

**Warwick District Council Response to Inspectors Issues and Questions**

<b>Regulatory and Other Matters</b>
<p><b>a) Has the Council used appropriate evidence to inform the draft charging schedule?</b></p> <p>1. The Council's Charging Schedule is informed by the following evidence base documents:</p> <ul style="list-style-type: none"><li>a. Viability<ul style="list-style-type: none"><li>i. CIL7 – CIL Viability Study Update (Nov 2016)</li><li>ii. CIL8 – Local Plan Additional Sites Viability Assessment (Nov 2015)</li><li>iii. CIL9 – CIL Viability Addendum (Nov 2014)</li><li>iv. CIL10 - Viability Study (June 2013)</li></ul></li><li>b. Infrastructure Needs and Funding Gap<ul style="list-style-type: none"><li>i. CIL11 – Infrastructure Delivery Plan (April 2017)</li><li>ii. CIL11b – Revised Infrastructure Delivery Plan (May 2017)</li><li>iii. PC1B – Funding Gap letter to M J Hetherington</li><li>iv. CIL12 – Draft Regulation 123 List</li></ul></li></ul> <p>2. Together these documents provide the evidence to justify the funding gap and the Council's approach to the CIL charging rates and zones set out in the Statement of Modifications and Amended Zoning Map</p>
<p><b>b) Can the Council confirm that the evidence shows that the proposed rates would not put at risk the delivery of relevant plans?</b></p> <p>3. The proposed CIL charging rates set would not put the delivery of the Local Plan at risk, as evidenced by the CIL viability studies detail in 1a above. See responses to Issues 2 and 3 below for further detail.</p>
<p><b>c) Can the Council confirm that the schedule has been prepared in accordance with</b></p> <ul style="list-style-type: none"><li>a. <b>The statutory procedures in the Planning Act 2008 and the CIL Regulations 2010</b></li><li>b. <b>The consultation procedures as set out in the Regulations</b></li></ul>
<p>4. The schedule has been prepared in accordance with the Planning Act 2008 and the CIL Regulations 2010 (as amended). All consultation procedures set out in the CIL regulations have been followed:</p> <ul style="list-style-type: none"><li>a. Regulation 15: consultation on Preliminary Draft Charging Schedule (14<sup>th</sup> June to 29<sup>th</sup> July 2013)</li><li>b. Regulation 16: publication of the draft charging schedule 16<sup>th</sup> January 2017 to 20<sup>th</sup> February 2017) (NB this superseded an earlier Regulation 16 Consultation undertaken between 6<sup>th</sup> March 2015 and 10<sup>th</sup> April 2015). The statement of representations procedure required by Regulation 16(2) is set out in the Draft Charging Schedule Response Form 2017</li></ul>

**Warwick District Council Response to Inspectors Issues and Questions**

<b>ISSUE 1: Is the Charging Schedule supported by background documents containing appropriate available evidence?</b>
<b>Infrastructure Planning Evidence</b>
<b>1.1 Is the schedule of infrastructure in the draft Reg 123 list based on and consistent with, the emerging Local Plan and an up to date IDP?</b>
<ol style="list-style-type: none"> <li>1. The emerging Local Plan includes allocations for housing, employment and retail. There are significant infrastructure requirements associated with these allocations. These infrastructure requirements are based on evidence, such as transport studies, green infrastructure studies, evidence of health provision and needs, playing pitch studies, sports facilities studies, education requirements (pupil numbers) and a range of other data and information provided by infrastructure providers. The requirements have been tested through the Local Plan examination on a site by site basis and holistically. The Examination in Public considered all the Local Plan allocations for deliverability and viability including understanding the infrastructure requirements and costs associated with each site. The Examination in Public also included a dedicated session looking at transport infrastructure across the whole District and a further session considering other infrastructure requirements holistically.</li> <li>2. Alongside the Local Plan, the Council has prepared an Infrastructure Delivery Plan (IDP). The IDP reflects the scale, distribution and type of development set out in the Local Plan. The IDP has evolved throughout the Plan-making process and will continue to evolve as infrastructure requirements, costs and funding are clarified. The most recent version of the IDP is CIL11b. The IDP is based on a robust evidence base as set out in para 1 above.</li> <li>3. The schedule of infrastructure set out in the draft Regulation 123 list aligns directly with the Infrastructure Delivery Plan. All the infrastructure itemised in the Regulation 123 list is also identified within the IDP. The Council has considered carefully which infrastructure items are most appropriately included within the Regulation 123 list to ensure CIL can directly support the infrastructure needs associated with the developments proposed in the emerging Local Plan alongside other sources of funding.</li> </ol>
<b>1.2 Does the emerging Plan provide a sufficiently stable basis upon which to assess the scale, distribution and type of development that is likely to come forward</b>
<ol style="list-style-type: none"> <li>4. In line with paragraph 216 of the NPPF, the emerging Local Plan can be given considerable weight. The Plan has been submitted and has been subject to detailed hearings between September and December 2016. As set out in the Council's letter to the Examiner dated 11<sup>th</sup> May 2017 (PC1A), the Local Plan Inspector has written to the Council indicating that, subject to Main Modifications being made, the Plan can be made sound. The Inspector has also specified the Main Modifications he considers are necessary to achieve this. As a result, the Council has undertaken a consultation on a schedule of Main Modifications (CIL19). This consultation closed on 5<sup>th</sup> May 2017. The Inspector has now had time to consider the representations made and informally has indicated that although there may need to be further slight amendments, there is unlikely to be a need for further consultation and there is no requirement to reopen the hearings. So although the Inspector's report is still awaited and the Plan has not yet been adopted, the emerging Plan does provide a stable and robust basis</li> </ol>

<p>to assess the scale, distribution and type of development that is likely to come forward.</p> <p>5. As set out in paras 2 and 3 above, the Council has prepared an Infrastructure Delivery Plan (IDP), alongside the Local Plan. The IDP reflects the scale, distribution and type of development set out in the Local Plan (as modified by the 2017 Schedule of Modifications). The IDP has evolved throughout the Plan-making process (including taking account of the Main Modifications and will continue to evolve as infrastructure requirements, costs and funding are clarified. The most recent version of the IDP is CIL11b.</p>
<p><b>1.3 Has a funding gap been robustly demonstrated?</b></p>
<p>6. The Council wrote to the Examiner on 17<sup>th</sup> May to provide further information regarding the funding gap. This letter has been published as PC1B. The funding gap set out in the letter is based on the Infrastructure Delivery Plan (IDP).</p>
<p><b>a) Is it clear what time period has been used to assess infrastructure needs?</b></p>
<p>7. The IDP sets out the infrastructure projects needed to support the delivery of the emerging Local Plan. The Plan period for emerging Local Plan is 2011 to 2029 and all iterations of the IDP use the same period to consider infrastructure requirements and costs. The time period has been used to assess infrastructure needs is therefore 2011 to 2029.</p> <p>8. This is explained in para 1.1 of the IDP (CIL11 – Part 1).</p>
<p><b>b) Is it clear what the total infrastructure costs will be during that period?</b></p>
<p>9. The Council’s letter to the Examiner on 17<sup>th</sup> May 2017 (PC1B) explains that the total infrastructure costs between 2011 and 2029 are estimated to £315,015,000. This is taken directly from the IDP (CIL11b) and is the total of the estimated costs of all infrastructure set out in the IDP. As explained in PC1B (para 6) there are a number of infrastructure projects where the costs are still to be identified, notably the provision of a secondary school at Kings Hill (ref E7 in the IDP) and secondary school south of Warwick (Ref E4 in the IDP). Whilst these are expected to be significant costs, it is also anticipated that part of the build costs will be met through central government funding for new schools (currently Free Schools) and/or through onsite provision in addition to developer contributions.</p> <p>10. It is important to understand that many of the infrastructure costs are estimates. The Council has worked with infrastructure providers to specify and cost out those elements that are required earlier in the Plan period. In general, the costings associated with infrastructure required within the next 5 years is well defined (albeit still subject to potential changes) whilst the costs associated with elements required later in the plan period are less well defined as the specifications are not so well advanced. The total costs of infrastructure are therefore inevitably estimates and are likely to change as the IDP evolves. This is explained paras 4.2 and 4.3 of CIL11 – Part 1.</p>
<p><b>c) Has an assessment been made of the likely contribution of other funding sources towards those costs?</b></p>
<p>11. Yes. Based on the IDP, the Council’s letter to the Examiner on 17<sup>th</sup> May 2017 (PC1B) sets out estimated yield from all sources of funding at paragraph 5.</p> <p>12. The IDP sets out the potential contribution “other sources of funding” are likely to play. It shows other sources that are committed or potential. Committed funding from other sources totals over £58m and it is estimated that there is potential for at least a further £35.3m for other sources of funding.</p>

13. In addition, the IDP estimates that Section 106 contributions will total £92.3m and Section 278 contributions will total £25.76m between 2011 and 2029, with a significant proportion of this already agreed. These estimates are on the conservative side, given that significant Section 106 contributions have already been agreed (see para 3.5 of CIL11) and that the viability evidence suggests that Section 106 contributions of £13,000 per dwelling on strategic sites (in addition to the CIL contributions) would not threaten development viability across the District.

**d) What is the resulting funding gap?**

14. As set out in PC1B the resulting funding gap is at least £60,950,000, but depending on opportunities to exploit other sources of funding may be as high at £102,923,000. These figures are based on the IDP which shows infrastructure costs and the estimated yield from various sources of funding. Paragraphs 6 to 10 of PC1B explain how the costs and funding set out in the IDP should be interpreted to arrive at this funding gap estimate.

**Warwick District Council Response to Inspectors Issues and Questions**

**ISSUE 2: Are the charging rates informed by and consistent with the evidence?**

**General**

**2.1 In general terms, is the definition of the charging areas robustly supported by economic viability evidence? Has sufficiently fine grained sampling of development sites taken place? Has a sufficient amount of market and sensitivity testing taken place?**

1. As set out in viability studies – see Section 4 of the Viability Study 2016 Update (CIL7) and Section 4 of the Viability Study 2013 (CIL10) - the Council has considered the viability of 9 ‘hypothetical’ development scenarios, ranging in size from 4 units to 100 units at a range of densities. Clearly there will be developments coming forward that will not precisely mirror these 9 typologies, but this is simply a question of scaling up or down the costs of development. It is unlikely that developments which vary in size would have significantly different characteristics that would warrant testing them as separate typologies.
2. The 9 typologies are tested with values reflective of market conditions in five value areas, as set out paragraph 4.3 of the Viability Study 2013 (CIL10). The five value areas are derived from actual sales values of properties from across the District. This results in 45 development scenarios, which provides sufficiently fine grain analysis.
3. The Viability Study 2013 (CIL10) also reflects a further 5 typologies which are based on identified strategic sites (See Fig 4.18.2 of CIL10 and also Table 5.2.1 of CIL7). These strategic sites are not simply tested in the areas they are actually located in, but also in other areas to consider the impact of differentials in sales values. The strategic site testing therefore includes 25 development scenarios. Taking the strategic and non-strategic sites together, the viability studies test 70 development scenarios.
4. The 70 development scenarios are then tested using four benchmark land values, generating a total of 280 results. Each scenario is also tested with alternative affordable housing levels (0% to 40% in 10% increments), which results in 1,400 scenarios considered as part of the evidence base.

**2.2 What is the rationale behind having two charging areas (Zones B&D within the same charging rates)?**

5. The Council’s letter to the Examiner dated 11<sup>th</sup> May 2017 (PC1A) explains at paragraph 7 that in the viability studies undertaken before 2016 (see CIL9 and CIL10) indicated the differential rates between rural areas (Zone D) and the majority of Leamington Spa (Zone B) would be appropriate. The Council’s Preliminary Draft Charging Schedule and initial Draft Charging Schedule (published in 2015) therefore showed separate zones for these areas with separate charging rates.
6. The Updated Viability Study undertaken in 2016 (CIL7) showed that the differentiation between these two areas had narrowed and that differential rates were no longer justified. On the basis of this evidence, the charging schedule was modified so that the two zones had identical rates. However, it was decided that for transparency and consistency with earlier iterations, the two should continue to be shown separately so that changes could be traced back. In the future the Council would not object to the two zones being combined if that was felt to be appropriate.

**2.3 Are the differential charging rates soundly based on evidence of differential values in the**

<p><b>identified charging areas?</b></p> <p>7. As noted in Section 4 of the viability studies (see Table 4.4.3 of the 2016 Update – CIL7), sales values vary across the District, resulting in differences in viability and capacity for developments to absorb varying rates of CIL. These variations are reflected in zones set out in the outcomes in Section 6 of the Viability Study 2016 Update (CIL7).</p> <p>8. Most of Leamington Spa can be categorised with the high value rural area, as the viability outcomes (in terms of maximum rates) are similar (see tables 6.7.1 to 6.7.7 of the Viability Study 2016 Update (CIL7)). The outcomes in Kenilworth are different from those in other settlements and this area has therefore formed its own zone. The same logic applies to the remaining areas of Warwick, East of Leamington and the lower value rural areas.</p> <p>9. The strategic sites are tested separately and have their own rates. These rates are based on the evidence set out in paragraphs 6.10 to 6.15 and tables 6.10.1 to 6.10.5 of the Viability Study 2016 Update (CIL7).</p> <p>10. In arriving at CIL rates for each zone, the Council has sought to appropriately balance the need to ensure that funding for essential supporting infrastructure is maximised, while also ensuring that, as far as possible, the ability of sites to meet the Council’s affordable housing target is maintained.</p>
<p><b>2.4 Is the proposed transfer of area of land from Zone A to Zone D justified by the viability evidence?</b></p> <p>11. Although Hampton Magna lies just to the south of Warwick and was initially included within the ‘lower value rural zone’, the Council has reconsidered this initial decision in light of representations from the Parish Council. Unlike other parts of the area to the South of Warwick, this settlement is surrounded on all sides by greenbelt, which restricts development and has resulted in premium values being achieved whenever land is made available for development.</p> <p>12. There have been no new build developments of any significance in Hampton Magna recently, but second hand units have sold at up to £3,898 per sqm, which is closer to the values for ‘Most of Leamington Spa’ and ‘Rural areas – higher value’ than the other zones.</p>
<p><b>2.5 Is the introduction of nil charging rate for all other developments (as proposed in the Council’s suggested modifications) based on robust viability evidence?</b></p> <p>13. The Council’s letter to the Examiner dated 11<sup>th</sup> May 2017 (PC1A) explains at paragraph 5, that the most common types of development that take place across the District have been identified and assessed in the viability studies. Clearly it is not possible to assess all potential uses and where a use has not been assessed, the Council has taken the view that it would not be reasonable to make a CIL charge. In line with the PPG, the Council has sought to adopt a proportionate approach to its evidence base; significant resources would be required to test all potential uses that do not fall within the categories identified in the Charging Schedule. While some of these uses <i>may</i> potentially be able to make a contribution, the prospects of this actually yielding any income are slim given the limited volume of development involved. In this context, the purpose of the proposed modification was simply to clarify that all uses that have not been separately assessed and that are not specifically identified in the Charging Schedule are therefore nil rated.</p>
<p><b>Residential</b></p>
<p><b>2.6 Are the “Residential” and “Strategic Residential” types of development clearly defined and in</b></p>

<p><b>accordance with regulation 13(1)(a) of the CIL Regulations (as amended)? Should separate charging zones be identified for these development types?</b></p>
<p>14. Following submission, the Council put forward a Statement of Modifications which was subject to consultation between 19<sup>th</sup> May and 16<sup>th</sup> June 2017. This statement set out an amended format for the charging schedule. As set out in PC1A (para 6a) this revised format separately identifies 5 sites that are over 300 dwellings and are proposed for allocation within the Local Plan. This revised format is entirely consistent with the evidence provided in CIL7 and does not seek to change in the intention of the Draft Charging Schedule. It does however ensure that any doubts about compliance with Regulation 13(1)(a) are addressed.</p>
<p><b>2.7 Is the differential in charging rates between “Residential” and “Strategic Residential” types of development justified by a comparative assessment of their economic viability</b></p>
<p>15. In setting differential rates for non-strategic and strategic sites, the Council’s intention is to reflect the potentially higher Section 106 requirements on schemes of significant scale, where on-site infrastructure is likely to be required. As a consequence of these requirements, there will be less scope for these sites to make a contribution towards infrastructure through CIL. They will, of course, be making a contribution through on-site delivery, so the lower rate does not constitute favourable treatment, nor does it constitute state aid.</p> <p>16. In the Viability Study 2016 Update (CIL7), the differences in viability between non-strategic and strategic sites are reflected in the following factors:</p> <ul style="list-style-type: none"> <li>• Additional allowance for more extensive on-site infrastructure than normally allowed for (in addition to the 15% allowance for external works, which includes some infrastructure, an additional £12,000 per unit is included).</li> <li>• Additional costs of directly-related community infrastructure (for which the Viability Study (CIL7) allows £13,000 per unit in comparison to £1,500 for non-strategic sites).</li> <li>• Extended development programmes reflecting the rate at which new units can be absorbed by the market.</li> </ul>
<p><b>2.8 Are the assumptions underlying the 2016 Viability Study Update in respect of residential development suitably robust with regard to:</b></p>
<ul style="list-style-type: none"> <li>• <b>The allowance made for other infrastructure through s106 and s278 contributions?</b></li> </ul>
<p>17. Following the adoption of CIL, the Council considers that Section 106 requirements will be reduced. But, of course, requirements will vary between sites. The Viability Study 2016 Update (CIL7) incorporates a notional allowance of £1,500 per unit (all tenures) to account for these residual Section 106 requirements and S278 works. This is necessarily an estimate and the amounts actually sought may vary; indeed, on many sites the amounts sought will be lower.</p> <p>18. The approach to strategic sites (over 300 dwellings) is different from the smaller sites, as the developments on them are of sufficient scale to warrant directly-related community infrastructure without the need for pooling planning obligations. As a consequence, the Viability Study 2016 Update (CIL7) assumes a £13,000 per unit allowance for Section 106 requirements.</p>
<ul style="list-style-type: none"> <li>• <b>Benchmark land values?</b></li> </ul>
<p>19. The approach to benchmark land values is set out in paragraphs 3.6 to 3.13 and 4.30 to 4.39 of the Viability Study 2016 Update (CIL7).</p>

20. For previously developed land, the Study adopts a benchmark land value of £1.05 million, which is intended to reflect sites where the existing buildings have come to the end of their useful life and are therefore considered secondary. The owners of such sites could redevelop their sites for commercial use and the benchmark land value reflects this alternative to residential development.
21. The benchmark land value for greenfield sites provides a competitive return to landowners of between 11.36 and 16.81 times existing agricultural land values. This is a significant uplift and is a range that has been accepted widely elsewhere, including in areas where unit sales values are higher.
22. The Study sets out the reasons why market transactions are unreliable for the purposes of testing the viability of CIL. This is because land transactions often factor in expectations of growth in values, value engineering of costs, and reduced returns. If these transactions are then used as benchmarks to test appraisals that have been undertaken using present-day values, standard costs and standard levels of return, the outcome will inevitably be skewed.

• **The range of typologies that have been tested?**

23. As set out at paragraph 4.10 of Viability Study 2016 Update (CIL7), the Council and its advisors have identified a range of sites that reflect the types of development that are expected to come forward over the life of the Charging Schedule. These range from 4 houses to 75 houses and 100 flats, with a range of densities from 30 to 60 dwellings per hectare.
24. In addition, the Council has identified and tested specific strategic sites ranging in size from 319 units to 1,165 units and will collectively provide 2,849 residential units.
25. The Council considers that the Viability Study tests an extensive range of typologies, including strategic sites, which provides a robust evidence base for CIL rate setting purposes. See also the response to 2.1 above.

• **Unit sizes?**

26. The unit sizes in the Viability Study 2016 Update (CIL7) comply with the standards set out in the DCLG document 'Technical housing standards – nationally described space standard' (March 2015). The unit sizes are as follows:

	Flats				Houses		
	1 bed flat	2 bed flat	3 bed flat	4 bed flat	2 bed house	3 bed house	4 bed house
Private	50.0 sqm	65.0 sqm	85.0 sqm	105.0 sqm	75.0 sqm	105.0 sqm	130.0 sqm
Affordable	50.0 sqm	65.0 sqm	85.0 sqm	105.0 sqm	75.0 sqm	105.0 sqm	130.0 sqm

• **Build costs?**

27. As set out in paragraphs 4.12 to 4.15, the Viability Study 2016 Update (CIL7) adopts BCIS 'mean average' costs as follows: £1,127 per sqm for houses and £1,330 per sqm for flats. The BCIS data is attached as Appendix 1 of the Study, with the relevant costs highlighted in yellow.
28. In addition to these base costs, the Study adds the following additional costs to the base costs:
- 15% of base costs for external works and on-site infrastructure



<ul style="list-style-type: none"> <li>• 6% for sustainability. This exceeds likely actual costs following the review of standards which scrapped Code for Sustainable Homes level 4.</li> </ul> <p>29. After these additions, the costs are £1,369 per sqm for houses and £1,849 per sqm for flats.</p> <p>30. In addition, the appraisals incorporate a 5% allowance for contingencies.</p>
<ul style="list-style-type: none"> <li>• <b>Professional fees?</b></li> </ul> <p>31. The appraisals (se incorporate an allowance for professional fees equating to 10% of build costs for non-strategic sites and 12% for strategic sites, the latter recognising additional costs that may be incurred on such sites (e.g. promotion costs) – see paras 4.20 and 4.21 of Viability Study 2016 Update (CIL7).</p> <p>32. Both levels of fees are higher than typical levels actually incurred, with 6-8% being typical on sites where developers utilise standard house types. The higher level of fees than incurred on the ground is therefore a conservative assumption and as a result, the appraisals understate residual land values that are likely to be realised.</p>
<ul style="list-style-type: none"> <li>• <b>Abnormal costs?</b></li> </ul> <p>33. Developers often refer to ‘abnormal’ costs to include on-site infrastructure, utilities infrastructure and the like. A separate cost allowance (in addition to base build costs) is incorporated into the appraisals in the Viability Study 2016 Update (CIL7), to account for these costs.</p> <p>34. With regards to abnormal costs such as contamination or abnormal ground conditions, no allowance is included in the appraisals to address these items.</p> <p>35. The bulk of sites expected to come forward will be previously undeveloped, greenfield sites without encumbrances. For a very limited number of sites, exceptional costs may be an issue where they have been previously developed. Exceptional costs relate to works that are ‘atypical’, such as remediation of sites in former industrial use and that are over and above standard build costs. However, in the absence of detailed site investigations, it is not possible to provide a reliable estimate of what exceptional costs might be. Our analysis therefore excludes exceptional costs, as to apply a blanket allowance would generate misleading results. However, it should be noted that an ‘average’ level of costs for abnormal ground conditions and some other ‘abnormal’ costs is already reflected in BCIS data to a degree, as such costs are frequently encountered on sites that form the basis of the BCIS data sample.</p> <p>36. In the main, developers will reflect the impact of exceptional costs in their offers for land, so there would be a reduction in land value to compensate for these costs. Alternatively, landowners could remediate the sites at their own expense and would then secure a higher land value than would otherwise have been the case. Contamination and other similar abnormal costs are not simply absorbed by the developer.</p>
<ul style="list-style-type: none"> <li>• <b>Developer profit (including affordable housing)?</b></li> </ul> <p>37. The Viability Study 2016 Update (CIL7) (see paras 4.26 to 4.29) incorporates a profit of 20% on private housing GDV and 6% on affordable housing, in line with widely accepted levels of profit. These levels of profit have been used extensively elsewhere, both for the purposes of CIL and local plan viability testing and specific developments.</p> <p>38. The issue of profit and the approach adopted at appeals was considered by the Inspector at</p>

<p>the Holsworthy Show Ground appeal (APP/W1145/Q/13/2204429), where other appeal cases were considered. The Inspector concludes that a profit of 20% of GDV on the private housing and 6% on the affordable housing is acceptable and reflective of the respective risks of both tenures.</p>
<p><b>Retail</b></p>
<p><b>2.9 Are the “Retail - prime Leamington” and “Convenience based supermarkets, superstores and retail parks” types of development clearly defined and in accordance with regulation 13(1)(a) of the CIL Regulations (as amended)?</b></p>
<p>39. The Prime Leamington Zone is a zone specifically shown on CIL Zoning Maps. The Council therefore considers the approach to differential rates for this zone is compliant with regulation 13(1)(a) which allows for differential zones to be adopted, particularly as this is justified by the evidence in the Viability Study 2016 Update (CIL7) as summarised in paras 6.37 and 6.38.</p> <p>40. Distinctions between different <i>types</i> of retail have been widely accepted by other examiners, as it is possible to identify a clear difference in intended use (i.e. primarily the sale of foodstuffs). The Council would be happy to further define the intended use of such outlets by using definitions which have been accepted elsewhere:</p> <ul style="list-style-type: none"> <li>• Retail warehouses: are large stores specialising in the sale of household goods (such as carpets, furniture and electrical goods), DIY items and other ranges of goods, catering for mainly car-borne customers.</li> <li>• Superstores: are shopping destinations in their own right, selling mainly food or food and non-food goods, which must have a dedicated car park.</li> <li>• Retail Parks: new retail floorspace including retail floorspace extensions and additional floorspace created through the addition of mezzanine floors within existing out of town retail parks.</li> </ul>
<p><b>2.10 Should the “Retail – prime Leamington” charging rate be restricted to the prime retail area of Leamington Spa? If so, should a separate charging zone be identified?</b></p>
<p>41. Yes, this charging rate should be restricted to the prime retail area of Leamington Spa only. The Council’s letter to the Examiner dated 11<sup>th</sup> May 2017 (PC1A) explains at paragraph 6(b) that the Council accepts that the Charging Schedule as submitted (CIL1) is not clear in that it could be read that “Leamington-Prime Retail” applies to Zones B and D. Given the zones B and D relate to residential development rather the retail, the Council has proposed that the layout of Charging Schedule is amended, as shown in Appendix 1 of the Statement of Modifications (dated 19-5-17). This shows that retail development within the prime Leamington Zone will have a differential charge. The Council considers that this is consistent with the evidence base and does not change the intention of the Charging Schedule in any way. The Council has consulted on the area to be covered by the Leamington Prime Retail Zone during the Preliminary Draft Charging Schedule consultation in 2013 and during the Draft Charging Schedule consultation undertaken in 2017. The area of this zone has remained unchanged during that period. However, the Council has unintentionally omitted this map from the submission documents. It is therefore attached as appendix 1 to this response.</p> <p>42. A further clarification may also be necessary to say that in the event that a superstore is proposed in the Leamington prime retail area, then it would be charged at the higher supermarket rate.</p>
<p><b>2.11 In view of the evidence base, should a nil charging rate be set for retail development other</b></p>

**than the two development types listed on the charging schedule?**

43. The Council's intention is that all retail development other than those identified in the Draft Charging Schedule are to be nil rated. This is supported by the evidence in the Viability Study 2016 Update (CIL7) at paragraph 6.39, along with the detailed appraisals set out in Appendix 5 of the Study.

**2.12 Has the charging rate for "Convenience based supermarkets, superstores and retail parks" been adequately evidenced with regard to viability effects?**

44. The Viability Study 2016 Update (CIL7) considers the viability of these types of development as noted in Section 4 and Section 6. The Study tests these types of development with a range of rent levels and against a range of existing use values, with the results indicating that a CIL of between £151 and £345 per sqm being viable. The proposed rate of £105 per sqm is set at a significant discount to this range.

45. The proposed CIL accounts for a very modest proportion of overall development costs at 1.05%. Consequently, the Council considers that the viability effects of CIL at the proposed rate strike an appropriate balance between securing funds for infrastructure and the potential impact on development.

Appendix 1: Leamington Prime Retail Zone (see para 41)



**Preliminary Draft Charging Schedule - Leamington Prime Retail Zone**

Scale 0 20 40 60 80 100 m SP3165NE | 1:3000 @ A4 | 15/05/2013 | DSR | Grid Reference: 431819E, 265939N

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**Warwick District Council Response to Inspectors Issues and Questions**

**ISSUE 3: Would the proposed charging rates put the overall development of the area at risk?**

**3.1 Would the proposed charges amount to a reasonable proportion of the overall development costs of a scheme? Is there any evidence that they would suppress overall housing and retail development including the development of strategic sites?**

1. Firstly, it is important to consider that CIL will replace a part of the contributions towards infrastructure that are currently sought through Section 106 and the latter will be reduced after CIL has been adopted. CIL is consequently not an entirely new and additional burden on developments.
2. Secondly, CIL will account for a modest proportion of overall development costs, even if it is taken as an entirely additional burden (which as noted above, it is not):
  - Residential zones B & D: 4.8% of development costs
  - Residential Zone C: 4.0% of development costs
  - Residential Zone A: 2.3% of development costs
  - Strategic residential zones B & D: 1.4% of development costs
  - Strategic residential zone C: 0.7% of development costs
  - Prime retail: 0.57% of development costs
  - Superstores: 1.05% of development costs
  - Student housing: 0.12% of development costs
3. The proposed CIL are all within the 5% of development costs that other inspectors have accepted as a broad test of reasonableness. Furthermore, as noted previously, the Council is currently seeking contributions through Section 106 that will be scaled back following the adoption of CIL. The Council has ensured that the CIL liability is lower in areas where sales values are lower to reduce the risk to development, for instances CIL in Zone A will account for only 2.3% of development costs.

**3.2 Would the proposed charging rates for residential development threaten the achievement of the Local Plan's affordable housing targets?**

4. No. Policy H2 in the emerging Local Plan requires a minimum of 40% affordable housing to be provided on all sites of 10 or more dwellings. The level of affordable housing has been shown to be viable through the viability evidence base (CIL7, CIL8, CIL9 and CIL10). These studies all assume 40% affordable housing on sites of 10 or more dwellings and the CIL charging rates have therefore been set at a level which will not threaten the viability of the delivery of all the housing requirements, including affordable housing.
5. Policy H2 has been subject to scrutiny through the Local Plan Examination. As part of this, the Inspector asked the Council to demonstrate that the level of affordable housing was required and that it would be viable to deliver. Although the Local Plan Inspector's report has not yet been received, the Inspector has not indicated that the level of affordable housing it proposes should be subject to the Main Modifications consultation (see CIL19 and also Local Plan document EXAM183). This suggests that the Local Plan Inspector could well be satisfied that the proposed level of affordable housing is required and justified.
6. Notwithstanding the comments above, Policy H2 is intended to be operated flexibly and on a 'subject-to-viability' basis. The Council recognises that in some cases, it may need to strike a balance between securing affordable housing and raising funds for vital infrastructure that will support growth and benefit developments of new housing. It may, on occasion, be necessary for the Council to accept a modest reduction in affordable housing to

accommodate requirements for infrastructure funding. Such requirements are likely to be very modest, for instance in the highest charging zone, an adjustment in the tenure mix from 80% rented / 20% shared ownership to 65% rented / 35% shared ownership would enhance scheme value sufficiently to fully offset the impact of the CIL. This calculation disregards the fact that CIL will largely replace existing Section 106 requirements and is not wholly an 'additional burden' on developments.

**3.3 Would the proposed residential charging rates put the development of specialist housing for the elderly at risk? Have the effects on the viability of such developments been adequately assessed?**

7. Whilst older persons' housing does have some characteristics that differ from 'standard' residential products, there are counterbalancing factors that help to ensure that these developments remain viable.
8. The Council acknowledges that retirement living schemes typically provide more communal space that extends beyond the normal entrances and stair cores found in 'standard' flats. It is accepted that the cost of delivering this space is an additional cost in comparison to non-retirement schemes. It is also reported by some retirement housing providers that the rate of sale on such developments is slower in comparison to 'standard' housing schemes (although evidence on the ground tends to contradict this, with some schemes selling entirely off plan during the construction period).
9. On the flip-side to these factors, retirement schemes enjoy a number of benefits for the developers concerned:
  - The retirement housing industry acknowledges that their products secure premium values in comparison to 'standard' housing developments;
  - Higher site densities can be achieved as there are lower car parking requirements and reduced amenity space in comparison to the levels that would be needed for 'standard' developments.
  - In rural areas, some retirement schemes are built as houses rather than flats, so that overall the amount of communal space is similar to 'standard' flatted developments.
10. The Council therefore considers that these factors are likely to counter-balance one another and that the assumptions made regarding residential rates should equally apply to accommodation of older people. As noted above, the CIL will account for a modest proportion of overall development costs and the Council does not consider that CIL will adversely affect the delivery of housing for older people in the District.

**3.4 Overall, has an appropriate balance between helping to fund new infrastructure and the potential effect on economic viability been achieved?**

11. The Council considers that the proposed CIL charging rates will provide an important source of funding to enable the delivery of the infrastructure requirements set out in the IDP, without threatening the viability of development in the District.
12. The information provided above in response to Issue 1 shows that there is a substantial infrastructure funding gap which CIL can make an important contribution towards. At the same time the Council has carefully considered (through up to date viability evidence) the level at which CIL charges can be set without threatening viability of development across the

District. The level of charges proposed is sufficiently cautious to allow for some fluctuations in the market. It therefore provides a robust basis for CIL in the District and a reliable and flexible source of funding to deliver much needed infrastructure to support the significant level of development proposed in the emerging Local Plan.