



# **Woking Borough Council**

## **Community Infrastructure Levy**

**Woking Borough Council's response to the Examiner's Issues**

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**Produced by the Planning Policy Team**

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## ISSUE 1 – IS THE CHARGING SCHEDULE SUPPORTED BY APPROPRIATE EVIDENCE?

### Infrastructure needs

**Is the Infrastructure Delivery Plan up-to-date and was it subject to examination as part of the Core Strategy Examination? Does it properly reflect infrastructure needs likely to arise from new development, rather than existing development?**

- 1.0 The Council is satisfied that the Infrastructure Delivery Plan (WCB/CIL/006) and its accompanied Schedule of Infrastructure Delivery Requirements (WBC/CIL/019) are up-to-date. The Council can also confirm that the documents were subject to an examination as part of the Core Strategy Examination. The Infrastructure Delivery Plan is however a living document that will regularly be monitored and reviewed.
- 1.1 Woking Borough Council has an up-to-date adopted Core Strategy (October 2014) that is National Planning Policy Framework (NPPF) compliant. It sets out the overall scale and broad distribution of development that needs to be supported by necessary and adequate infrastructure. The Infrastructure Delivery Plan (IDP) has been prepared to assess the scale and nature of the infrastructure needs to support the Core Strategy (WBC/CIL/007). This was published in December 2011. A Schedule of Infrastructure Delivery Requirements drawn from the IDP was also published in February 2012. The Core Strategy, the IDP and the Schedule of Infrastructure Delivery Requirements were the subject of the Core Strategy Examination between March and April 2012. The IDP is informed by a robust assessment of infrastructure needs by the relevant infrastructure providers. The Council does not believe that there has been a significant change in circumstances to justify a change in the overall strategy of the Core Strategy and consequently, a material change to the key elements of the IDP. The broad infrastructure needs of the IDP such as transport, education, Suitable Alternative Natural Greenspace (SANG) and open space continues to remain current, robust and sufficiently comprehensive to enable the sustainable development of the Core Strategy proposals. The robustness and currency of the IDP was emphasised by the Core Strategy Examination Inspector when he said the following in his report:
- ‘the Council has developed its Infrastructure Capacity Study and Delivery Plan (IDP) and its Schedule of Infrastructure Delivery Requirements to provide a non-exhaustive indication of what infrastructure is anticipated to be required, where, when, and ultimately who will most likely take the lead in securing its implementation and how it will be funded. This information covers a range of potential infrastructure that includes transport, education, health and key services. This is a sensible and, as far as the evidence indicates, a robust approach which the Council intends to review bi-annually’*
- 1.2 The Inspector’s report is on the Council’s website ([www.woking.gov.uk](http://www.woking.gov.uk)).

- 1.3 In preparing the IDP, the Council has relied on information provided by the relevant infrastructure providers such as the County Council and utility providers. The infrastructure providers have provided information fully aware of the future development needs of the area set out in the Core Strategy.
- 1.4 The Council accepts that specific schemes and the costing of infrastructure items in the IDP could change due to changing economic circumstances and monitoring information. However, the infrastructure needs identified in the IDP to support the Core Strategy is likely to remain the same throughout the life of the Charging Schedule and the Core Strategy. In publishing the Regulation 123 list and the Funding Gap Topic Paper (WBC/CIL/003) the opportunity has been taken to bring the costing of the infrastructure items up to date. The Funding Gap Topic paper and the Regulation 123 list demonstrate a significant funding gap to justify the need to introduce CIL.
- 1.5 The IDP is informed by key evidence such as the Transport Assessment, the Habitats Regulations Assessment and the Education Topic Paper that focuses on the future development proposals of the Core Strategy. The basis upon which the infrastructure needs have been identified provides clear evidence that the IDP is not intended to address pre-existing deficiencies in infrastructure provision but designed to support the future development proposals of the Core Strategy. It is important to emphasise that the CIL levy could also be used to increase capacity of existing infrastructure or repair failing existing infrastructure, if that is necessary to support future development.
- 1.6 Surrey County Council is the transport and education provider in the area. The Council has submitted a Statement of Common Ground by Woking Borough Council and Surrey County Council to confirm the County Council's position on the above.
- 1.7 It is important to emphasise that the Core Strategy, the IDP, the draft Charging Schedule and the Regulation 123 list have all been subjected to extensive public and stakeholder involvement. Representations received have been fully taken into account to inform various modifications to the documents. This has also been useful evidence to ensuring that the documents are up-to-date.

**Does the evidence show a likely funding gap between infrastructure needs and available funding?**

- 1.8 Yes. The evidence demonstrates a likely funding gap between infrastructure needs and available funding of about £53,575,621.
- 1.9 The Council has published and submitted to the Examiner a Community Infrastructure Levy Topic Paper on Infrastructure Funding Gap to demonstrate that having taken into account the expected cost of the identified infrastructure and expected other sources of funding there is a significant funding gap to which CIL will contribute. The evidence also demonstrates that the potential income from the CIL levy is relatively small compared to the overall funding gap to justify the need to introduce the CIL levy. The IDP and the CIL draft Charging Schedule is informed by up-to-date information provided by the infrastructure providers and it takes into account the list of infrastructure schemes to be provided, the indicative start date, the

estimated cost, money secured/expected from other sources and the estimated funding gap. The County Council has confirmed by Statements of Common Ground that the information they have provided to estimate the funding gap is up-to-date and fully takes into account other sources of funding that they are likely to receive towards the infrastructure that they are responsible. Based on the analysis of the available information the Council estimates the overall funding gap to be about £53,575,621. Of this funding gap, the CIL levy will contribute about £13,894,650.

- 1.10 Not all the infrastructure items identified in the IDP are listed in the Regulation 123 list to be funded by the CIL levy. In this regard, the funding gap could be significantly more if the entire cost of the infrastructure necessary to support the Core Strategy had been quantified. The CIL draft Charging Schedule only focuses on four broad infrastructure items that the Council considers to be critical to the delivery of the Core Strategy. It is accepted that CIL income will not be the panacea to meeting the entire cost of infrastructure provision and as such there has been the need to prioritise the infrastructure delivery for the purposes of CIL. Future reviews of the Regulation 123 list will consider the need to include other infrastructure schemes in the IDP if appropriate and will not undermine development viability.

**Has account been taken of all other potential sources of income in assessing whether there is a funding gap?**

- 1.11 In estimating the funding gap account has been taken of all other potential sources of funding such as:
- Financial forward plans of delivery agencies;
  - Long term strategic delivery plans such as the Local Transport plan;
  - Specific evidence provided by delivery agencies, such as Surrey County Council;
  - Outstanding Section 106 contributions from new permissions; and
  - New Homes Bonus.

- 1.12 Details of how this has been considered are covered in paragraphs 6.13 – 6.17 of the Infrastructure Funding Gap Topic Paper. Also the Statements of Common Ground by Woking Borough Council and Surrey County Council provides confirmation that the County Council took into account other sources of funding in providing information to estimate the funding gap.

**Economic viability evidence**

**Is the Council's viability assessment based on sound data and reasonable assumptions?**

- 1.13 Yes. The Council is satisfied that the viability assessment is based on sound data and reasonable assumptions.

- 1.14 Dixon Searle Partnership (DSP) was commissioned to carry out the viability study for the purposes of the CIL Charging Schedule. Previously, DSP's key consultants were the authors of the viability assessment used to inform and underpin the development of the affordable housing policy of the Core Strategy. The consultants have a good up to date knowledge of the local market conditions, through a range of previous and current viability projects in Surrey. DSP is very experienced in this field of viability work, with an excellent track record on CIL viability studies that have been endorsed; based on sound data sourcing and reasonable assumptions setting.
- 1.15 The residual land valuation principles used to underpin the study forms the basis for the consultants' tried and tested methodology that has been proven to be robust and to provide the appropriate evidence following 6 CIL Examinations to date. DSP's experience on CIL and development plan related viability is also informed by its day to day work on site-specific viability reviews, and its experience spans a range of areas with varying characteristics - urban, rural and mixed.
- 1.16 Consistent with the approach previous robustly collated evidence and with the available guidance, the key data sources used for the study are well-established as appropriate for the purpose – including the RICS Building Cost Information Service (BCIS), Valuation Office Agency (VOA) and others noted in the reporting. The study process also included contact with local stakeholders, whereby any available soundings to supplement these well recognised information sources were sought from a wide range of development industry and affordable housing provider (RP) interests. The assumptions on development costs are reasonable and reflect development costs of typical exemplar sites in Woking and the broad locations where the Core Strategy directs development. Assumptions on profits, fees, finance, contingencies and other usual matters follow current market expectations and are consistent with best practice on viability assessment. Other costs such as those related to affordable housing reflect the policy requirements of the Core Strategy and local delivery experience. In estimating development costs, the study takes a reasonably prudent approach in considering the collective impact of the local development costs alongside trialling the scope for contributions to the CIL. All the other policy requirements of the Core Strategy have been taken into account, in accordance with the CIL guidance.
- 1.17 The development scenarios reviewed are reasonably representative of residential and non-residential development types that are likely to come forward. The residential unit sizes used for the study are also reasonable and typical of the predominant types of schemes that are likely to come forward. The range of value levels (VLs) applied to the development scenarios are appropriate, having been arrived at following wide-ranging local research. Overall, the development scenarios are considered relevant to the expectations set out in the Core Strategy to come forward within the Borough.
- 1.18 The data being relied upon by the Council is up-to-date so far as the CIL setting stages and process allow. To maintain this up-to-date picture, a refresh of house price trends has been published to confirm that the proposed CIL charging rates will continue to ensure positive viability for residential development in the area. The

commercial / non-residential assumptions also remain appropriate for the purpose of informing the CIL rates selection.

- 1.19 Based on this, the Council is confident that the viability assessment is based on sound data and reasonable assumptions. Summary details of the assumptions used are set out in Appendix 1 of the viability study, as those are also explained within its section 2 where further details are set out as part of the discussion on the methodology.

**Are the various elements listed below accurate and up-to-date?**

- **Benchmark land values** – Yes. Following the seeking of any locally available soundings, wider information was used as is usual in DSP's experience. The range of land value comparison levels used were therefore informed by other available information including VOA property market reporting, a key source for this purpose. This was reviewed alongside the limited available local pointers and information from nearby areas. DSP acknowledged that it is certainly not unusual for particular local evidence for this assumption to be scarce. In any event site comparables need to be treated with caution as to their applicability to particular or wider circumstances; unless clear and suitable specific local information is available, the process used is preferred.
- **Sales values** – Yes. Comprehensive local research was carried out using a range of sources, as is reported at the viability study Appendix III. That formed a sound basis for the range of values used in the viability testing. The housing market and price trends information has recently been updated, and the resulting supplementary report provides further useful context for the Council's CIL charging proposals.
- **Standard build cost** – Yes BCIS data was reviewed and rebased for the Woking area, providing the most appropriate basis for these assumptions.
- **Professional fees** – Yes. Informed by DSP's range of strategic and site-specific viability review work, the allowance of 10% of build costs is considered appropriate and representative of industry norms
- **Profit levels** – Yes. Again, appropriate industry norm levels of profit have been fixed within the appraisals; at 20% GDV (market housing and commercial) and 6% GDV in respect of affordable housing. These profit levels have been tested and it was not considered appropriate to assume any available flexibility (by way of a reduced profit level) that is sometimes seen in site-specific circumstances in DSP's experience, particularly with improving market conditions. In times of previous buoyant market conditions, if any profit expectations were typically lower – no adjustment has been made in respect of the market pick-up.
- **Affordable housing requirements** – The assumptions relating to the Council's Affordable Housing requirements are based on the adopted policies of the Core Strategy - CS12: *Affordable Housing* . This has been reflected in the assessment of viability.

- **S106 contributions** – It is anticipated that the majority of developer contributions towards infrastructure provision will be covered by the CIL which is largely a replacement for s.106. However, in practice the Council accepts that there is likely to be continued limited role for planning obligations (through s.106) to make particular developments acceptable in planning terms. The study assumes a prudent approach by making an allowance ranging from approximately £2,600 to £3,800 per dwelling in all, alongside the other comprehensive allowances and contingencies. Presently, in terms of scheme delivery an open book approach is applied in negotiating planning obligations in accordance with the requirements of the Core Strategy; the Council envisages that this approach will continue as proves necessary in particular circumstances.

**Should promotion and abnormal site costs have been taken into account in assessing viability?**

- 1.20 No – Professional and other typical fees allowances have been made, as relevant to the scenario types under review. Whilst a contingency is also included to cater for unexpected items, over and above these any other costs tend to be highly variable on a site-specific basis; they will not apply universally at any standard industry norm. Fees beyond the levels assumed are not typical in DSP’s site-specific review experience. The approach is consistent with DSP’s previous robust viability studies. It is also consistent with NPPF para. 173 on ‘Ensuring viability and deliverability’ which refers to taking account of the ‘normal cost of development’

**Has the viability assessment assessed the viability of an appropriate range of development sites likely to come forward during the lifetime of the Charging Schedule?**

- 1.21 Yes. The viability assessment has assessed the viability of an appropriate range of development types likely to come forward during the lifetime of the Charging Schedule.
- 1.22 The Core Strategy makes provision for the following scale, range and broad distribution of development to meet the needs of the community:
- 4,964 net additional dwellings (35% of this will be Affordable Housing);
  - 28,000 sq.m of additional office floorspace and 20,000 sq.m of warehousing floorspace;
  - 93,900 sq.m of additional retail floorspace.
- 1.23 Typical development scenarios related to the above uses have been assessed. A significant proportion of the proposed growth will be concentrated in Woking Town Centre on previously developed land. The Town Centre is expected to be a main focus for development. The main centres are also identified as the preferred and sustainable locations for a range of town centre uses. The Core Strategy identifies Sheerwater and Maybury Ward and the Lakeview Estate area of Goldsworth Park as Priority Places for significant investment to address pockets of deprivation in these areas. The viability study takes an appropriate approach to considering a range of

development characteristics at such locations and also considers development outside the main centres in the typically higher value areas such as Hook Heath, Pyrford and St. Johns.

- 1.24 In this context it is important to note that the Core Strategy does not allocate specific sites for development. The viability study (WBC/CIL/004) however reflects exemplar schemes which provide a good indication of the type of development likely to come forward, consistent with the approach taken in reviewing the viability of affordable housing requirements to support the Core Strategy development.
- 1.25 All in all, an appropriate overview is needed and the selected development scenarios, assumptions used and the judgements drawn from the outcomes reflect the local characteristics appropriately.
- 1.26 The range of development scenarios assessed includes residential, retail and retail warehousing and business development such as office and industrial (B Class uses). Other development scenarios considered include hotel and care homes and community uses, as were considered appropriate to the local context and the Core Strategy.
- 1.27 Overall the viability study concludes that there is continued positive viability for residential and retail development if the proposed charging rates are applied. All other uses are proposed to be charged at a nil rate. These outcomes are consistent in all respects with the viability study advice.

**Have the costs of providing specialist accommodation been considered in the viability assessment? If not, should they have?**

- 1.28 Yes. The costs of providing specialist accommodation have been considered in the viability assessment. Two forms of assessment have been carried out. Proposals falling under Use Class C2 (care / nursing homes and similar) have been assessed as part of the main viability study. Class C2 accommodation is considered to be part of the overall specialist accommodation and care offer that could be made available to meet the needs of the projected elderly population. On the assumptions applied in the viability study, a zero charging rate is proposed currently for this type of development.
- 1.29 The Council has also published supplementary viability assessment information: *Woking Borough Council Community Infrastructure Levy Viability Assessment – Follow-Up, retirement apartments – brief note (March 2014)* that assesses the viability of Class C3 retirement / sheltered accommodation. The outcomes from this assessment are broadly comparable with the range of residential results seen within the main viability study, and serve to reinforce the basis on which the charging proposals were developed, bearing in mind DSP's range of site-specific experience of such schemes. In common with others, on four occasions DSP's work supported charging at the standard residential rates given that this form of C3 housing development is considered to be part of the wide spectrum of market provision that always includes a great deal of variation. The long-held view that acknowledged increased development costs (through reduced saleable floor area) and other matters were counter-acted by premium level sales values, typically reduced external works,



density and other characteristics favouring overall scheme viability were consistently supported. These views and experience fed into Woking BC's CIL setting considerations, so that this matter was taken account of.

- 1.30 More recently, a further 2 CIL examination outcomes have supported DSP's viability view of this type of C3 housing scheme; one conducted with a viability assessment that included a detailed appraisal for the review of such a scenario (Sevenoaks), and one that did not (West Berkshire).
- 1.31 In order to add to the Council's evidence base and allow a final checking review of its proposal not to differentiate for retirement / sheltered housing, the supplementary assessment undertaken reaffirms the potential for positive viability from retirement and sheltered housing schemes. In viability terms, it is considered that there is no justification for CIL differential and consolidates the view that, as part of an overall equitable approach offering no particular advantage to certain market sectors, such schemes should be considered along with and treated the same in CIL terms as the spectrum of inevitable variable market housing falling within Use Class C3. The follow-up viability study is on the Council's website and has been submitted to the Examiner. This matter has also been addressed comprehensively in the Council's response to the Examiners preliminary questions (WC-CIL-001). The study takes into account the development costs of providing this type of accommodation. The Council is aware of representations made regarding the high costs of providing specialist accommodation. The Council's view is that this is often balanced by premium sales values and the generally high density of such schemes.

**How are changes in house prices since the viability assessment was carried out likely to affect the assessment of viability?**

- 1.32 The Council has published and submitted to the Examiner *Woking Borough Council Community Infrastructure Levy Viability Assessment – Follow-Up, property market update – house price trends (March 2014)*. The document provides a brief update overview of the property market, and in particular house price trends. Overall, this pointed to the strength of the Woking market. House prices have risen by a minimum of around 6% since the viability study was completed. Other indications suggest on a wider basis that prices have risen at a higher rate of about 8% to 9% over the last year. The improvement in values has more than outweighed the level of proposed CIL charging. Overall, the update confirmed that the Council would not expect to see any deterioration in viability outcomes relative to those reported within the viability study. It is therefore anticipated that the market improvements would largely, if not more than, balance out the cost impact of CIL at the rates proposed, together with having the capacity to bear costs increases in other areas if necessary whilst maintaining at least a similar viability picture.

## **ISSUE 2 – ARE THE CHARGING RATES INFORMED BY AND CONSISTENT WITH THE EVIDENCE?**

### **Residential**

**Does the evidence support the charging of two differential rates of CIL? Is there evidence to support a higher charge in rural areas and areas outside the town centres?**

- 2.0 The viability study provides robust evidence to justify differential rates for residential development by area. The study recommends a 2 rates approach based on £75/sq.m for the Town Centre and the Priority Places; and £125/sq.m for the rest of the Borough. The viability study includes sufficient evidence to confirm a range of clear and relatively consistent pointers to residential values variations and patterns in the Borough. Woking Town Centre is generally associated with mid-range values for the Borough, which are relevant in combination with typically higher development costs and, therefore, some notably reduced viability outcomes in relative terms. Adjacent to the Town Centre, the typical lower value areas include Sheerwater and Maybury, the area defined in the Core Strategy as Priority Places. Beyond the Town Centre and the Priority Places, two sets of key characteristics were identified by the study. These are the intermediate and high value areas, which will generally coincide with lower density and more economic to construct schemes on a greater variety of site types. The two zone differential rates approach reflects the delivery focus of the Core Strategy. Based on the evidence of the variation in the value levels for the different parts of the Borough there is clear evidence to charge a higher rate for development beyond the Town Centre and the Priority Places. Paragraphs 3.1.12 to 3.2.19 of the viability study summarises the justification for differential rates for residential development by zone.

**Does the proposed charging rate incorporate a suitable viability cushion?**

- 2.1 The Charging Schedule builds in sufficient cushion to ensure positive viability for residential and retail development. This is evidenced by the viability study. What the proposed charging rates do not do is to introduce an arbitrary viability cushion based on a percentage discount or adjustment to the charging rates. This will be unnecessary and unreasonable for the following reasons:
- The viability study uses cautious and reasonable assumptions about development costs and value levels that reflect local circumstances and best practice to ensure that the charging rates are not set at the margins of viability. The appropriate setting of assumptions has been DSP's consistently supported approach at EIP to date. The margins of viability are avoided through carefully set assumptions and judgments.
  - There would be concerns around a heavy reliance on a particular impression that can be made or gained from stating "theoretical maximum" (or similarly termed CIL charging rates). Those can be artificially supported by assumptions that allow them to be placed at high, arbitrary levels. They can provide an uncertain or potentially non-robust starting point for then deducting what is essentially an arbitrary "buffering" % or similar.

- A realistic view has been taken to set the rates at reasonable levels when higher rates could have been introduced. The viability of the policy requirements of the Core Strategy such as Affordable Housing has been examined at the Core Strategy Examination and proven to be realistic and not to undermine the viability of development;
- The Woking market is strong and shows that house prices have risen significantly since the original viability study was carried out. The improvement in values has more than outweighed the level of proposed CIL charging. It is not expected to see deterioration in viability outcomes relative to those within the viability study.
- As an additional measure, consideration was given in the viability study to the level of the proposed CIL charges when viewed as a proportion of the gross development value. The percentages are considered very modest.

2.2 Overall, there is clear evidence to suggest that retail and residential development will continue to remain viable across the Borough during the life of the Charging Schedule if the charging rates are imposed.

**Is it appropriate for CIL to be charged on essential housing for rural workers, or on housing for rent?**

2.3 Yes. The Council takes the view that it is appropriate for CIL to be charged on essential housing for rural workers, or on housing for rent.

2.4 The following context is important for considering this matter. First, outside the main urban area the remaining 60% of the Borough is Green Belt. Relatively little of the Green Belt land is in active agricultural use. The main uses of the Green Belt are open spaces, playing pitches, golf courses, commercial nurseries and horse grazing where the need for a rural workers dwelling will often be difficult to justify in policy terms. Nevertheless, the Council accepts that there are activities such as agriculture where rural workers dwelling might be needed. The Core Strategy directs most development to the main centres on previously developed land. Because of the spatial strategy of the Core Strategy and the general function of the Green Belt, it is estimated that the number of proposals for rural workers dwelling during the life of the Charging Schedule will be very small. Without underplaying the importance of the need for rural workers dwelling, the delivery of this type of development will not be critical to the overall delivery of the Core Strategy.

2.5 This type of accommodation has not been specifically assessed by the viability study and that is consistent with CIL viability studies elsewhere and the general CIL principles. The Council's view is that the charging rates that applies to all areas outside the Town Centre and the Priority places should also apply to rural workers dwelling. It is possible that some schemes might be unviable but this might also be the case if the CIL levy is not applied. If this were to be the case, it will not put at risk the overall delivery of the Core Strategy.

2.6 The Council do not see any case for differentiating between rural housing for rent and one to be built and occupied by the owner. It is important to emphasise that

Regulation 49 provides guidance on social housing relief for assured agricultural occupancy.

**Has appropriate consideration been given to types of development such as various types of specialist accommodation for the elderly in setting the proposed charging rates? Is there any evidence that the proposed charging rates would impact disproportionately on such forms of development?**

- 2.7 Yes. Appropriate consideration has been given to Class C2 and Class C3 specialist accommodation for the elderly in setting the CIL charging rates. This matter is covered in detail under the Council's response to Issue 1 and the Examiner's Preliminary Questions. The Council has published evidence to demonstrate that due attention has been given to assessing the viability of these forms of development. Overall, the evidence suggests that the delivery of these types of development will not be put at risk with the introduction of the proposed charging rates. The evidence is broadly comparable with the range of residential results of the viability study.

### **Retail**

**Is it appropriate for the charge to apply to retail development in the rural area when it is part of a farm diversification scheme?**

- 2.8 Yes. It is appropriate for the charge to apply to retail development in the rural area when it is part of a farm diversification scheme. The draft Charging Schedule does not set differential rates for retail and neither does it specifically evaluate the impact of the imposition of the CIL levy on retail development that forms part of a farm diversification scheme. This is consistent with the CIL principles. Nevertheless, the Council's position is that a single rate should apply to all forms of retail development irrespective of whether they form part of a farm diversification scheme. In reality the Council expects that a significant number of such schemes would be exempted from the levy by reason of the fact that many farm shops are usually less than 100sq.m or occur within pre-existing buildings and as such, subject to the Regulations, would not be CIL liable.
- 2.9 The expectation is that only a few of such proposals would be likely to come forward in any given year given the nature of the predominant activities in the countryside. It is possible that some schemes could be unviable. That might be the case if the levy is not applied. If that were to be the case, it would not put at risk the overall delivery of the Core Strategy. It is already emphasised that relatively little of the Green Belt is in active agricultural use.

### **Other development**

**Does the evidence show that non-residential and non-retail development would not be viable if a levy is charged?**

- 2.10 The viability study shows that non-residential and non-retail development would not be viable if a levy is charged. In arriving at this finding the study considered the following types of development that are likely to come forward during the life of the Charging Schedule:

- Business and industrial development (Use Class B1, B1a, B2 and B8);
- Residential institutions falling in Use Class C2;
- Hotel;
- Community facilities such as community halls, day nurseries and cinema
- A range of other uses were tested at a high level based on an analysis of the value / cost relationship. These are set out at 3.8.8 and Figure 11 of the CIL Viability Study (WC-CIL-003) As part of reviewing the viability prospects associated with a range of other uses, the CIL Viability Study compares the estimated typical values (or range of values) – with reference to values research from entries in the VOA's Rating List and with their likely build cost levels (base build costs before external works and fees) sourced from BCIS. Where the relationship between these two key appraisal ingredients is not favourable (i.e. where costs exceed or are not sufficiently outweighed by values) then it is immediately obvious that such schemes did not produce viable development scenarios. The lack of positive relationship is often such that, even with low land costs assumed, schemes will not be viable. Some of these types of new developments may in any event be promoted / owned by charitable organisations and thereby be exempt from CIL charging (as is the case with affordable housing).

2.11 The draft charging Schedule reflects this evidence.

### **ISSUE 3 – WILL THE RATES PUT THE OVERALL DEVELOPMENT IN THE COUNCIL’S AREA AT RISK?**

#### **How would the rates of CIL proposed in the Charging Schedule impact on the economic viability of development across the Council’s area?**

- 3.0 The Council is satisfied that the proposed charging rates will not put at risk the overall delivery of the Core Strategy. The Council has provided evidence of the need for infrastructure provision to justify the introduction of CIL. The proposed charging rates are informed by a robust evidence of viability. The viability evidence indicates that Class C3 residential and retail development will be viable across the area if the proposed charging rates are introduced.
- 3.1 The residual land value methodology used for the viability study is tried and tested and is considered appropriate for CIL viability studies. The Council’s response to Issue 1 confirms that the viability study has assessed the broad range of development types expected to come forward on the back of the Core Strategy to meet the needs of the community. Again, as discussed in the Council’s response to Issue 1 – Economic Viability Evidence, the viability study uses assumptions on development costs and value levels that follows good practice and are realistic and robust. It also takes into account the policy requirements of the Core Strategy such as Affordable Housing provision and Sustainable Construction and makes allowance for Section 106 contributions. The proposed rates are consistent and informed by the findings of the viability study.
- 3.2 The rates are not set at the limits of viability and for some scenarios; the rates could have been set higher. For example three differential zones could have been introduced with a rate of £150/sq.m set for the high value areas such as Hook Heath, Pyrford and Mount Hermon.
- 3.3 A nil charge has been proposed for all other types of development (except residential and retail) that are likely to come forward including offices, hotel, care homes and community facilities and as such, CIL will have no identifiable impact on those uses.
- 3.4 The proposed charging rates strike an appropriate balance between the need for CIL to fund infrastructure provision and the impact of the imposition of the levy on the economic viability of development across the area - the proposed rates are consistent with the viability evidence.
- 3.5 The overall purpose of the Council’s viability study is to determine CIL rates that could be afforded by development, taking as a whole the need for infrastructure and the policy requirements of the development plan. Based on the evidence the Council’s commitment to ensure the comprehensive delivery of the Core Strategy will not be undermined by the CIL rates.

**What is the likely effect on viability of applying the proposed charging rate of CIL to large residential development sites? How would that affect the overall delivery of the Core Strategy?**

- 3.6 The Core Strategy does not allocate specific sites for development. The Council is in the process of preparing a Development Delivery Development Plan Document (DPD) that will allocate sites for the delivery of the various proposals of the Core Strategy. The Development Delivery DPD will be informed by the Council's Strategic Housing Land Availability Assessment (SHLAA) (WBC/CIL/008). The SHLAA provides information on sites that the Council considers to be available, suitable and deliverable at specific time periods. It gives an indication of the sites that are likely to come forward during the period of the Core Strategy and has been used to inform the Council's housing trajectory and five year housing land supply. The latest version of the SHLAA was published in October 2011. It was a subject at the Core Strategy Examination and was judged by the Inspector to represent an adequate, proportional and robust evidence source. It is presently being reviewed. An analysis of the call for sites to inform the review does not indicate a significant number of new sites. The existing SHLAA therefore continues to be relevant for the purposes of predicting large residential development sites that are likely to come forward. The revised version is earmarked to be published this Summer.
- 3.7 A number of the SHLAA sites are large residential development sites. For the purposes of this response, large residential development sites are sites that will yield 100 or more dwellings. The Table below is a list of the SHLAA sites with capacity for 100 or more dwellings and the likely timescale that they are expected to come forward.

**Table 1: List of SHLAA Sites of 100 or more dwellings**

| SHLAA ID   | Address   | Potential net yield | Likely timescale | Proposed CIL Rate | Status of sites                               |
|------------|---|---------------------|------------------|-------------------|---|
| SHLAABR017 | Land at Brookwood Farm, Bagshot Road, Brookwood           | 287                 | 0-5 Years        | Rest of Borough   | Planning permission granted and works started |
| SHLAAKW001 | Westfield Tip, Westfield Avenue                           | 153                 | 0-5 Years        | Rest of Borough   | Planning permission granted and works started |
| SHLAAKW007 | Oaklands Nursery and land adjacent to Westfield Way (Moor | 371                 | 0-5 Years        | Rest of Borough   | Planning permission granted and works started |

|             |  |                       |                              |            |                              |
|-------------|--|-----------------------|------------------------------|------------|------------------------------|
|             | Lane Site)   |                       |                              |            |                              |
| SHLAAMHW011 | Land at Bradfield Close/Guildford Road (New Central Site)                          | 465                   | 0-5 Years                    | Lower Rate | Works nearly completed       |
| SHLAAGE011  | Albion House, High Street, Woking  | 100                   | 6-10 Years                   | Lower Rate |                              |
| SHLAAGE029  | 2-24 Commercial Way and 13-28 High Street, Woking                                  | 200                   | 6-10 Years                   | Lower Rate |                              |
| SHLAAGE030  | Market Square, Globe House, Former Post Office, Fire Station, Victoria Way, Woking | 392<br>(160 in SHLAA) | 0-5 Years<br>(6-10 in SHLAA) | Lower Rate | Current planning application |
| SHLAAGE031  | 1-12 High Street and 26-34 Commercial Way, Woking                                  | 149                   | 6-10 Years                   | Lower Rate |                              |
| SHLAAMHW031 | Owen House, The Crescent and White Rose Court, White Rose Lane                     | 100                   | 6-10 Years                   | Lower Rate |                              |

- 3.8 The Table suggests that no site of 100 dwellings or more will be coming forward for development within the next 5 years. 4 sites with a total yield of 549 dwellings will be coming forward between years 6 – 10. All the 4 sites are in town centre locations where the lower CIL rate will apply (based on the results of the Viability Study and associated town centre site typologies). The rest of the sites have or will have planning approval before CIL is introduced.
- 3.9 The delivery of 549 dwellings is a significant contribution towards the overall housing supply. It is not anticipated that the charging rate for town centre sites will put at risk the delivery of the 4 sites. If it did, there is the likelihood that it could undermine the overall delivery of the Core Strategy. The Council is committed to review the



Charging Schedule in 5 years. If at that stage monitoring indicates that the viability of the four sites could be compromised, the Council will take action to overcome that through either a review of the charging schedule as a whole or through potentially offering some form of relief to enable the sites to come forward. In any case, the decision of the Council will be informed by evidence of viability.

**Is there any evidence that requiring CIL to be paid in respect of Class C3 housing for the elderly would result in such development not coming forward? If that were to be the case, how would that affect delivery of the Core Strategy?**

3.10 No. There is no evidence of viability submitted to the Council to confirm that requiring CIL levy to be paid in respect of Class C3 housing for the elderly would result in such development not coming forward. To the contrary the Council has published evidence (WC-CIL-003) to confirm that the proposed charging rates will not put at risk the viability of such schemes coming forward. It is recognised that due to site specific circumstances there will be schemes with viability issues in the same way as for other residential developments. In such situations, as with residential development generally, a reduced differential rate for Class C3 elderly accommodation might not resolve the underlying viability issues. Nevertheless, if specific individual schemes are unviable, it will not put at risk the delivery of the Core Strategy for a number of reasons:

- The Core Strategy does not set a specific target for the provision of Class C3 elderly accommodation. It will form a relatively small proportion of the overall housing provision identified in the Core Strategy. Based on historical delivery of Class C3 housing since 2000, this is projected to be about 15 retirement dwellings per annum.
- There is a variety of Class C3 housing that could meet the needs of the elderly such as bungalows and housing built to Lifetime Homes standard. It would be unreasonable and unduly complex to assess the viability of every permutation to distinguish which one of them would be viable or with the view to set differential rates.
- Other forms of elderly housing under Class C2 are likely to come forward to meet a significant part of the need for specialist accommodation. Of the 12 no. elderly person's accommodation schemes completed in the Borough since 2000, 6 no. are within Use Class 2.
- Policy CS21: *Design* of the Core Strategy ensures that development is adaptable to allow scope for changes to be made to meet the needs of the occupier. In this regard, the Council has been encouraging development to be of lifetime homes standards to ensure that people can continue to live independently in their homes for longer.

3.11 Based on the above and setting aside the positive viability evidence (WC-CIL-003), whilst the importance of Class C3 elderly accommodation is acknowledged there is not a single type that is considered fundamental to the extent that its delivery will put at risk the delivery of the Core Strategy as a whole.

### **What would be the likely effect of CIL on house prices?**

- 3.12 There is unlikely to be any effect on house prices through the introduction of CIL at the level set out in the Draft Charging Schedule. House prices are controlled more by the general property market and the economic backdrop than directly through the cost of development (and / or land). In addition, although CIL is a new levy on development, in whole or part it is replacing the existing process through which developer contributions were sought. The level of CIL as a proportion of house prices is small (at £75/m<sup>2</sup>, the CIL requirement equates to approximately 2.5% of gross development value assuming sales values of £3,000/m<sup>2</sup>). Recent and current market conditions have seen an increase of over 8% in house prices over the past year alone – over 3 times the CIL rate as a proportion of market value. The Council have set the CIL rate at a level that is deliverable and viable and as such will continue to encourage development across the Borough. The Council is therefore confident that that supply will not be suppressed (and consequently demand not increased) which could otherwise lead to a rise in prices if the rate were set too high.

### **What would be the relationship between CIL and payments/infrastructure required under Section 106 undertakings?**

- 3.13 The Council has published a detailed response about how Section 106 will apply when the CIL Levy is introduced (WC-CIL-001). When the CIL is adopted, it will become the primary means for securing developer contributions towards infrastructure provision in the area. This is emphasised by Core Strategy Policy CS16: *Infrastructure Delivery* and Section 6: *Implementation and Monitoring*. Notwithstanding this, the Council expects Section 106 Agreements to continue to play a complementary role to CIL in limited circumstance to help bring forward some development proposals in a sustainable manner. Section 106 will be restricted to secure the delivery of site-specific infrastructure or mitigation measures that are directly necessary to enable a specific site to come forward for development, and which are not in the Regulation 123 list. A notional allowance has been included in the development costs for potential Section 106 site specific and mitigation measures in determining the Charging Schedule. In the absence of the Development Delivery Development Plan Document that the Council is preparing to allocate specific sites for development, the site specific and mitigation measures will be negotiated on a case by case basis based on the individual merits of the scheme.
- 3.14 The Council has published a Regulation 123 list that defines the specific schemes to which CIL will contribute. The Regulation 123 list is Appendix C of the Draft Charging Schedule (WBC/CIL/001). Any Section 106 Agreement will be required to comply with the requirements of Regulation 122 of the CIL Regulations (as amended).
- 3.15 Affordable Housing will continue to be secured under Section 106 Agreement in accordance with the Regulations. The viability study builds in the cost of meeting the Affordable Housing requirement of the Core Strategy. The level at which the proposed charging rates are set allows flexibility and scope for the Affordable Housing requirements of the Core Strategy to be delivered.

- 3.16 CIL will be a mandatory fixed levy. However, an open book approach to viability will apply in negotiating Section 106 Agreements, as is operated currently.
- 3.17 The above approach will help avoid double counting. The Council intends to prepare a guidance note after the adoption of the Charging Schedule to clarify this relationship.

**What would be the effect of the proposed CIL charging rates on the provision of affordable housing?**

- 3.18 Overall, the proposed CIL charging rates should not have any significant adverse impacts on Affordable Housing delivery across the Borough. The development appraisals for the CIL viability study assume the full cost of the Affordable Housing requirements of the Core Strategy. It also assumes that approximately 70% of the Affordable Housing provision will be in affordable rented tenure and 30% intermediate in the form of shared ownership utilising appropriate and deliberately cautious assumptions in determining the value of the Affordable Housing within the development scenarios tested – i.e. in generating the value of the Affordable Housing within a development appraisal. This is in line with the evidence in the Council's Strategic Housing Market Assessment. The study takes a cautious approach to the Affordable Rent Model in line with the Council's position on the matter. The findings of the viability study suggests that the introduction of the CIL charging rates should not put at risk the overall delivery of the Affordable Housing requirements of the Core Strategy.
- 3.19 It is also important to note that Affordable Housing is exempt from the CIL charge in accordance with the Planning Act and the Regulations.
- 3.20 On a limited number of cases there might be a need for site specific requirements and mitigation measures to be secured under Section 106 Agreement to make an Affordable Housing scheme acceptable in planning terms. This will be negotiated in accordance with the terms set out in the Council's response to the relationship between CIL and Section 106 undertakings above.
- 3.21 Affordable Housing provision is a priority of the Council. Given that the Council carried out a viability assessment to justify the Affordable Housing requirements of the Core Strategy and the proposed charging rates takes full account of the cost of meeting the requirements, the Council will resist any request to negotiate down the Affordable Housing requirements of the Core Strategy unless a case based on viability evidence is satisfactorily made. This would be the case with or without the introduction of the CIL. Between 2010 and 2014, 1,263 dwellings have been permitted. Of this, 331 Affordable Housing units have been permitted. This is 26% of the overall provision. This does not include the total amount of financial contributions secured towards Affordable Housing contributions. Since the adoption of the Core Strategy the Council is broadly meeting its Affordable Housing requirement and is committed to ensure that this continues.

**Should relief be offered if delivery of the Core strategy is threatened by the level of CIL being charged?**

- 3.22 The Council's viability evidence suggests that the imposition of the proposed CIL charging rates will not put at risk the overall delivery of the Core Strategy and consequently there will not be a need to grant any relief beyond the mandatory relief specified by the Planning Act and the CIL Regulations (as amended). The reasons why this is expected to be the case is fully covered in the Council's response to Issue 3: *how would the rates proposed in the Charging Schedule impact on the economic viability of development across the Council's area*. Nevertheless, if the delivery of the Core Strategy is threatened by the level of CIL being charged, the Draft Charging Schedule (WBC/CIL/001) has an inbuilt mechanism for monitoring and review. Paragraph 5.16 to 5.19 comprehensively addresses this matter. In summary, as a minimum, the Council is committed to review the CIL Charging Schedule every five years. It has also set out some indicators that could trigger a review in advance of the five years. If the monitoring of the indicators indicates a need for a review in advance of the five year period, the Council will take appropriate steps to review the Charging Schedule to reflect up-to-date information at the time.
- 3.23 The Council will offer discretionary relief if there is clear monitoring evidence over time that the viability of a particular Use Class or development in a particular area is threatened by the level of the CIL levy being charged. In offering a relief care will be taken to ensure that the State Aid rules are not breached.
- 3.24 The relief might be in the form of a reduction of the charging rates or by exempting the type of development from the CIL charge. In any case, the decision will be informed by a revised viability assessment taken into account up-to-date information at the time.

**Is there an appropriate mechanism for reviewing the viability evidence from time to time? Should reviews be carried out more frequently than every five years?**

- 3.25 Yes. There is an appropriate mechanism for reviewing the viability evidence from time to time. Paragraphs 5.16 to 5.19 of the Draft Charging schedule sets out how the Charging Schedule will be monitored and reviewed, including the review of the viability evidence. The Council is satisfied five years is a reasonable period for reviewing the Charging schedule. However, the approach to monitoring and review allows scope for an earlier review if monitoring evidence indicates that a set of indicators are not being met. The Council considers this approach reasonable. There is the danger that a formalised shorter review period that is not linked to monitoring evidence could leave the Council in a constant cycle of continuous review of the Charging Schedule without achieving any specific objective.

## **ISSUE 4 – ANY OTHER MATTERS**

### **Appropriateness of the Regulation 123 list**

- 4.0 The Regulation 123 list reflects the infrastructure needs identified in the IDP and the Schedule of Infrastructure Delivery Requirements to support the delivery of the Core Strategy. The IDP and the Schedule of Infrastructure Delivery Requirements have been examined at the Core Strategy Examination and found to be robust. The list is informed by up-to-date information from the relevant infrastructure providers such as the County Council. This information includes specific infrastructure schemes, the indicative start date of their delivery, estimated cost and money that could be secured from other sources. Only four key infrastructure items have been identified for the purposes of the Regulation 123 list. However, they reflect the type of infrastructure considered critical to enable the delivery of the Core Strategy. Focusing on the four key infrastructure items does not imply that the other infrastructure needs will be entirely ignored. The Council will continue to explore other sources of funding towards their delivery. On this basis, the Council is satisfied that the Regulation 123 list is appropriate.

### **Should the Schedule include provision for instalments as proposed? Is the instalment scheme proposed appropriate?**

- 4.1 It will be inappropriate to include the instalment policy in the final Charging Schedule itself. It will be published as a separate policy to guide the payment of CIL liability. This approach is in accordance with Regulations 69B of the CIL Regulations.
- 4.2 The Council has exercised its discretion to allow payment by instalment to help with the cash flow of developers and the viability of their schemes. The instalment policy includes the number of payments and the amount and time that the payment is due. There is no prescribed guidance about how an instalment policy should be set. The Council has applied a test of reasonableness and pragmatism based on historical information on planning obligations, type of schemes that are likely to come forward and the need to align infrastructure provision to development in deciding the terms of the instalment policy. The Council has also looked at instalment policies that are being operated elsewhere by other Charging Authorities. On balance, the Council is satisfied that the instalment scheme is appropriate. This will be regularly monitored as part of the Annual Monitoring Report. If a review is justified by the monitoring information, the Council will act accordingly.

### **Should the Charging Schedule be extended to include other forms of development?**

- 4.3 No. The Charging Schedule should not be extended to include any other form of development that cannot be justified by evidence of viability. The viability study has assessed development sites that are likely to come forward to deliver the broad range of development proposals identified in the Core Strategy. The evidence suggests that only residential and retail development will achieve positive viability with the imposition of a CIL levy. An extension to include other forms of development would not be justified and could put at risk the overall delivery of the Core Strategy.

