The Planning Inspectorate

Report to Suffolk Coastal District Council

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an Examiner appointed by the Council

Date: 11 May 2015

PLANNING ACT 2008 (AS AMENDED)

SECTION 212(2)

REPORT ON THE EXAMINATION OF THE DRAFT SUFFOLK COASTAL COMMUNITY INFRASTRUCTURE LEVY CHARGING SCHEDULE

Charging Schedule submitted for examination on 5 December 2014

Examination hearing held on 19 March 2015

File Ref: PINS/J3530/429/5

Non Technical Summary

This report concludes that the Suffolk Coastal Community Infrastructure Levy Charging Schedule 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.

Modifications are needed to meet the statutory requirements. These can be summarised as follows:

- That the description of Adastral Park is amended to clarify that it relates to residential development.
- That the size thresholds of 1-5 units and 6+ units for residential development in low and mid value zones are deleted, and that a flat CIL charge of £50 per square metre (psm) and £90 psm applies in low and mid value zones respectively.

The specified 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 the Suffolk Coastal Community Infrastructure Levy (CIL) Charging Schedule in terms of Section 212 of the Planning Act 2008. 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 (Community Infrastructure Levy Guidance - June 2014).

2. To comply with the relevant legislation the local charging authority has to submit a charging schedule which sets an appropriate balance between helping to fund necessary new infrastructure and the potential effects on the economic viability of development across the district. The basis for the examination, on which hearings sessions were held on 19 March 2015, is the submitted Draft Charging Schedule (DCS) of 5 December 2014, which is the same as the document published for public consultation between 6 October and 17 November 2014 (Examination Document CIL/EB/A).

3. The Council proposes four different geographical charging zones for residential development. Proposed rates in two of these zones are further differentiated by the number of units. The DCS clarifies that, for the purposes of CIL, the Council defines residential development as falling within Use Class C3 and C4 but excluding sheltered retirement accommodation schemes. In summary the proposed residential rates are:

   - Low value zone: sites of 1-5 units, £70 per square metre (psm); sites of

6+ dwellings, £50 psm.

- Mid value zone: sites of 1-5 units, £115 psm; sites of 6+ dwellings, £90 psm.
- High value zone - £150 psm.
- Adastral Park (strategic site) - £0

4. The Council also proposes a single rate of £100 psm for development comprising wholly or mainly convenience retail floorspace. At the Hearing the Council confirmed that this charge would apply across the whole district, including the Adastral Park area. This approach is indicated in the Council's Background Paper on CIL which was published alongside the DCS. However, the position is not entirely clear from the DCS, as it includes reference to a nil CIL charge for 'Adastral Park development' but does not specify the type of development this would apply to. I therefore recommend a modification **(EM1)** to the DCS to clarify that the proposed Adastral Park CIL rate relates to residential development only. I have included this matter in my recommendations at the end of this report.

5. All other uses would be subject to a nil charge. The DCS includes plans on an OS base which show the four geographical residential charging zones.

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

The development plan

6. The Council's Core Strategy and Development Management Policies Development Plan Document (the 'Core Strategy') was adopted in July 2013 (CIL/EB/K). It sets out the main elements of growth that will need to be supported by further infrastructure in the district in the period up to 2027. The Core Strategy makes provision for a minimum of 7,900 new dwellings between 2010 and 2027, with an overall affordable housing target of 33%, at least 8.5 hectares of additional employment land and over 30,000 square metres of additional retail floorspace. The document proposes that growth will be focused in or close to the major centres and towns, and will include a strategic allocation of some 2,000 new dwellings at Adastal Park in the Eastern Ipswich Plan Area.

7. A number of representors considered that the introduction of CIL should be postponed and published alongside either the Council's forthcoming Site Allocations Development Plan Document (DPD) and Felixstowe Peninsula Area Action Plan (AAP)[1] or an updated Core Strategy. The Council intends that the Site Allocations DPD and AAP will identify specific sites, whilst an updated Core Strategy would take account of higher growth levels identified in forecasting

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[1] The Council published an Issues and Options Paper in December 2014 relating to the Site Allocations DPD and the Felixstowe Peninsula AAP.

work[2]. Postponement, it was argued by representors, would enable a more accurate and up to date assessment of infrastructure requirements and development viability.

8. Nevertheless, the Council has a Core Strategy that was adopted in July 2013. It proposes substantial levels of growth and, as will be established subsequently in this report, there is a shortfall of funding needed to provide the infrastructure to support this. Although it does not identify every potential allocation site, it sets out a clear spatial distribution of future development, and identifies the key strategic growth areas at Adastral Park and Felixstowe. The Council has decided that the Core Strategy is sufficiently up to date and provides an appropriate basis to implement CIL, and I agree with this position. Notwithstanding this, I also note that the Council has sought to deal with any uncertainties arising from an absence of the Site Allocations DPD and Felixstowe Peninsula AAP by incorporating scenario and typology testing in its infrastructure planning and viability work (as set out in paragraphs 10 and 20 below).

9. The Council confirmed at the Hearing that it will be reviewing CIL regularly, and that one such review is likely to take place alongside an updated Core Strategy[3]. This will ensure that any higher growth levels or other changes arising from an updated Core Strategy can be taken into account.

Infrastructure planning evidence

10. The Council has prepared an Infrastructure Delivery Plan (IDP) (May 2014) (CIL/EB/H) which identifies key infrastructure likely to be required over the Plan period up to 2027. The IDP takes account of the broad framework for growth in the Core Strategy, and outlines local community requirements and infrastructure needs totalling over £105 million (m). There is an element of uncertainty regarding this precise figure, given that specific allocations have yet to be identified through the Council's Site Allocations DPD and the Felixstowe Peninsula AAP. However, the Council has sought to deal with this matter by testing two development scenarios in the IDP, which are both in excess of the outstanding housing requirement as at April 2013.

11. Having regard to current known funding sources, the IDP indicates that a funding gap of about £83m will remain. This is based on scenario 2, which incorporates a higher rate of growth in the Market Towns. The Council acknowledges that some additional funding may be secured once specific sites are identified through the production of the Site Allocations DPD and the Felixstowe Peninsula AAP. This may be derived from infrastructure providers or come from other sources such as the Regional Growth Fund, Heritage Lottery Fund and the New Anglia Local Enterprise Partnership. However, there

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[2] The Council's current Core Strategy (July 2013) contains a commitment to carry out an early review of the Plan, commencing in 2015, to take account of higher housing projections identified in forecasting work from Oxford Economics (paragraphs 3.19 and 3.27-3.29 and Strategic Policy SP2).

[3] At the Hearing the Council confirmed that it has commenced technical work that will feed into a review of the Core Strategy, but has yet to publish a timetable for its production.

is no evidence to indicate that this additional funding would be anywhere near adequate to deliver the necessary infrastructure in the foreseeable future.

12. The Council estimates that dwellings liable for CIL could generate between £15m and £20m between 2015 and 2027. In addition, the Council estimates that the proposed CIL charge on convenience retail development would generate in the region of £300,000 over this period. As such I consider that CIL could make a useful contribution to the funding gap for infrastructure. The Council's evidence on infrastructure requirements and funding demonstrates the need to levy CIL in order to deliver the Core Strategy.

13. The Council's Draft Regulation 123 list (October 2014) (CIL/EB/C) identifies the types of infrastructure to which CIL funds would contribute. These include strategic highway improvements, school places at existing establishments, health facilities, strategic green infrastructure and leisure and community facilities. Infrastructure requirements arising from Adastral Park are excluded. The list clarifies that the Council proposes to use planning obligations to deliver infrastructure arising from this strategic scheme.

14. A number of representors raised concerns regarding the clarity of the list and the Council's intentions regarding the operation of CIL and planning obligations. I consider the Draft Regulation 123 list to be clear regarding the types of infrastructure for which CIL would be used, and the Council's position with regards to Adastral Park. The listed items should clearly assist the delivery of the adopted Core Strategy, as a whole. At this stage the list is generic rather than scheme specific, but there is no evidence that this would hinder infrastructure delivery. The legislative requirements on the use of planning obligations would, in themselves, help to ensure that planning obligations are appropriately applied and that no 'double-dipping' occurs (e.g. paying for the same infrastructure twice under a Section 106 obligation and CIL). No compelling evidence has been submitted to this examination that would lead me to an alternative conclusion.

15. The Council has sought to provide transparency regarding the types of infrastructure which would be provided through CIL, through production of the Draft Regulation 123 list. Nevertheless I consider that a separate guidance document on planning obligations which clearly explains the split between CIL and Section 106 and the future operation of Section 106 agreements would aid further understanding. I would encourage the Council to produce such guidance to provide additional clarity for developers and the general public.

Economic viability evidence

16. The Council commissioned a CIL Viability Study (VS), dated May 2014 (CIL/EB/I). An Addendum to the Study was produced in September 2014 focusing on a re-assessment of development viability of specialised housing for older people, and correcting a typographical error in the appraisal of a strategic site in Framlingham (the 'Addendum') (CIL/EB/J).

17. Prior to the Hearing the Council also published a series of revised viability appraisals in the Council's Response to Examiner's Initial Questions, dated January 2015 (the 'updated appraisals') (CIL/ExamDoc/2). The updated appraisals corrected an error which had been identified during the

examination, relating to the omission of Code Level 4 from the build cost figures[4]. They also incorporated additional testing of small sites following the publication of the Ministerial Statement in November 2014[5] regarding changes to the thresholds for seeking affordable housing and tariff-style planning obligations. The Addendum and the updated appraisals are intended to be read alongside the VS, and the three documents are collectively referred to within this report as the 'viability work'.

18. The Council's viability work uses a residual valuation approach. This approach involves estimating the value of a completed development and subtracting development costs (with the exception of land purchase) to obtain a residual value. The price which a landowner would be prepared to sell the land (the 'benchmark land value') is then subtracted from the residual value to obtain an 'overage' figure or theoretical maximum CIL charge. The CIL charge may be taken from this figure providing there is an adequate viability buffer.

19. For residential development the VS modelled various typologies, based on a range of scheme sizes and sales values. Hypothetical sites accommodating between 1 and 50 houses and 3 and 50 flats were modelled. Local sales data and research was used to identify low, mid and high value areas. Mixed use schemes were not tested on the basis that one housing type may cross-subsidise the other and obfuscate the modelling results for individual components. The VS also included appraisal of specific strategic residential sites, ranging from 70 to 300 houses, plus the strategic site of about 2,000 dwellings at Adastral Park. In all relevant cases a policy-compliant proportion of affordable housing was incorporated, at 33%.

20. A number of representors raised concerns about the adequacy of the residential typology testing, on the basis that the Council currently does not have a five year supply of housing land and that sites have yet to be allocated through the Site Allocations DPD and the Felixstowe Peninsula AAP. However, the selected typologies cover a wide range of site sizes, and testing has taken place in a range of value areas. The Council appears to have a good understanding of the range of sites which may be available, as determined through the framework established in the Core Strategy, and work undertaken in the preparation of the Site Allocations DPD and Felixstowe Peninsula AAP. Information on potential sites is also set out in the latest Strategic Housing Land Assessment (SHLAA) (2014) (CIL/ExamDoc/15). I consider the range of typologies and specific sites tested in the viability work broadly reflects the types of development likely to come forward over the Plan period, and is proportionate to the purpose. No substantive evidence has been submitted to indicate that alternative size sites are likely to come forward that would justify testing of additional typologies.

21. The assumptions used in the modelling are critical to determining viability and therefore CIL rates. Representations in response to the DCS raised particular concerns regarding a number of assumptions used in the residential

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[4] As set out in the Examiner's Initial Questions (December 2014) (CIL/ExamDoc/1).
[5] Ministerial Statement published on 28 November 2014, and updated text in the Planning Practice Guidance.

appraisals. This included: build costs; profit levels and abnormals; small scheme density and build costs; Section 106/Section 278 costs; and benchmark land values. These are addressed in turn below.

22. Residential build costs are based on RICS[6] Building Cost Information Service localised figures, derived from late 2013. Evidence shows that build costs have risen since the VS was carried out. However, this is also likely to be the case for other variables, including house prices. It would skew the findings of the viability work if certain data only were to be updated, and it therefore makes sense to have a common base date for all assumptions made.

23. As set out above, the Council's updated appraisals included an allowance on top of build costs for building to Level 4 of the Code for Sustainable Homes. Since the Hearing was held the Code has been withdrawn by the Deregulation Bill[7]. However, the associated Ministerial Statement[8] indicates that increased building standards will apply in the future and be broadly similar to Code Level 4. Additionally, in the interim, the Council could elect to apply higher energy performance standards that exceed Building Regulations. On this basis I consider the Council's application of Code Level 4 costs to be a reasonable and proportionate approach, and helps to ensure that development costs are not underestimated.

24. The Council's updated appraisals incorporating Code Level 4 appear to be accurate. However, it seems that the summary tables on the second page of the document in relation to schemes of 10 houses are incorrect, and do not correspond to figures in the appraisal results in Appendix A of the updated appraisals. At the Hearing the Council acknowledged this error and confirmed that the figures in Appendix A should be relied on.

25. The VS assumes a 20% profit on Gross Development Value (GDV) for private housing and 6% profit on GDV for affordable housing. The rate for private housing has been disputed as being too low by some representors. However, the level used in the VS conforms with industry standards, and could be seen as generous in the high value parts of the district where the risk profile may be lower. Professional fees of 8% accord with industry norms, and no substantive evidence has been submitted to justify the application of a higher rate in Suffolk Coastal.

26. I have considered views expressed by representors that 'abnormal' costs should be higher than the 5% contingency allowance for residential development in the VS. However, I share the Council's view that it is hard to quantify such costs as they are, by definition, abnormal, and in any event such costs (or the risk of such costs being incurred) are likely to be reflected in the price of the land.

27. The VS uses average density and build cost figures in the residential appraisals, irrespective of scheme size. Representors have expressed

[6] Royal Institute of Chartered Surveyors
[7] The Deregulation Bill gained assent on 26 March 2015.
[8] Ministerial Statement on Planning Update, dated 25 March 2015 (DCLG).

concerns that these generic figures fail to reflect densities and build costs experienced on smaller schemes, where densities are typically lower and build costs typically higher than on larger developments. Concerns are also expressed about the current viability of small schemes within the district, prior to the introduction of any CIL charge.

28. However, I consider that the Council's approach of using average densities and build costs across the district to be proportionate and pragmatic. The average figures have been informed by local evidence on build costs in the district, and evidence on scheme densities in the Council's SHLAA. The VS is, by necessity, a high level assessment and cannot capture all eventualities. There appears to be a steady rate of smaller schemes coming forward in the district[9], and no conclusive evidence before me to demonstrate that the delivery of small schemes is being materially affected. I also note that small self-build schemes are exempt from CIL charges[10], and that the viability of small schemes may be aided by the recent change in national policy[11] whereby affordable housing or tariff-style planning obligations should no longer be sought from schemes of 10 or less dwellings.

29. The VS includes a Section 106/Section 278 assumption of £1000 per dwelling. The Council confirmed at the Hearing that the figure is based on an analysis of historic Section 106 agreements, and indicated that Section 278 costs are likely to be reflected in benchmark land figures as they relate to serviced land. Evidence was submitted by other parties indicating that higher Section 106 contributions have recently been secured in relation to public open space on a number of schemes in the district. Nonetheless, this particular evidence represents a small sample of sites. The £1000 costing is also intended to represent an average figure, and there will be some schemes where these costs are lower and some where they are higher. I therefore consider the residential Section 106/Section 278 assumptions in the Council's appraisal work to be reasonable.

30. Benchmark land values in the VS range from £750,000 to £1,750,000 per hectare (net) for residential uses, according to the geographical location of schemes and their size. Higher values are accorded to smaller schemes providing five or less houses. The figures have been derived from limited transactional information from Suffolk Coastal and the surrounding area, and supplemented by consultations with local property agents and developers. I consider that the Council's approach has been proportionate in this regard, and accords with guidance in the Harman Report[12]. No substantive evidence has been submitted to justify the use of alternative values.

31. The VS and the Addendum also includes modelling of care homes and specialist types of residential developments aimed at older people. The

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[9] CIL/ExamDoc/14 – Five Year Housing Land Supply Assessment 2014.
[10] CIL Regulations 2014
[11] Ministerial Statement published 28 November 2014 and updated text in the Planning Practice Guidance.
[12] Harman Report (June 2012) – Viability Testing Local Plans: Advice for planning practitioners

modelling assumptions used appear to be reasonable, and in the case of specialist flatted development have been endorsed by a representor acting for one of the principal UK developers in this sector.

32. Viability appraisal work has also been undertaken for retail, office and light industrial development. The assumptions used in the modelling have not been significantly questioned and appear to be reasonable, including the assumed rents, yields, build costs and profit levels. One representor raised concerns regarding the Section 106/Section 278 assumptions in relation to convenience retailing development. I consider that the rates are reasonable given that the Council proposes to limit the use of Section 106 to focus on site-specific infrastructure requirements. No overriding evidence has been submitted to indicate that the costings should be increased.

Conclusion

33. The DCS is supported by detailed evidence of community infrastructure needs and viability studies of an appropriate range of development types and applying reasonable assumptions. On this basis, the evidence which has been used to inform the Charging Schedule is robust, proportionate and appropriate.

Are the charging rates informed by and consistent with the evidence? Would they put the overall development of the area at serious risk?

CIL rates for residential development

34. The recommended residential rates on page 63 of the VS have all been incorporated into the DCS. The DCS clarifies that, for the purposes of the CIL, the Council defines residential development as falling within Use Classes C3 and C4 but excluding sheltered retirement accommodation schemes. I consider that the definition in the DCS is clear. In addition, the exclusion of sheltered retirement accommodation is supported by the evidence in the Addendum which indicates that this type of development would be unable to support a CIL charge.

35. The proposed residential CIL rates differ in terms of geographical zones and by size of scheme. These differentials are considered in turn below, followed by an assessment of the overall viability of the rates and their impact on housing delivery.

<u>CIL zones</u>

36. I consider that differential rates by high, mid and low value zone are justified by the viability evidence. Data on sales prices show that values vary significantly across the district. The proposed boundaries are based on a wide-ranging analysis of sales prices, supplemented by consultation with agents and developers and an assessment of current development schemes. The proposed low, mid and high value zones are justified in terms of price differences and provide a reasonable degree of geographical separation based largely on parish and/or ward boundaries.

37. Representations suggested that a number of the zone boundaries are incorrect

and should be further refined to reflect different sales prices that exist within the broad zones. However, in practice value patterns are highly complex, and may differ between adjoining streets. The VS is, by necessity, a high level study, and a broad view needs to be taken of viability. I consider that the Council's proposed approach, which is based on extensive evidence and purports a fairly simple pattern of charging zones, to be suitable and proportionate, and to avoid undue complexity. On this basis it accords with Government guidance to avoid complex rates[13].

38. The VS identifies a further geographical zone, Adastral Park, where a nil CIL charge for residential development is recommended and has been adopted in the DCS. Adastral Park is a large strategic scheme of about 2,000 houses that will require a wide range of supporting infrastructure to be delivered on-site. Evidence in the VS[14] indicates that a Section 106 cost of £14,000 per dwelling could apply, and that a CIL charge in addition to this figure would render the scheme unviable.

39. The Section 106 agreement for Adastral Park[15] is currently in draft form only, and there may well be some final variations in its detailed contents. However, there is no evidence that this would materially alter the conclusions on viability reached in the VS. The Council and the developer have carried out extensive infrastructure planning work on Adastral Park as part of the masterplanning and planning application process, and I consider that a good understanding has been obtained on potential requirements and costs.

40. I therefore consider that the proposed zone and the £0 CIL charge for Adastral Park is justified by the viability evidence. Evidence submitted as part of the Core Strategy examination in 2013[16] indicates that the scheme would be viable incorporating Section 106 costs alone. Progress made in terms of a planning application is further evidence of scheme viability and deliverability.

41. Representors have raised concerns that reliance on Section 106 agreements in Adastral Park means that local residents will not be involved in shaping infrastructure improvements. However, this is a matter which is outside the remit of the CIL examination.

Size thresholds

42. The CIL rates proposed in the DCS also differ by size of scheme, with higher CIL rates proposed on sites of 1-5 dwellings in the low and mid value geographical zones. Evidence in the VS (table 6.1) indicates that schemes of 1-5 houses in low and mid value zones have significantly greater viability than modelled schemes of 10 houses. It appears that increased viability of the smaller schemes is due to size thresholds in Policy DM2 in the Core Strategy, whereby affordable housing contributions are sought from schemes of 6 or more units in Major Centres and Market Towns. The proposed higher CIL

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[13] Paragraph 25-021-20140612 in the Planning Practice Guidance.
[14] Paragraph 12.4.1
[15] CIL/ExamDoc/17 – Adastral Park information from Core Strategy Examination
[16] As above.

charges in the DCS for sites of 1-5 units are therefore justified on the basis of the viability evidence in the VS.

43. However, the Council's updated appraisals (January 2015) take account of the Ministerial Statement published in November 2014 and updated national policy position[17], which precludes affordable housing being sought on schemes of 10 or less units. The updated appraisals show that with this alternative threshold, the viability of schemes of 10 houses is markedly increased, and is greater than schemes of 5 or 11 houses. The updated appraisals indicate that, on this basis, the threshold of 6 units is no longer a significant cut-off point in viability terms. The Council's updated appraisals therefore do not provide evidence to justify higher CIL charges from schemes of 1-5 units on viability grounds.

44. Having regard to the evidence in the VS and the updated appraisals, it is clear that scheme viability increases when affordable housing is not sought. Therefore, in the context of the new policy position, the size thresholds of 1-5 and 6+ units are not supported by the viability evidence, and would provide selective assistance to schemes of 6-10 houses. These schemes would no longer be required to provide affordable housing but would benefit from a lower CIL charge than the 1-5 unit schemes which are also not subject to the affordable housing requirement. I therefore recommend that the DCS is modified **(EM2)** by deleting the size thresholds of 1-5 and 6 or more units in low and mid value zones, and applying a flat rate in these areas equivalent to the lower charge. The modified CIL charge would be £50 psm in low value zones and £90 psm in mid value zones, regardless of scheme size.

45. The proposed modification is justified in viability terms and would increase the viability buffer of schemes of 1-5 units in low and mid value zones by about 7%. The proposed modification would also ensure that the Government's aims behind the Ministerial Statement, namely to reduce the financial burden on developers of small schemes in order to facilitate housing delivery, would be applied equally to all schemes of 10 or less units. The reduction in financial burden would not be achieved if the rate for schemes of 6-10 dwellings were to be raised as suggested by the County Council. I therefore consider that the proposed modification is justified by the viability evidence, and represents an appropriate response to the new policy position relating to affordable housing. Furthermore, it should enable the Council to move forward to adoption of a Charging Schedule, and help facilitate early delivery of required infrastructure projects.

46. The application of the lower CIL charge would reduce the amount of CIL receipts secured from schemes of up to 5 dwellings. However, overall I consider that this would be unlikely to result in a significant reduction in total CIL monies secured over the Plan period; firstly, because a limited number of schemes of 1-5 units are predicted to come forward compared to overall supply[18], and secondly because of the relatively small difference between the higher and lower CIL charges in the DCS.

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[17] Ministerial Statement published 28 November 2014, and updated text in the PPG.
[18] CIL/ExamDoc/14 – Five Year Housing Land Supply 2014

Overall viability and deliverability

47. Evidence submitted by representors[19], and supported by the Council at the Hearing, shows significant buffers above the proposed CIL rates for all modelled typologies of houses, ranging from 35% to over 70%. As set out above, the proposed modification in relation to size thresholds would also further increase the viability buffer of smaller schemes. Therefore, for most housing schemes the predicted viability buffers would be significantly greater than the minimum 40% level proposed by one representor.

48. The appraisal evidence shows that developments of flats would be predominantly unviable, with or without a CIL charge. However, this type of development is unlikely to form more than a small proportion of development that comes forward over the Plan period. The district is predominantly rural in nature, and evidence from past completions[20] indicates that flats have historically not been a major source of supply.

49. The VS also included testing of specific strategic sites, mainly to confirm that delivery would not be disproportionately affected by the imposition of CIL charges. This included the Council's main strategic site of about 2,000 dwellings at Adastral Park, and a number of smaller schemes ranging from about 100 to 300 dwellings. The Council's updated appraisals to incorporate Code Level 4 did not include a re-assessment of these strategic sites. In relation to Adastral Park I do not consider this to be a materially significant matter, given the proposed nil CIL charge for that scheme and the fact that higher costs associated with Code Level 4 would make the scheme more unviable.

50. In terms of the other strategic sites, the VS shows reasonable overage rates, and viability buffers ranging from about 30% to 57%. It is not possible to quantify precisely the extent to which the imposition of Code Level 4 costs would have on these buffers. However, evidence submitted by representors[21] indicates that application of Code Level 4 in the updated appraisals decreased the viability buffer of schemes of 1-50 units by between 4% and 15%. Application of this margin of decline to the remaining strategic sites would still leave a reasonable viability buffer. Additionally there is no substantive evidence to suggest that the specific strategic sites are unviable. Conversely, evidence in the Council's SHLAA (2014) (CIL/ExamDoc/15) indicates that good progress is being made in the delivery of several. On the basis of the

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[19] Viability buffers in Table 1 of Savill's Hearing Statement submitted on behalf of a local house builder consortium (CIL/ExamDoc/9) – with the exception of figures relating to schemes of 10 houses which are based on the incorrect summary tables in the Council's updated appraisals, as discussed above. The re-worked buffers for 10 house schemes show viability levels around 77%, 67% and 60% for low, mid and high value areas respectively.

[20] CIL/ExamDoc/20 – Information on flatted development across Suffolk Coastal (March 2015)

[21] Table 1 of Savill's Hearing Statement submitted on behalf of a local house builder consortium (CIL/ExamDoc/9) – with the exception of figures relating to schemes of 10 houses which are based on the incorrect summary tables in the Council's updated appraisals, as discussed above.

evidence before me I am therefore satisfied that the proposed CIL rates would not materially affect the delivery of strategic residential schemes in the district.

51. Alternative viability evidence that challenges the residential rates was put forward by Savills on behalf of a house builder consortium[22]. The alternative appraisals involved adjusting some of the key assumptions (notably developer profit and Section 106 costs) and using more recent build cost data from 2014. However, for the reasons set out earlier, I do not accept all of these assumptions. Most significantly the alternative modelling applied updated build cost data but retained sales prices from 2013. As referred to above, viability work may be skewed if only certain data is updated, and it was accepted at the Hearing by Savills that sales prices are also likely to have increased over this period. I am satisfied with the Council's assumed profit levels, fees, abnormal rates and land values. Based on the evidence before me I consider that the Council's appraisal work is broadly sound.

52. Representations were made that the CIL charges would effectively 'kill-off' small builders. However, as previously discussed, the evidence does not support this view, and indeed points to strong viability and reasonable developer profit for small schemes, as the buffer above the CIL rate is, in many cases, considerable. The viability buffer for schemes of 1-5 units would also be further increased as a result of the proposed modification relating to size thresholds, as set out above.

53. Concerns were raised by representors relating to the impact of CIL charges on the delivery of affordable housing in the district, on the basis that low proportions of affordable housing have been secured on recent schemes. I consider that little weight should be applied to this argument as the viability appraisals incorporated the delivery of affordable housing using the site-specific target of 33% as set out in the Council's Core Strategy.

54. I therefore conclude that the proposed CIL rates, when applied to much of the residential development that is likely to come forward, incorporate a significant margin or viability buffer. This would allow for potential variations in the costs and value of particular developments, or changes in the market over time, whilst making a valuable contribution towards infrastructure needed to support development. I am therefore satisfied that, subject to my recommended modifications, the proposed residential CIL rates would not threaten the delivery of housing or put the overall development of the area at serious risk.

CIL rates for convenience retail development

55. The VS included limited testing of three different sizes of convenience retail schemes in unspecified locations in the district. However, given the expected amount of convenience retail development over the Plan period is quite

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[22] Savills consultation response to the DCS (November 2014) (as summarised in CIL/EB/E).

small[23], I consider the Council's approach is sufficient for the purposes of justifying that the charge will not affect scheme delivery.

56. The testing indicated that new convenience retail development is viable across the district, albeit with greater levels of viability for larger scale development. The Council proposes a single flat rate of £100 psm for convenience retail development in order to avoid complexity, and given that only limited levels of convenience retail are expected in the district. This approach seems reasonable and pragmatic given the circumstances.

57. The proposed convenience retail charge represents 35% to 62% of the maximum CIL rate for the tested schemes. This indicates that the proposed rate would, when applied to qualifying schemes, incorporate a significant margin or viability buffer to allow for uncertainties relating to development costs and values.

58. I consider that reasonable assumptions have been made in the viability appraisals for convenience retail development, including Section 106 costs associated with larger scale schemes (as explored above). The proposed CIL charge accords with the recommendations in the VS. The evidence suggests convenience retail development would remain viable if the charge is applied. Accordingly, the proposed CIL rate for convenience retail development appears to be reasonable, and would not put such development at risk across the district.

Other development

59. The VS testing of comparison retail, care homes, office and industrial development demonstrated that these uses would be unable to support CIL charges. The proposed nil CIL charges for these development types is therefore supported by the evidence and is, accordingly, justified.

Other Matters

60. A number of representations were made on the Council's draft instalments policy and the Council's position on discretionary exemptions. However, these matters are within the Council's discretion, and it is not the role of the examination to appraise them.

61. One representor queried whether the application of differential CIL rates for convenience and comparison retail development would raise issues regarding state aid. However, the CIL Regulations are clear that differential CIL rates can be applied, providing that differences are based on robust and credible viability evidence. As set out above, I consider that these requirements have been satisfied.

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[23] CIL/ExamDoc/21 – Estimated CIL Revenues from convenience retail development (March 2015)

Conclusion

62. In setting the CIL charging rates the Council has had regard to detailed evidence on infrastructure planning and the economic viability evidence of the development market in Suffolk Coastal. Subject to the proposed modification regarding size thresholds, I consider the charging rates are based on reasonable assumptions about development values and likely costs, and would not put the overall development of the area at risk. The proposed modification relating to Adastral Park, as highlighted in the introduction section, should help to clarify how the rates apply in this area.

63. The Council has tried 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. I conclude that, subject to the recommended modifications, an appropriate balance will be achieved between the desirability of funding the costs of new infrastructure and the potential effect on the economic viability of development across the district.

64. Nevertheless it would be prudent for the Council to review the schedule within 2 or 3 years of adoption as subsequent development plan documents are prepared and to ensure that overall approaches taken remain valid, that development remains viable, and that an appropriate balance is being struck.

LEGAL REQUIREMENTS	
National Policy/Guidance	Subject to the recommended modifications 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, consistency with the Suffolk Coastal Core Strategy and Infrastructure Delivery Plan and is supported by an adequate financial appraisal.

65. I conclude that, subject to the modifications set out in Appendix A, the Suffolk Coastal Community Infrastructure Levy 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.

Katie Child

Examiner

Appendix A – Recommended Modifications

EM1 In Table 1 of the Draft Charging Schedule, delete the reference to 'Adastral Park Development' and replace it with 'Residential Development at Adastral Park'.

EM2 In Table 1 of the Draft Charging Schedule, delete the size thresholds of 1-5 and 6+ net new dwellings in low and mid value zones, and replace with a flat charge in these areas equivalent to the lower CIL charge. The revised table would therefore contain two rows relating to these value zones, as follows:

Extract from Table 1

Residential Development (low value)	£50
Residential Development (mid value)	£90