



Purbeck Community Infrastructure Levy Charging Schedule

Examination

Statement on behalf of Purbeck District Council

Hearing date: Tuesday 8 October 2013 – 10:20am

Issue 1 – Justification/Balance/Viability

- 1.1 Is the schedule justified by appropriate available evidence, having regard to national guidance, e.g. the NPPF (the Framework) or in the local economic context and infrastructure needs, including in relation to the Purbeck Local Plan and the Purbeck Infrastructure Plan and Delivery Schedule 2006-2027?
- 1.2 Overall, does it strike the right balance between helping to fund the new infrastructure required and the potential effects on economic viability of development across the borough?
- 1.3 In terms of the overall costs of a scheme, broadly what would be the impact of Community Infrastructure Levy (CIL) in percentage terms for the various land uses?
- 1.4 What is the justification for identifying different rates in different geographical areas of the District, and is the Council confident that the boundaries of these areas are appropriately and unambiguously drawn?
- 1.5 What is the current gap between the cost of the planned infrastructure and the likely level of resources other than CIL? What proportion of this gap would be filled by CIL?

Introduction

1. This statement considers all the issues within Matter 1

Statements of Common Ground

2. No Statements of Common Ground have been submitted in relation to this Matter.

Council response

3. Each issue raised by the Inspector is considered in turn below:

1.1 Is the schedule justified by appropriate available evidence, having regard to national guidance, e.g. the NPPF (the Framework) or in the local economic context and infrastructure needs, including in relation to the Purbeck Local Plan and the Purbeck Infrastructure Plan and Delivery Schedule 2006-2027?

4. The evidence base that supports the CIL charging schedule SD01 (the schedule) was prepared and tested as part of Purbeck Local Plan Part 1- Planning Purbeck's Future (adopted November 2012) (PLP1) (CD13). CIL is consistent with the PLP1 requirements and will replace PLP1 Policy DEV: Development Contributions, except for affordable housing contributions.
5. The Council prepared a series of viability assessments (CD35, CD36 and CD37) to set the PLP1 affordable housing policy, which included in the testing a nominal amount for future CIL. The Council then commissioned a further viability assessment (CD33) to recommend CIL charging rates. The Council also prepared the Infrastructure Plan and Delivery Schedule 2006-2027 (CD10) alongside PLP1 which includes all of the known infrastructure requirements to meet the growth set out in PLP1. The Council updated it in 2013 and it identifies a significant gap in funding.
6. The Council is confident that the charging rates are fully supported by up to date evidence that should provide a competitive return to landowners and developers to bring development forward, and to town and parish councils who will receive a meaningful proportion for development in their parish. The monies secured will be used to deliver crucial infrastructure to support the growth set out in PLP1.

1.2 Overall, does it strike the right balance between helping to fund the new infrastructure required and the potential effects on economic viability of development across the borough?

7. The Council aims to strike an even balance between competing demands on scheme and site viability. It recognises that in some extraordinary instances affordable housing will need to be negotiated. In some instances, this may need to be done to deliver the CIL. In common with most local authorities, and predictably, CIL income falls short of what is required to meet the gap in infrastructure funding.
8. The Infrastructure Plan sets out a total known requirement of £30.5M. Ideally, the Council would meet this entire infrastructure from other funding mechanisms; however there is approximately a £25.5M shortfall. CIL is only expected to contribute to around £6.1M to this shortfall (22%). This means the Council has to prioritise infrastructure spending. Importantly, this CIL will satisfy the essential infrastructure requirement of providing heathland mitigation

(to enable housing development to take place) and a proportion of transport infrastructure requirements. The Council will have to work with service providers to find alternative ways of funding the other essential infrastructure including transport and education.

9. The Council's affordable housing viability studies and the CIL viability study have been undertaken during different parts of the economic cycle (2008, 2010 and 2012). House prices in Purbeck have remained stable across most of the District over the last 5 years. Similarly there is less than a 1% vacancy rates for retail units in Wareham and Swanage town centres. These trends are unlikely to change during the plan period. There are no signs that the UK economic recession has had a negative impact on the majority of land values in Purbeck.
10. The Council recognises the current viability challenges in the Upton and Purbeck Rural Centre submarkets, as a result of the analysis by Andrew Golland Associates. Viability here is less strong than elsewhere in the District and that is why Andrew Golland Associates recommended lowering the CIL rate to £30 for residential development as set out in the Statement of Modifications (SD04).
11. It is important to ensure that new housing development in these lower value sub-markets pays CIL to cover its heathland mitigation. It is also important to remember that affordable housing is not liable to a CIL levy, but still has to be mitigated for.

1.3 In terms of the overall costs of a scheme, broadly what would be the impact of CIL in percentage terms for the various land uses?

12. Land owners will generally think 'upwards' in terms of the percentage increase from existing use value, and not 'downwards' from the residual value. Therefore not too much weight should be placed on these numbers, which range from 7% to 26% of residual value:
13. Using a residential scheme of 35 dwelling per hectare site with 3 bed semi-detached houses of 80sqm, using residual values from the table in 4.15 of The Community Infrastructure Levy and Development Viability Assessment report (CD33), the impact of CIL on residential development schemes are as follows.

Formula:

$$\frac{\text{CIL for 80 sqm} \times \text{number of market houses}^*}{\text{residual value after affordable housing of 40\% or 50\%}}$$

The Coast (CIL Rate £180 sqm)

£14,400 x 17 = 244,800 / 1,680,000 (residual value after affordable housing of 50%) = 15%

Swanage (CIL Rate £180 sqm)

£14,400 x 17 = 244,800 / 1,350,000 (residual value after affordable housing of 50%) = 18%

Wareham (CIL Rate £100 sqm)

£8000 x 21 = £168,000 / 1,040,000 (residual value after affordable housing of 40%) = 16%

Purbeck Rural Fringe (CIL Rate £100 sqm)

£8000 x 21 = £168,000/ 1,390,000 (residual value after affordable housing of 40%) = 12%

Purbeck Rural Centre (CIL Rate £30 sqm)

£2,400 x 21 = £50,400/ 500,000 (residual value after affordable housing of 40%) = 7%

Upton (CIL Rate £30 sqm)

£2,400 x 21 = £50,400/ 190,000 (residual value after affordable housing of 40%) = 26%

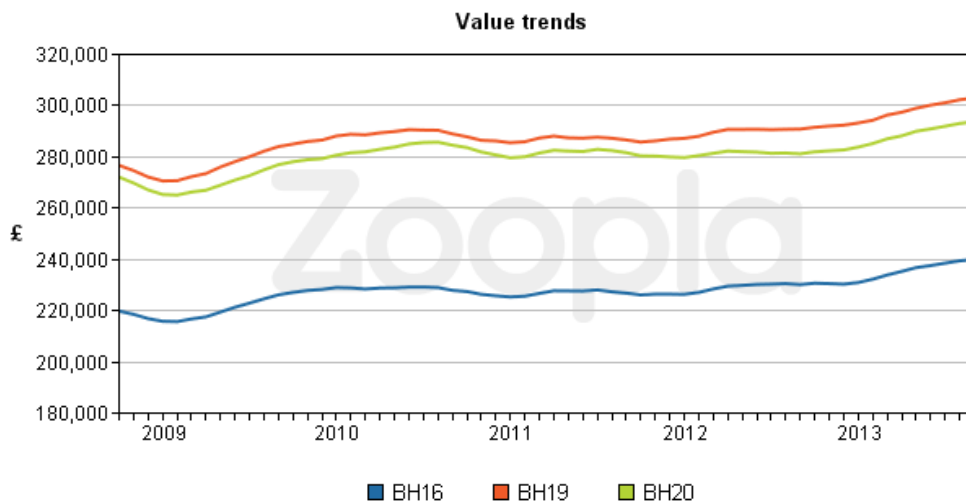
*Proportion of market housing differs depending on whether 40% or 50% site at 35dph

1.4 What is the justification for identifying different rates in different geographical areas of the District, and is the Council confident that the boundaries of these areas are appropriately and unambiguously drawn?

14. Variation in house prices has a significant impact on development economics and the impact of affordable housing on scheme viability. The Council’s Affordable Housing Viability Study (AHVS), completed in August 2008 (CD 37) and updated in November 2010 (CD36), carried out to inform the Affordable Housing Policy, undertook a broad analysis of house prices in Purbeck using HM Land Registry data to identify the sub-markets across the district. The house prices which relate to the sub markets provide the basis for a set of indicative new build values. When developing CIL rates we have taken a consistent approach to the determination of sub market areas in line with that report.

15. There will always be issues when drawing boundaries to define sub markets. The Council works with postcode sectors as the building blocks. Other units of assessment could have been chosen. Other studies work for example with wards or enumeration districts. The postcode sectors approach has been chosen as it disaggregates logically from HM land Registry data. People also associate with postcodes (although we accept that this happens to a greater or lesser extent depending on location). The sub markets have been subjected to two workshop discussions without objection.

16. The chart below illustrates the general variation in sales prices across the district.



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1.5 What is the current gap between the cost of the planned infrastructure and the likely level of resources other than CIL? What proportion of this gap would be filled by CIL?

17. The current gap between the known cost of planned infrastructure and other funding is £25.5M. The table below sets out the calculations:

Infrastructure	Total Cost	Other funding		Gap
		Past unspent S106 contributions	Possible funding	
Transport	£19,700,000	£760,276 £659,058 (Wool) £198,290 (2 mineral sites) Total= £1,617,624	£1, 970,000 funded by LTP £500,000 DCC transport budget	£15,612,376
Education	£3,200,000		DCC, Dept Education	£3,200,000
Policing	£240,787		?	£240,787
Libraries	£42,525		?	£42,525
Heathland	£1,700,000	£198,930 unspent development contributions		£1,700,000
Allotments	£120,000		Settlement extension S106 prior to CIL External funding	£120,000
Play area	£964,000		Settlement extension S106 prior to CIL External funding	£964,000
Sports & Rec	£2,860,000		Sport England/ Football Foundation Other external funding	£2,860,000
R O W	£45,000		DCC/ other external funding	£45,000
NIA	£1,585,814	£722,200		£722,200
Total	30,458,126	2,538,754	2,470,000	25,449,372

18. The Council estimates it will receive £6.1M from CIL by 2027. This only accounts for 22% of the gap in the provision of infrastructure.

19. The Council’s priorities for spending of CIL monies are set out in the Regulation 123 list (SD06). We do not yet know how the Council will secure monies to fund infrastructure, not in the Regulation 123 list.

Suggested changes for the Examiner to consider

20. None.