stage one study is not available in the public domain and does not form part of the evidence base supporting CIL in Suffolk Coastal.

Following the consideration of the stage one study, the Council commissioned Peter Brett Associates to undertake further work and look more closely at development viability specifically within Suffolk Coastal. The stage two study provides the detailed evidence required and recommends CIL charging rates accordingly. The second report (May 2014) forms part of the CIL evidence base and provides the figures included within the Preliminary Draft Charging Schedule and the Draft Charging Schedule consultation documents.

The CIL rates proposed in the viability study are not considered to threaten the overall delivery of the Local Plan and the Council has set the rates based on robust and detailed evidence about infrastructure needs within the district and the ability of future development, as outlined in the Core Strategy to fund that infrastructure in whole or in part.

The viability studies undertaken by Peter Brett Associates consider the quantum of development proposed in the Core Strategy against a range of benchmarking land values to judge whether or not the introduction of CIL would have a detrimental impact on viability. The rates proposed do not put any of the development envisaged in the Core Strategy at risk and ensure that willing developers and landowners will still get a “competitive return” whilst incentivising new development across the district.

The viability study considers various land uses and development types and recommends the charges for residential developments as well as some retail schemes as outlined below:

### ***Residential uses***

The ability of residential schemes across the district to make CIL contributions varies significantly depending on size and location of the potential development. The viability work undertaken by Peter Brett Associates clearly shows that in most scenarios tested there is scope to introduce a CIL across the district but with different rates for different areas.

Due to the variation in land values and house prices seen across the district, three different charging zones (high, mid and low) are proposed. The evidence clearly shows that a high value CIL charge is appropriate in the more expensive parts of the district such as Aldeburgh and Framlingham. Locations such as Kesgrave, Saxmundham and Hollesley are found to be within the mid value zone, where as the less expensive areas such as Leiston and parts of Felixstowe can accommodate a lower value charge.

The evidence contained within the viability study suggests that for most development scenarios tested a higher charge than that proposed may be levied against the development. However the charges shown in the viability testing are considered unreasonable as these are maximums and charges at this level could threaten the overall delivery of the plan. In all areas across the district the CIL charge has been set at a level which is significantly below

the theoretical maximum as seen in the Peter Brett Associates Viability Study as seen below:

- In the low value areas, the CIL charge has been set at approximately 62% below the theoretical maximum.
- In the mid value areas, the CIL charge has been set at approximately 52% below the theoretical maximum.
- In the high value area, the CIL charge has been set at approximately 49% below the theoretical maximum.

The level of CIL charge proposed for residential schemes across the district is considered to be a conservative approach which will ensure that the vast majority of development will remain viable and therefore not threaten the overall delivery of the Core Strategy. By proposing the range of residential charges outlined the Council are confident that we have struck the appropriate balance as required by the CIL regulations.

Introducing a three tier approach with size of development thresholds across the district takes into account the need to balance the delivery of the Core Strategy policies against ensuring that sufficient funds are collected to help deliver the appropriate level of infrastructure.

In response to the Preliminary Draft Charging Schedule consultation, the Council received representation from McCarthy & Stone Retirement Lifestyles Ltd and Churchill Retirement Living. Within this joint representation, these companies who provide sheltered housing for sale to the elderly highlighted that the CIL rates proposed would make developments for specialist accommodation unviable. As detailed within the representation, the typical developments brought forward by these companies are usually limited to urban sites, centrally located and on previously developed land as the elderly residents require a central location in order to access the necessary services and facilities. The result of this is that retirement /sheltered accommodation schemes can only be built on a limited number of sites across the district.

Alongside the typical site requirements, the retirement/sheltered accommodation developments which come forward are generally built to a higher specification which significantly increases build costs. They also include access to communal areas and extra care facilities which are provided at additional cost to the developer which means that CIL rates are disproportionately high when compared to other forms of residential accommodation. The much longer period of sales rates for specialist accommodation also has an impact on the overall viability of a scheme. Evidence provided shows that typical developments may take 3-4 years to sell out once the development is completed, which is very different from other residential schemes.

Peter Brett Associates have considered the representation from McCarthy & Stone Retirement Lifestyles Ltd and Churchill Retirement Living against the

viability evidence previously published. Peter Brett Associates have reviewed their viability testing to allow for:

- More generous gross to net ratios in order to take account of additional space required in retirement/sheltered accommodation schemes,
- Additional empty property running costs, and
- Vast majority of these schemes expected to be flatted accommodation across Suffolk Coastal.

After reviewing the viability testing and development appraisals, Peter Brett Associates have changed their position and now recommend that retirement/sheltered schemes across Suffolk Coastal are charged at nil CIL rate.

Core Strategy Policy SP3 outlines that the Council will seek to provide a full range of housing size, type and tenure to meet the accommodation needs of the existing and future population. This includes, providing housing that will address the needs of what is currently an ageing population. The Core Strategy acknowledges the ageing population which is set to increase further and the need to provide specialist accommodation for these residents and by encouraging retirement/sheltered accommodation further across the district the Core Strategy objective will be achieved.

The Draft Charging Schedule has been prepared to take into account the representation from McCarthy & Stone Retirement Lifestyles Ltd and Churchill Retirement Living as well as the revised conclusion reached by Peter Brett Associates following further viability testing. As a result, it is proposed that retirement/sheltered housing schemes which provide communal facilities and fall into this specific use are to be exempt from the normal CIL charges for residential developments across the district.

The Council is confident that the introduction of a nil charge for residential/sheltered accommodation (as opposed to the normal residential rates) is in accordance with the CIL Regulations 2010 (as amended), as local authorities have the ability to charge different rates for different uses. Recent experience from other authorities around the country has also shown that numerous Planning Inspectors are concluding (based on evidence) that developments which fall into the retirement/sheltered housing category do not have the ability to pay CIL charges. The evidence base supporting the CIL project including the September 2014 update from Peter Brett Associates clearly shows that retirement/sheltered accommodation in Suffolk Coastal does not have the ability to pay CIL charges like other residential developments.

The Core Strategy identifies land at Martlesham (Austral Park) as an area for growth with 2000 new dwellings being brought forward during the plan period. The proposed development has significant infrastructure costs associated with it which are expected to be delivered through s106 planning obligations. The viability study tested a development scenario for Austral Park and concluded that once site specific costs have been taken into account, the

introduction of CIL charges in addition to the s106 costs would make the development unviable. Providing the infrastructure associated with Adastral Park through s106 planning obligations complies with the CIL regulations in that the infrastructure is necessary to make the development acceptable in planning terms.

Therefore the Council is proposing a zero charge (£0/sqm) for CIL as part of the Adastral Park development, primarily due to the large on-site infrastructure costs which are required to bring forward the developments at Adastral Park. Bringing forward the Adastral Park site in the early part of the plan period is fundamental to the overall delivery of the Core Strategy so it is essential that on-site infrastructure is closely linked to the development as it delivered.

Residential calculations will be based on net floor space provided by the new development. The same principle will apply to developments which require the demolition or loss of floor space as long as the residential property has been in continuous use for a period of at least six months within the previous three years, as detailed within the CIL regulations. All calculations relating to CIL liability will be undertaken by the Council in accordance with Regulation 40 of the CIL Regulations 2010 (as amended).

### ***Retail uses***

Retail type uses are generally broken down into comparison and convenience opportunities to reflect the different sectors.

- *Comparison retail* is considered to be a shop or store selling wholly or mainly goods which are not everyday essentials. Such items include (but not limited too) clothing, footwear, household and recreational goods.
- *Convenience retail* is considered to be a shop or store selling wholly or mainly everyday essential items, including (but not limited too) food, drinks, newspapers/magazines and confectionary.

The Peter Brett Associates Viability study tested a range of retail scenarios for both comparison and convenience retail opportunities across the district. The viability study showed that comparison retail developments currently have no opportunity to introduce a CIL charge and therefore a zero rate is proposed for developments which fall into this category. For convenience retail developments, the viability study shows that on all scenarios tested there is potential to introduce a CIL charge which fluctuates depending on the floor space of the development.

The viability study shows that the amount of floorspace provided does influence the theoretical maximum CIL charge but as with the residential charges (detailed above), the recommendation is that a standard CIL charge is introduced for all convenience retail developments which come forward across the district.

- The CIL charge of £100 per sqm for convenience retail developments has been set at 35-62% below the theoretical maximum.

The level of CIL charge proposed is not considered to threaten the overall delivery of the Core Strategy. Despite the economic climate in the last few years the convenience retail sector has been resilient and seen successful growth, unlike other sectors which have declined. The viability evidence clearly shows that different types of retail development can accommodate different CIL charges and these are to be standard across the district.

### ***All other uses***

The viability evidence and scenario testing considered many other uses which are expected to come forward across the district during the plan period. As detailed by the viability studies a range of uses such as light industrial, offices and care homes have been tested and these show there is no capacity to introduce a CIL charge for these uses. In light of this evidence the Council proposes that a zero CIL charge is introduced.

Although viability testing has shown that various uses are unable to provide a CIL charge, the Council understands that some of these developments (such as care homes) have a great demand for infrastructure and facilities alongside the development. In order to meet the needs of future developments, the Council are likely to consider the use of site specific section 106 planning obligations where appropriate on a case by case basis for developments which benefit from a zero CIL charge.

### ***Estimated revenue to be raised through CIL***

For the purposes of estimating CIL revenue across the district, only development without an existing planning permission can be considered. The Core Strategy proposes a minimum total of 7,900 new dwellings across the district from 2010 to 2027. Considering previous years completion figures, land availability assessments and recent planning application approximately 5,000 units are still to be brought forward. Of these, 2,000 are to be at Martlesham and the Council expects infrastructure associated with the development to be brought forward by Section 106 planning obligations leaving approximately 3,000 dwellings across the district yet to be permitted. For estimating CIL revenue 33% of these are expected to be affordable units in line with Core Strategy policy and therefore not subject to CIL which results in approximately 2,000 dwellings being liable to CIL charges.

The Peter Brett Associates viability study makes the assumption that the average unit within the district is 90sqm. Using this average unit size, it is expected that there would be 180,000sqm of new residential floor space that could be charged CIL over the plan period. With the CIL rates as outlined

above it is estimated that there will be between £15-20m generated by CIL as a result of residential development over the plan period.

Suffolk Coastal District Council usually collects financial contributions from developers through section 106 planning obligations. Section 106 planning obligations are subject to negotiation and take into account scheme viability which results in some schemes contributing less than others. Overall, funds received through CIL are expected to be larger than those received through section 106 planning obligations, which is common across the country.

In 2012/13, a total of 324 units were delivered across the district which would generate in excess of £1m in CIL receipts, compared to £475,000 (as at July 2014) received through section 106 planning obligations.

The figures shown above are only estimates of the likely funds that will be raised following the introduction of the CIL Charging Schedule. Comparing these estimates with the figures shown in the Infrastructure Delivery Plan clearly demonstrates that a substantial funding gap will still exist that will need to be closed by other avenues and funding opportunities (from service providers such as Anglian Water, NHS England, Suffolk Constabulary and Environment Agency) which become available as sites come forward over the plan period and through the Site Allocations document and the Felixstowe Peninsula Area Action Plan.

### ***Relationship to Section 106 planning obligations***

The CIL regulations 2010 (as amended) contain measures to reduce and restrict the use of section 106 planning obligations to fund infrastructure as the government firmly believes that delivering infrastructure through CIL is a fairer, transparent and more consistent approach.

From April 2015 (or when the Council introduces a CIL charging schedule), all local authorities across the country will be restricted to a maximum of five section 106 planning obligations to contribute towards a certain infrastructure type or project. For example, only five planning permissions for development will be able to have a section 106 planning obligation which secures a financial contribution towards healthcare (or another policy objective as detailed in the Core Strategy).

Any section 106 planning obligations entered into from April 2010 will count towards the limit of five which in certain circumstances may severely limit the Council. After this point no more pooled contributions towards healthcare would be allowed in the district – as a result the Council would be unable to require this contribution even though the need may clearly be demonstrated.

The regulatory restrictions mean that it will not be possible for the Council to pool developer contributions towards the provision of infrastructure as currently takes place using section 106 planning obligations. In order to ensure that future development across the district contributes towards the

provision of the required infrastructure, it is essential that the Council introduces a CIL charging schedule.

Once a CIL charging schedule is in place, developers will still be expected to pay for the provision of site-specific infrastructure necessary for the development to take place (such as connections to the highway network) through a section 106 planning obligation. These site specific obligations will only be used in circumstances where it is needed to make the development acceptable in planning terms. Section 106 planning obligations will also continue to be used to secure the provision of affordable housing, which lies outside the remit of CIL. Once the CIL charging schedule is in place, a section 106 planning obligation can not be used to fund the same piece of infrastructure, so developers will not pay for the same piece of infrastructure through site specific section 106 planning obligation and CIL.

Given the small scale nature of most development proposals in the district, the vast majority of developments are unlikely to pay no financial contribution for infrastructure through section 106 planning obligations once CIL is adopted.