

WINCHESTER CITY COUNCIL

## **COMMUNITY INFRASTRUCTURE LEVY**

**FURTHER INFORMATION BY THE EXAMINER – LEVEL OF  
DEVELOPMENT & S106 CONTRIBUTIONS**

SEPTEMBER 2013



## 1. Level/Type of CIL Contributing Development

The Inspector asked for a note on the level of housing development that is likely to contribute CIL, as well as the expected split between Winchester and the rural area and the type of sites expected. This section expands on the information provided by Mr Opacic at the Hearing, broken into relevant categories. This refers to a presentation to City Councillors in June 2013, the relevant slide from which is attached at Appendix A.

Since that presentation there has been on-going work on Local Plan Part 2 which has enabled the more detailed analysis below to be developed. The first part of the analysis below works back from the District target of 12,500 dwellings, to derive the total level of CIL-contributing development and the resulting expected CIL income (which is now slightly less than shown in the slide at Appendix A). An alternative analysis follows, based on a more detailed assessment of the levels of development expected in Winchester Town and the Market towns and Rural Area (CIL Zones 2 and 3). This results in a slightly higher estimate of CIL income than Appendix A.

In practice it is expected that actual completions will exceed 12,500 dwellings and that the estimated CIL contribution will be higher (see analysis below for Winchester Town and MTRA2 locations).

### District Housing Requirement Based Assessment

**District housing requirement** = 12,500 dwellings (Local Plan Part 1 Policy CP1)

**Exclude Strategic Allocations** = 8,000 dwellings. Strategic allocations are subject to a £0 CIL charge as their infrastructure requirements are/will be fully addressed through S106 obligations or other funding sources. They consist of:

- West of Waterlooville 2,500 dwellings – permitted and under construction (although the total development is about 3,000 dwellings, approximately 2,500 are in Winchester District with the remainder in Havant Borough);
- North Whiteley 3,500 dwellings – planning application expected late 2013;
- Winchester City North (Barton Farm) 2,000 dwellings – permitted.

**Exclude other non-CIL contributing development** (in Winchester Town and MTRA2 settlements) = approximately 2,055 dwellings. This category consists of the following:

- Completions from April 2011 to March 2013 (excluding strategic allocations, counted above) = 482
- Extant planning consents at April 2013 (excluding strategic allocations, counted above) = 1473
- Additional consents expected before implementation of CIL (April 2013 – March 2014) = 100?

**Exclude affordable housing** (40% of balance of 2,445) = 978

## **TOTAL ELIGIBLE CIL DWELLINGS = 1,467**

**Estimated average CIL contribution per dwelling** = £9,000, based on average dwelling size of 90 sqm x average CIL charge of £100/sqm (mid point between £120/sqm in Winchester and £80/sqm in rest of District).

**ESTIMATED TOTAL RESIDENTIAL CIL INCOME = £13.2m** (1,467 dwellings x £9,000 = £13,203,000)

### **Location Based Assessment**

With regard to the location and type of sites expected, substantial work has been undertaken on housing completions and consents to maintain an up to date evidence base for Local Plan Part 1 and the emerging Local Plan Part 2. This enables a reasoned analysis of the likely location and types of dwellings to be undertaken for CIL Zone 2 (Winchester Town) and Zone 3 (Market Towns and Rural Area), as follows:

#### **Winchester Town (CIL Zone 2)**

Local Plan Part 1 sets a target of 4,000 dwellings for Winchester town (policy CP1), of which 2,000 are now consented at Barton Farm (within CIL Zone 1, £0 charge). Of the remaining 2,000 dwellings some 105 were completed to April 2013 and a further 929 had planning consent at that time. Therefore it is clear that significantly more than 1,000 dwellings will have been completed or consented by the time CIL is introduced, leaving perhaps 900 dwellings as 'CIL-qualifying'. 40% of these will be affordable, leaving 540 dwellings that are likely to contribute CIL. These are likely to contribute an average of £10,800 per dwelling (£120/sqm x 90sqm average dwelling size = £10,800), totalling £5.8m for 540 dwellings (£10,800 x 540 = £5,832,000).

Of the approximately 540 dwellings which may contribute CIL, the vast majority are expected to be developed on sites within the existing settlement boundary. There is expected to be little or no need to allocate greenfield sites, although this conclusion is still subject to further studies, assessment and testing through the development of Local Plan Part 2.

Assessments of windfall provision undertaken for Local Plan Part 2 show that 57% of dwellings completed on windfall sites from 2007 to 2012 were on commercial sites or through change of use and 76% of extant consents are of this type. The Council does not, therefore, expect land currently in residential use to contribute significant future housing and does not place reliance on the delivery of such sites. Accordingly, future development in Winchester, whether from windfall sites or new allocations, is expected to be predominantly from commercial sites, car parks, etc rather than through greenfield sites or the redevelopment of housing or garden land.

#### **Market Towns and Rural Area (CIL Zone 3)**

Local Plan Part 1 sets a target of 2,500 dwellings for the Market Towns and Rural Area (policy CP1), of which some 138 were completed to April 2013 and a further 240 had planning consent at that time. Taking account of further

consents likely before the introduction of CIL, it is expected that about 450 dwellings will have been completed or consented by the time CIL is introduced, leaving perhaps 2050 dwellings as 'CIL-qualifying'. 40% of these will be affordable, leaving 1230 dwellings that are likely to contribute CIL. These are likely to contribute an average of £7,200 per dwelling (£80/sqm x 90sqm average dwelling size = £7,200), totalling £8.9m for 1230 dwellings (£7,200 x 1230 = £8,856,000).

Of the approximately 1230 dwellings which may contribute CIL, the vast majority (approximately 1,050 excluding affordable units) are expected to be developed on greenfield sites to be allocated through Local Plan Part 2, with only a limited contribution from SHLAA sites or windfall within existing settlement boundaries. However, this conclusion is still subject to further studies and assessment through the development of Local Plan Part 2.

It will be noted that the Residential Viability Report (CIL 5) assessed SHLAA sites within settlements and concluded that 'a small number of new development sites will arise on land that is currently in residential use' (CIL 5, page 18). Additionally, the Council does not expect to place any significant reliance on windfall sites in the rural settlements. Accordingly, future development in the Market Towns and Rural Area is expected to be predominantly from greenfield site allocations rather than through redevelopment of housing or garden land.

### **Non-Residential CIL Contributions**

No estimate has been made of the estimated receipts from the non-residential CIL charge, which is proposed for various retail uses and hotels. There are currently no proposals for large-scale retail or hotel development, although it is possible that allocations or consents may arise as Local Plan Part 2 is developed. However, these are currently so uncertain and irregular that no firm estimate can be made. Overall they may increase total CIL receipts from the £13 - £14m estimated above for residential to perhaps £17m over the remaining 17 years of the Plan period (2014 – 2031), averaging £1m per annum.

**TOTAL ESTIMATED CIL INCOME = £17m (£1m per annum average 2014 - 2031)**

## **2. Inclusion of S106 Allowance in Residential Viability Assessments**

The Inspector asked for an explanation of the inclusion of an allowance for S106 costs of £2,000 per dwelling. This section expands on the information provided by Mr Sinclair and Mr Opacic at the Hearing.

The Residential Viability Report of November 2012 (CIL 5) is a continuation of work by Adams Integra that has been on-going in relation to residential viability since August 2011 (and previously by other consultants). The previous Viability Report (March 2012) focused on assessing various affordable housing scenarios, whilst making realistic assumptions about CIL/S106 costs. This informed the Local Plan Part 1 and was tested at its examination. Following acceptance that a 40% affordable housing requirement was justified, and its inclusion in Local Plan Part 1, attention then turned to establishing the level of CIL that should be set having regard to the affordable housing and other policies of the Local Plan.

The March 2012 Viability Study had tested alternative types of affordable housing provision both with and without CIL, as the introduction of CIL was then some way off. The non-CIL scenarios adopted a £5,000 per dwelling S106 cost. This was based on typical tariff-type S106 requirements that applied at the time, which related mainly to open space provision and transport contributions.

When it came to testing what the CIL level should be, the work was refined and developed to form the Residential Viability Report (CIL 5). Rather than carrying forward the rather simplistic assumption that a development would contribute either CIL or S106 (but not both), the November 2012 report (CIL 5) tested various CIL levels and also the impact of possible additional S106 contributions. The report tested a range of assumptions in relation to site size, density, location, affordable housing provision, CIL level and S106 contributions. These resulted in a multitude of spreadsheets assessing the range of scenarios, as set out at Appendices 2 – 10 of CIL 5.

With regard to S106 costs, the scenario testing considered 2 options:- a zero S106 contribution (illustrated in Appendices 2 – 6) and a £2,000 per dwelling S106 contribution (illustrated in Appendices 7 – 10). Which scenario is most likely to apply will depend entirely on the circumstances of any particular planning application and it was not considered possible to model the full range of possible options or to draw firm conclusions about which S106 contribution would apply to particular developments.

However, in general terms, all current tariff-based S106 contributions will be replaced by CIL, so the S106 contribution of £5,000 per dwelling used in the March 2012 Viability Report would fall to zero. This is particularly likely to be the case in smaller developments, where physical works necessary to support the development (e.g. adjacent highway works or on-site open space provision) are less likely and CIL is expected to be the only contribution. These situations are most likely to equate to the zero S106 contribution

scenarios set out in Appendices 2 – 6 of CIL 5, although a S106 requirement cannot be ruled out for occasional smaller developments.

At the other end of the scale, larger developments are most likely to require works that will be secured by S106, as well as contributing CIL. These may include related off-site highway improvements, on-site open space maintenance sums, etc. Appendices 7 – 10 of CIL 5 use a £2,000 per dwelling sum to allow for these contributions, but there may be situations where no S106 contribution is needed, or indeed where the contribution averages a higher sum per dwelling.

Therefore, the use of a £2,000 per dwelling S106 contribution is not intended to be an exact evidence-based assessment of what the actual costs of S106 contributions will be, but a average factor (of either zero or £2,000 per dwelling) that is used for the purposes of modelling a range of scenarios. There will be situations in practice where the actual S106 contribution may be zero, or £2,000 per dwelling, or potentially more. What the modelling is intended to test is the level of CIL that is realistic in those scenarios most likely to apply.

The Council has submitted a document produced by Adams Integra providing additional information as requested by the Inspector relating to the residential CIL rate (document CIL 14). Tables are included within CIL 14 which look at the 'buffers' available under various scenarios. The opportunity has been taken to test a S106 contribution of £4,000 per dwelling to analyse the impact on viability and the 'buffer'. It can be seen that the impact on the available 'buffer' is very modest and, in practice, the purpose of the buffer is to cater for unforeseen circumstances, including abnormal levels of S106 that may be required for certain schemes. Clearly the Council does not want to include assumptions about S106 contributions that may lead to the perception that it is 'double-dipping'.

It will also be noted that the figure assumed for the S106 contribution forms a very small proportion of development costs. Therefore, even where the £2,000 per dwelling figure is doubled for the purposes of modelling, this only increases costs by around 1% (£14,000 for a 7 units scheme, or £100,000 for a 50 dwelling scenario). Accordingly, even if those objectors that suggest an assumption of £2,000 is too low are correct, a higher figure is unlikely to affect the overall conclusions, or the proposed CIL charges, as a considerable 'buffer' remains.

As confirmed by the Council's witnesses at the Hearing, it is recognised that circumstances may change and it is therefore likely that a review of the Charging Schedule may be needed in about 2-3 years' time. It is likely that this would be coordinated with the adoption of Local Plan Part 2 and take account of the detailed site allocations and development management policies that it will contain.

## How much will CIL produce?

CIL is not a goldmine – for example:

- Total housing in WCC 2011-2031 12,500
  - Exclude major developments (S106) - 8,000
  - Excl other pre-CIL compls/consents - 2,000+?
  - Excl 40% Affordable Housing - 1,000?
  - **Total** CIL-eligible dwellings =<1,500?
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- At say £9k per dwelling = £13.5m over 17yrs  
(£800,000 p.a. average)
  - Plus non-residential uses = £ modest