



The Planning  
Inspectorate

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# Report to Wycombe District Council

by Geoff Salter BA (Econ) MRTPI

an Examiner appointed by the Council

Date: 10 September 2012

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PLANNING ACT 2008 (AS AMENDED)

SECTION 212(2)

## REPORT ON THE EXAMINATION OF THE DRAFT WYCOMBE COMMUNITY INFRASTRUCTURE LEVY CHARGING SCHEDULE

Charging Schedule submitted for examination on 23 May 2012

Examination hearing held on 25 July 2012

File Ref: PINS/K0425/429/11

## Non Technical Summary

This report concludes that the Wycombe Community Infrastructure Levy Charging Schedule provides an appropriate basis for the collection of the levy in the District. The Council has sufficient evidence to support the schedule and can show that the levy is set at a level that will not put the overall development of the area at risk.

One modification is needed for the schedule to meet the statutory requirements. This can be summarised as follows:

- Add clarification to the definition of 'convenience based supermarkets' and 'retail warehousing' to ensure effectiveness.

This modification is based on matters discussed during the public hearing sessions and has been proposed by the Council. It does not alter the basis of the Council's overall approach or the appropriate balance achieved.

## Introduction

1. This report contains my assessment of the Wycombe District Community Infrastructure Levy (CIL) Charging Schedule in terms of Section 212 of the Planning Act 2008. It considers whether the schedule is compliant in legal terms and whether it is economically viable as well as reasonable, realistic and consistent with national guidance (Charge Setting and Charging Schedule Procedures – DCLG – March 2010). To comply with the relevant legislation the local charging authority has to submit a charging schedule which it considers achieves an appropriate balance between helping to fund necessary new infrastructure and the potential effects on the economic viability of development across the District.
2. The basis for the examination, which included one hearing session, is the submitted schedule of 23 May 2012. This is the same as the one published for public consultation in March 2012.
3. The Council propose a matrix of charges ranging from £125 to £200 per square metre (psm). Some types of development, including industry and offices, would be exempt from charge.

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

#### *Infrastructure planning evidence*

4. The Wycombe District Core Strategy (CS)<sup>1</sup>, adopted in 2008, sets out the broad land use strategy for the District. A key element of the CS is the housing target which itself is based on the figures contained in the South East Plan, which remains part of the Development Plan. The CS is due for review in

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<sup>1</sup> ED01

the next year or so but for the moment comprises the most up to date source of policy for potential new infrastructure requirements associated with housing growth and other development, including employment uses. These have been identified in the Infrastructure Delivery Plan (IDP)<sup>2</sup>, which takes account of more detailed information contained in the emerging Delivery and Site Allocations Plan<sup>3</sup>.

5. The projects contained in the IDP therefore represent an accurate, up to date assessment of a range of needs which have generally been informed by service providers. These requirements, such as transport projects, education and social infrastructure, public services and green infrastructure are necessary to support the development of the area. It is appropriate to include town centre projects necessary to support proposals in the emerging Delivery and Site Allocations Plan, which are also intended to provide economic and environmental benefits for the District as a whole.
6. The estimated cost of the IDP projects is about £175m. Within the IDP funding from a variety of existing sources of about £74m has been identified. This would leave a very substantial shortfall in infrastructure funding of about £100m. Based on past experience of contributions through Section 106 planning obligations and anticipated revenue from CIL of about £2-3m each year, overall funding from CIL up to 2026 would be in the order of £30m. It is difficult to foretell with any precision what might happen to funding programmes in the future, particularly in the current economic climate. However, given the size of the funding gap that has been predicted, there is no doubt that the level of income likely to be raised by the CIL would therefore make only a modest contribution towards filling the gap. The figures demonstrate the need to introduce the CIL.

#### *Economic viability evidence*

7. The Council commissioned a CIL Viability Report (VR)<sup>4</sup>, dated November 2011, which involved the collection of a wide range of data from well recognised information sources. Detailed 'desk' surveys were supplemented by site visits, interviews with local development industry practitioners and Council officers. The report has been supplemented by additional appraisals which were carried out in April 2012. The VR employed a residual valuation method, using standard assumptions for a range of factors such as building costs (including Code for Sustainable Homes requirements) based on the industry standard RICS Building Cost Information Service (BCIS). The VR used median BCIS values for Buckinghamshire plus an allowance for externals.
8. The VR also incorporated standard recognised assumptions for profit levels, finance costs, fees and developer's profit, none of which were fundamentally questioned by representors. It took account of variations in residential values across the District, using benchmarked sales values in sub market areas and other relevant local data on housing densities and unit mix. The study is relatively up to date, was the subject of further research by the Council up to

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<sup>2</sup> ED04

<sup>3</sup> ED02

<sup>4</sup> ED05

April 2012 and was supplemented by oral evidence at the hearing that there had been limited changes in costs or values locally over the last few months.

9. The VR tested the viability of CIL levels ranging from £0 to £250 psm on residential development at various densities taking account of affordable housing provision at 0%, 30% and 40%. It also tested a range of retail and office schemes, in and out of town centres, industry/warehousing, a hotel, community and leisure uses and a residential institution.
10. In response to the concerns of some housebuilder representors, the authors of the VR prepared a further appraisal of a hypothetical large scale site for 400 dwellings with varying levels of affordable housing in two of the 'value areas' identified in the original report. This addendum to the VR used similar assumptions and cost data to the original report and included a sum for site specific Section 106 costs. I discuss the results below.

#### *Conclusion on the available evidence*

11. The draft Charging Schedule is supported by detailed evidence of community infrastructure needs and a funding gap has been identified. Accepted information sources fed into the recognised valuation methodology which was informed by reasonable assumptions about local sale prices, rents and yields. Clearly, it is not possible to anticipate every type and form of development. However, in the circumstances I consider the scenarios tested were representative of many of the most common forms of development likely to take place in Wycombe District. The evidence which has been used to inform the Charging Schedule is robust, proportionate and appropriate.

### **Is the charging rate informed by and consistent with the evidence?**

#### *CIL rates for residential development*

12. There is clear evidence of higher house prices in those areas north and south of the main A40/M40 corridor. The VR results showed that a baseline residential CIL rate of £125 could be refined by applying a higher rate in the areas either side of the main route corridor without adversely affecting the overall viability of schemes. The differential rates applied in the two zones were not queried by consultation respondents to any significant extent.
13. The assumptions about affordable housing in the VR were based on the policy requirements in the CS for at least 40% on greenfield sites and employment land, and 30% on other previously developed land, in respect of developments over 15 dwellings. A lower threshold of five units was used for rural sites. On this basis the appraisals showed that in general there was no threat to viability using these soundly based, reasonable assumptions.
14. The number of infrastructure projects expected to fall outside the Regulation 123 identified schemes was expected to be small. However, an allowance was made for site specific Section 106 costs on the large scheme appraisal, and the VR also made a small notional allowance for Section 106 costs for developments on smaller sites. In response to criticism that the figure used

for large scale sites was too low, the Council acknowledged that such costs were hard to quantify due to the unpredictable nature of requirements on specific sites. While the average figures quoted by a major housebuilder derived from direct experience, the Council's argument that the general balance in the assessments was correct was convincing. An allowance of £5m, compared with the £7m quoted by a developer, had been included in the appraisals. In exercises such as this, high level assumptions which are reasonable for a whole area have to be employed. Crucially, there was no evidence regarding any of the potential new large sites in Wycombe (including reserve sites identified in the CS) that any abnormal costs for sewage, water, power etc would be incurred. The construction costs had not been subjected to any potentially valid deductions for economies of scale in building out large sites. The tested scenarios also include a contingency allowance of 5%.

15. In summary, I consider the Council's figures for the viability of a large residential site to be reasonable. In broad terms, the overall results showed a land value of over £1m per hectare for large sites, a figure which would encourage landowners to sell for development. This would give plenty of headroom and would be well above a reasonable threshold value for release for development.

#### *Retail rate*

16. There is nothing in the CIL regulations to prevent differential rates for retail developments of different sizes, provided they are justified by the viability evidence and differing retail characteristics or zones. The VR identified that in current market conditions two types of retail development showed distinct viability and retailing characteristics, either side of a 280 sq m threshold. In Wycombe there appears to be a marked difference between the capability of a small retail development and that of a large retail superstore built on low-grade industrial land to support a CIL charge. The VR quoted several examples of retail schemes, although the majority were mostly large convenience stores. These stores can often generate significant amounts of comparison turnover and may show the ability to support CIL of up to £250 per sq m, despite relatively high build cost for stores requiring high specification for equipment and a good quality customer environment. In response to earlier representations on the preliminary draft CIL, this element of the charge has been reduced to £200 psm, which the VR results showed was generally well within the bounds of viability.
17. Current economic conditions in the retail sector lead to questions about the viability of retail warehouse developments, of which there have been few recent examples in Wycombe. However, the analysis in the VR shows that such proposals may still come forward and would remain viable at the higher CIL rate, primarily due to the considerably reduced build costs compared with large convenience stores. The figures for yields are reasonable for large stores and the charge of £200 psm for retail warehouses can be justified.
18. However, the definition of the types of retail development to which the different CIL rates would apply is far from precise and cannot be simply based on size. In response to a query about the likely effectiveness of the draft schedule, the Council has agreed to a modification to clarify the nature of the stores and the retailing operations carried out. I agree that the proposals

quoted in the Council's evidence statement to refer to the weekly nature of most trips to supermarkets and the range of goods sold would provide clarity essential for the effective operation of the levy. Similarly, a definition of retail warehouses following the previous explanation in PPS4 would be helpful for effectiveness. I therefore recommend that the schedule is modified to clarify the retail definitions, as set out in **EM1** in Appendix A.

*Other non- residential uses*

19. The VR notes that the capacity of commercial development other than retail to withstand CIL is linked to rental incomes. Until market conditions improve to increase rents and make new commercial development viable there is no merit in setting CIL and the nil rate is justified. The VR shows that leisure, community and education development also could not support a CIL payment and a nil rate is also appropriate for these uses.

**Does the evidence demonstrate that the proposed charge rate would not put the overall development of the area at serious risk?**

20. In setting the CIL rates the Council has had regard to detailed evidence of infrastructure planning derived from the Core Strategy and the updated IDP. It has balanced this with evidence in the VR and additional viability appraisals, taking account of the characteristics and varying sales values in different parts of the District for residential property. It has also taken into account evidence of varying viability for two types of retail development and the lack of general viability of other types of commercial, industrial and community development. Subject to modification **EM1** clarifying the definitions applicable to differential retail charge rates, the proposed CIL rates are based on reasonable assumptions about development values and costs. The evidence suggests strongly that the overall development of the area will not be put at risk if the draft rates are charged.

**Conclusion**

21. In setting the CIL charging rate the Council has had regard to detailed evidence on infrastructure planning and the economic viability evidence of the development market in Wycombe District. It has taken a realistic approach in terms of achieving a reasonable level of income to address the identified gap in infrastructure funding, while ensuring that the overall development of the area would not be at risk.

<b>LEGAL REQUIREMENTS</b>	
National Policy/Guidance	The Charging Schedule complies with national policy and guidance.
2008 Planning Act and 2010 Regulations (as amended 2011)	The Charging Schedule complies with the Act and the Regulations, including in respect of the statutory processes and public consultation, consistency with the adopted Core Strategy and the Wycombe Infrastructure Delivery Plan and is supported by an adequate financial appraisal.

22. I conclude that subject to the modification set out in Appendix A the Wycombe District Community Infrastructure Levy Charging Schedule satisfies the requirements of Section 212 of the 2008 Act and meets the criteria for viability in the 2010 Regulations (as amended 2011). I therefore recommend that the Charging Schedule be approved.

*GS*

Examiner

This report is accompanied by:

Appendix A (attached) – Modification that the Examiner specifies so that the Charging Schedule may be approved.

## Appendix A

Modification recommended by the Examiner to allow the Charging Schedule to be approved.

Modification No	Modification
EM1	<p data-bbox="504 542 912 575">Add the following footnotes</p> <ol data-bbox="555 607 1241 1025" style="list-style-type: none"><li data-bbox="555 607 1241 779">1. Superstores/supermarkets are shopping destinations in their own right where weekly food shopping needs are met and which can also include non-food floorspace as part of the overall mix of the unit.</li><li data-bbox="555 815 1241 1025">2. 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></ol>