
Report to Basingstoke and Deane Borough Council

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an Examiner appointed by the Council

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PLANNING ACT 2008 (AS AMENDED)

SECTION 212(2)

REPORT ON THE EXAMINATION OF THE DRAFT BASINGSTOKE AND DEANE COMMUNITY INFRASTRUCTURE LEVY CHARGING SCHEDULE

Charging Schedule submitted for examination on 31 May 2017

Examination hearings held 5 September 2017 and 9 January 2018

File Ref: PINS/H1705/429/5

Non Technical Summary

This report concludes that with modifications the draft Basingstoke and Deane Community Infrastructure Levy Charging Schedule provides an appropriate basis for the collection of the levy in the area. 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.

Four modifications are needed to meet the statutory requirements. These can be summarised as follows:

- That the CIL charge for 'Residential- Zone 1' is reduced from £30 to £0 per square metre (psm).
- That the CIL charge for 'Residential- Zone 2' is reduced from £50 to £0 per square metre (psm).
- That the CIL charge for 'Comparison retail shop outside of Basingstoke town centre/ Retail warehouses' is reduced from £40 to £0 per square metre (psm).
- That the CIL charge for 'Budget hotel' is reduced from £40 to £0 per square metre (psm).

The specified modifications recommended in this report are based on matters discussed during the public hearing sessions and do not significantly alter the basis of the Council's overall approach or the appropriate balance achieved.

Introduction

1. This report contains my assessment of the *draft Basingstoke and Deane 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.
2. To comply with the relevant legislation the local charging authority has to submit a charging schedule which sets an appropriate balance between helping to fund necessary new infrastructure and the potential effects on the economic viability of development across the district. The basis for the examination, on which hearings sessions were held on the 5 September 2017 and 9 January 2018, is the submitted schedule of May 2017, modified by the *Statement of Modifications (CD02) May 2017*. Other than an amendment to reduce the proposed CIL rate from £60 to £50 per square metre (psm) for Manydown (Zone 2), the document is effectively the same as that published for public consultation in August 2016.
3. The Council proposes CIL charges for residential development throughout the Borough.

4. The proposed CIL charges for 'residential' development relate to five zones identified on a map in the Draft Charging Schedule. Zone 1 relates to the Hounsome Fields Strategic Urban Extension, where a CIL charge of £30 psm is proposed. Zone 2 is drawn around the Manydown Strategic Urban Extension, to the west of Basingstoke, where a charge of £50 psm is proposed. Zone 3 consists of three, smaller scale, Urban Extensions at Basingstoke Golf Course, land East of Basingstoke and land at Upper Cufaude Farm. All three are proposed to be subject to an £80 psm charge. Zone 4 includes the built up areas of Basingstoke and Tadley, where a CIL charge of £140 psm is proposed to be charged. The rest of the Borough, including the rural villages, fall within Zone 5 where a £200 psm CIL charge is proposed.
5. Care homes/ extra care/ sheltered housing, wholly flatted schemes, and single dwellings are all proposed to be zero rated.
6. A CIL charge of £40 psm is proposed for comparison retailing, including retail warehousing outside of Basingstoke town centre. In addition, a CIL charge of £40 psm is proposed for budget hotels, as defined by the British Hospitality Association.
7. For completeness, the Draft Charging Schedule (DCS) lists zero rated CIL charges for 'all other types of development'.

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

8. The *Basingstoke and Deane Local Plan* (LP) was adopted in May 2016. This sets out the main elements of growth that will need to be supported by further infrastructure in the charging area. Policy SS1 of the LP makes provision for 15,300 dwellings and associated infrastructure. At the time of the adoption of the plan, over a third of the housing requirement benefitted from planning permission. The bulk (7,705) of the remaining housing requirement is to be delivered on greenfield sites, ranging from small developments of around 100 houses, to large strategic sites, such as the 3,400 dwellings proposed at Manydown (SS3.10).
9. The Local Plan provides detailed site specific policies for each of the greenfield housing allocations. These include details of the infrastructure which is to be provided as part of the development of each site. The LP also clearly sets out the levels at which affordable housing is to be provided; including tenure split; and the generic policy requirements to be expected from individual applications, such as 15% of houses to meet part 4M(2) of the Building Regulations relating to accessibility. To inform the examination of the LP, a document *Local Plan Viability Implications* (EVO8) was produced. This set out which policies would have a potential impact on the viability of development.
10. Consultation on a *Draft Planning Obligations Supplementary Planning Document* (SPD) closed in June 2017. A final version of the SPD is to be adopted at the same time as the Charging Schedule. This will inform the continued collection of planning obligations.

Infrastructure planning evidence

11. An *Infrastructure Delivery Plan Schedule* (IDP) supported the examination of the Basingstoke and Deane Local Plan. The IDP was updated in May 2017 (EV01), to provide an up to date assessment of the infrastructure required to support the delivery of the development set out within the Local Plan. It is a live document, reflecting changes in costs, funding sources, the granting of planning permissions and the delivery of schemes. Consequently, it can only be treated as a snapshot in time, providing an indication of the broad infrastructure requirements of the Borough, and in the context of this examination, a demonstration of any infrastructure funding gap.
12. This assessment demonstrates that this infrastructure will cost approximately £227 million. Of this figure, £53.6 million of funding has already been identified. In addition, around £81.3 million of infrastructure funding is expected to come forward from site specific S106 obligations. This leaves a need for a further £91.9 million of funding. The Council's Infrastructure Funding Gap Analysis (EV02) suggests that other potential sources of funding would reduce the final gap to about £67.12 million. Transport related infrastructure makes up around £16.4 million of this gap in funding sources; education £17.2 million; community uses £7.5 million; sports related infrastructure £21.9 million; and green infrastructure £4.2 million.
13. The Council has produced a *draft Regulation 123 List* (CD07). This sets out the categories of development that are to be funded, or part funded through CIL receipts, and where S106 obligations are to continue to be requested. The contents of the list are not before me in my role as Examiner. However, the Council has committed to reviewing the list on an annual basis. This will provide the opportunity to reappraise, where appropriate, what infrastructure elements are to be funded by CIL or S106 monies, and to consider if the Reg 123 list is presented in an adequately clear manner to differentiate between the two sources of funding.
14. The Council calculates that, subject to the CIL rates remaining unaltered, that as a broad figure, CIL receipts would generate around £30.7 million over the plan period¹. In the light of the information provided, the proposed charge would therefore make a significant contribution towards filling the likely funding gap. The figures demonstrate the need to levy CIL.

Economic viability evidence

15. The Council commissioned a CIL Viability Assessment (VA). This is summarised in the *Basingstoke and Deane Borough Council Viability Study: Residential and Non-residential Community Infrastructure Levy Viability Final Report March 2016* (EV04). It included headline outputs from the viability testing. However, following my request, to ensure appropriate levels of transparency, copies of the individual, complete viability assessments were provided (EV04.01- EV04.42) and subsequent sensitivity tests applied (PS09a and PS15) to enable a high level consideration of how changes in economic circumstances impact on the viability of development.

¹ MIQ1 paragraph 1.1

16. The viability assessment is substantially based on the viability evidence which informed the examination of the *Basingstoke and Deane Local Plan*. In addition, supplementary viability studies for Manydown (EV06), Hounscome Fields and the Golf Course were also examined (EV05) with the Local Plan. However, a number of assumptions have been revisited, and, where necessary, are considered below.
17. The Council has used the standard residual valuation approach for both the housing and commercial developments. In other words, if after subtracting all the costs of development, including an adequate developer's profit from the gross development value of the land, the land is worth more than the benchmark site value, then there is overage or headroom for CIL to be collected.
18. Benchmark land values (BLV) have remained consistent with those which were used within the Viability Assessment that accompanied the Local Plan². Time has elapsed since these BLVs were set in 2013 and examined in 2015. Nonetheless, for the reasons detailed below, I find them to remain broadly appropriate. For residential development these are £1 million per gross hectare (ha) for urban and edge of centre sites; and £400 000 per gross ha for greenfield strategic sites. The £1 million figure takes into account a premium of 30% over the established use value of industrial land. The £400 000 per gross ha provides for around 20 times the agricultural value. Benchmark Land Values for retail testing have been set at £1 million per ha for small scale convenience shops; £2 million per ha for out of centre comparison retailing, and £4 million per ha for supermarkets.
19. I note that there is a range of BLVs which have been used as part of the evidence base to set CIL schedules for nearby local authorities. I am aware that there are not many recent examples of sales values within the Borough and that these vary, with some substantially above the BLV proposed. Even were the agricultural value of the land to be set at £24,700 per hectare, as suggested at the 2015 Development Industry Workshop, the BLV at around 16 times agricultural value would remain comfortably within the 10- 20 times range. This premium above agricultural value is reasonable and consistent with the Homes and Communities Agency Guidance (now known as Homes England)³. Moreover, whilst I am aware that the policy requirements of the plan have been factored into the broad benchmark land values, the implication of charging CIL on the suppression of land values has not.
20. I am also aware of the potential uncertainty arising from Brexit in its impact on the wider economy. Nonetheless, I consider that in the round, the benchmark land values proposed appear reasonable and are supported by appropriate evidence consistent with the base date of the study. I address the specific matters relating to the value ascribed to the Country Park later in my report.
21. A number of hypothetical residential and commercial developments were tested using the assumptions set out in the viability evidence, including

² Planning Practice Guidance Paragraph 16- Ref ID 25-016-20140612

³ EV04 paragraph 6 page 99

consideration of policy requirement costs. Generally, industry standard costs have been used as a means of testing the viability of the proposed CIL rates.

22. During the examination, I requested that sensitivity testing be undertaken on a number of variables as a means of illustrating the potential robustness of the CIL Charging Schedule to change⁴. I have considered the implications of this below in relation to the individual charging rates.

Residential modelling

23. July 2015 is the base date of the evidence, and assumptions, which support the Draft Charging Schedule (DCS) before me. Additional assessments were provided which included updated costs, and sales prices. In reality, since the base date of the study, sales values may have increased substantially more than costs. Nonetheless, to be consistent with the advice set out in the Planning Practice Guidance, I can only consider whether the CIL rates within the DCS are viable in the context of evidence which is predicated on the same base date⁵. If not, variables, such as bench mark land values, would have to be similarly updated to ensure a consistent and robust understanding of the overall viability of the development and its ability to withstand the imposition of a CIL charge.
24. A number of typologies have been tested based on a 1 ha notional tile to give a strategic level understanding of viability. Bespoke housing density rates have been modelled within the strategic sites. In addition, a number of case studies are based on local developments. Delivery rates within the VA remain consistent with the Local Plan evidence base.
25. It is assumed, for the purposes of the viability assessments that professional fees would reduce inversely to the size of the scheme, ranging from 12% for developments of 10 units or less, to 8% for developments of 101 units or more. This approach reflects that whilst larger developments may be significantly more complex at the beginning, later in the project, professional costs will be significantly reduced, and therefore, lower professional costs are justified, when calculated over the whole lifetime of the development. This is a reasonable approach.
26. A mix of housing types was tested. The use of Nationally Described Space Standards informed by local recent developments within the local area, consistent with industry standards, is an appropriate mechanism to calculate average floor areas within new developments.
27. Build costs are predicated on a regionally adjusted 5 year median BCIS figure, adjusted to take into account recent security requirements and accessibility standards. No allowance has been made for the cost of the construction of garages or car ports. The LPA relies on the difference in costs between the median BCIS figures which are used in the VA, and those achieved on the ground by volume builders. In addition, single dwellings have been modelled

⁴ PS09a and PS15

⁵ Planning Practice Guidance Paragraph: 008 Reference ID: 10-008-20140306.

to reflect enhanced build costs. I consider that these factors are sufficient to absorb these costs.

28. Residual generic S106 planning agreement costs are modelled at £1500 per unit on all sites. This is consistent with previous levels of relevant planning obligations⁶ and consequently is appropriate. An additional figure of £200 000 per net ha for opening up costs has been applied to the strategic sites (Zones 1-3) in addition to site specific infrastructure requirements which are addressed below. More modest opening up costs have been modelled for the larger non-strategic sites. This approach of combining opening up costs, generic S106 assumptions and site specific infrastructure requirements is appropriate.
29. Affordable housing requirements of 40% affordable housing on all market sites are consistent with Policy CN1 of the LP. The Council confirmed at the hearing that affordable housing and tariff style S106 obligations are only collected on residential developments of 11 dwellings or more, or in the case of housing developments falling within the North Wessex Downs Area of Outstanding Natural Beauty, on developments over 5 dwellings. Additional testing took place of the VA of single dwellings removing any obligation to contribute to affordable housing (PS09a). This reduction in costs will have a positive impact on the viability of smaller housing developments, as will the Government's Starter Homes policy.
30. Profit levels of 20% of Gross Development Value (GDV) for market dwellings and 6% of GDV for affordable housing are at industry standard and appear generally appropriate.
31. A 15% allowance for external costs is included within the build figures. It is argued by the LPA in response to concerns over the lack of a contingency figure within the VA, that the 15% figure for externals could be broken down to represent 10% to cover external costs and 5% for contingencies⁷. Making no explicit allowance for a contingency figure is, in my experience, unusual. However, it is not, in itself, necessarily unreasonable, and there is nothing within the Planning Practice Guidance (PPG) to suggest that not including a specific contingency cost makes the VA unacceptable.
32. The use of this 'hidden' contingency allowance should not be conflated with sensitivity testing to take into account changes in wider economic pressures, such as inflation, or changes in values when considering the robustness of the proposed CIL charge. The use of explicit sensitivity testing is the appropriate mechanism to consider the impact of these variables.
33. The sales value for new build housing within the Borough was taken from Land Registry data for 309 sales between 2014/2015. This was then sorted on a ward basis. This showed a clear delineation in average market sales values within Tadley and Basingstoke and elsewhere within the Borough. However, there is variation within the two zones. Nonetheless, the approach of using Land Registry data to provide sales values and then utilising Energy

⁶ PS09a Historic S106 costs

⁷ PS19 Local Planning Authority Response to December 2017 Written representations Paragraph 12

Performance Certificates as a means of coming to a psm value is a reasonable approach for a high level study and as a mechanism to set boundaries between different CIL rates.

34. Care homes, sheltered housing and wholly flatted developments were tested to take into account the particular revenue and design considerations peculiar to this element of the housing market.
35. The Council has a draft instalments policy (CD08). This would reduce the net costs of the CIL charge. However, this has not been taken into account when calculating the viability of development.
36. I note that the LPA's approach is in the round, that development costs are set at the lower end of the spectrum. This includes its position not to include the financial costs associated with land purchase, albeit all other costs are assumed to be 100% financed⁸.
37. Consequently, whilst I conclude that the broad approach for residential modelling appears on the whole to be reasonable and based on appropriate and available evidence consistent with a strategic level CIL examination, it is particularly important to ensure that the draft CIL rates include sufficiently large buffers, and are suitably robust, so as to be able to withstand changes in economic circumstances without significantly impacting on viability.

Non- residential modelling assumptions

38. The Council tested assumed typologies for a wide range of commercial developments. These included industrial/warehouse, offices, mixed leisure, hotel (both budget and conventional), and retail (comparison and convenience). Viability assessments were run for retail developments both within and outside of Basingstoke town centre and for developments of different scales.
39. Transactional values were derived, where possible from those listed by Co-Star Suite. Build costs were based on a regionally adjusted BCIS figure. However, the Council also provided alternative VAs for retailing and budget hotels. These were based on local costs which were significantly higher. I return to this later in my report. Other costs such as finance and developer returns appear as industry standards and as such I consider this approach to be appropriate.

Conclusion

40. The draft Charging Schedule is supported by detailed evidence of community infrastructure needs and by reasonable assumptions about the values and costs of development. On this basis, subject to detailed consideration below, the evidence which has been used to inform the Charging Schedule is robust, proportionate and appropriate.

⁸ PS19 Local Planning Authority Response to December 2017 Written Representations Paragraph 21

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

CIL rates for residential development

Zone 1 £30 Hounsome Fields

41. Zone 1, relates to Hounsome Fields which already benefits from planning permission. Nonetheless, to ensure consistency I must consider the appropriateness of each individual proposed CIL rate set within the DCS.
42. The PPG makes clear that CIL rates should not be set at the margins of viability⁹. In this case, with a 2% reduction in values the CIL rate of £30 is no longer viable and combined with a 2% increase in costs; the overage available would further reduce to £3 psm¹⁰ with no buffer. I note sensitivity testing is, at best, a crude mechanism. However, it demonstrates the sensitivity of viability to relatively small changes in inputs.
43. This quantum of overage, at £3 psm, sits at the very margins of viability and it would therefore not be appropriate for any CIL rate to be set. Consequently, I conclude the proposed rate of £30 psm, is not informed by, nor consistent with the evidence. I therefore, recommend that the rate should be changed to £0 psm (**EM1**).

Zone 2- £50 Manydown

44. Manydown is the largest of the allocated sites within the LP. I understand that an outline planning application has been submitted to the Council for its determination. However, it is important to differentiate between my examination of whether the proposed CIL rate is appropriate and any ongoing negotiations which are taking place in the context of a specific application, the details of which are not before me.
45. In my opinion, there is a clear link between the proposed Country Park¹¹ and the separate allocation of the adjacent land at Manydown. Nonetheless, it is not for me to set out how it should be treated in the context of a live planning application. Nonetheless, I do not consider it appropriate that the land identified for the Country Park should be treated as attracting a similar BLV as the Manydown site which is allocated for built development.
46. Nonetheless, the Council's valuation of the acreage, at less than £1 million, takes into account its allocation as a Country Park and that there is a restrictive covenant on the land. However, there must be a means of incentivising the development of the site as a Country Park. Therefore, I conclude that some uplift on land value would be appropriate over and above the current use value as agricultural land. At the hearing, the Council's representative estimated that an increase in land value from £2 million to £3 million would result in a net reduction in overage available for the

⁹ Planning Practice Guidance Paragraph 19 ID: 25-020-20140612

¹⁰ PS15 Post Hearing Additional Sensitivity Testing Table 1 Page 3

¹¹ CD07 Regulation 123 List p 4; BD01 Basingstoke and Deane Local Plan (2011- 2029) Policy SS3.10f; BD03 Manydown Development Brief Supplementary Planning Document, Development Principle 4g: Provision of the Country Park page 33

collection of CIL of around £14 psm. This would be at 1.5 times current use value¹², which is substantially less than that argued by the long leaseholders.

47. In addition, there is a considerable difference in the estimated infrastructure and S106 costs between the Local Planning Authority and the long leaseholders and representatives of the Manydown Company Ltd, ranging from around £198 million to around £143 million. I note some of the difference relates to the provision of social infrastructure, such as nurseries and travellers sites which the LPA consider to be either commercially viable, or to qualify for other funding schemes, so as to be cost neutral.
48. Moreover, it is clear that there remains considerable uncertainty as to the level of infrastructure that would be required to bring forward the allocation within the LP. This is exemplified by the LPA's evidence (PS11) where the Highway Authority is unable to attribute an accurate cost for off-site highway works, and in the recently provided *Statement of Common Ground* between the parties, where it is clear estimates of costs are evolving as the live application progresses (PS20). The two Councils, as long leaseholders, are far advanced in finding development partners and the costings put forward are the results of detailed work. However, due to matters of commercial sensitivity it has not been possible for the LPA to examine them in detail. Also, it is not clear whether the figures are policy compliant. Some are considered by the LPA to overstate the need for infrastructure. For example, the overprovision of school places would increase the cost of the infrastructure and thereby unnecessarily reduce the viability of the development.
49. Consequently, on the basis of the evidence before me, I am not able to definitively conclude that either the LPA's, or the two Councils', as long leaseholders, approach is correct, nor would it necessarily be appropriate to do so, in the context of a strategic level CIL examination and the parallel progression of a live planning application. However, due to the scale of the site, and the length of time over which it could be developed, there is a requirement to ensure adequate flexibility to take into account changes to infrastructure and S106 costs, as well as other variables which could impact on its viability. I note that the size of the site could result in potential economies of scale and therefore reduced costs, including for professional fees, and on the other hand the complexity of the site could increase the level of risk associated with its development, and that the costs of the finance of the purchase of land have not been included within the LPA's approach.
50. The sensitivity testing undertaken by the Local Planning Authority demonstrates that if the LPA's assumptions are correct in all matters, if costs were to increase by 2% and values to fall by 2%, the overage available for the collection of CIL would fall to £39 psm without a buffer¹³. This figure, which is clearly below the £50 psm within the DCS reflects only marginal changes in values and costs and therefore, should not be seen as a worst case scenario. When combined with the conservative estimate of the increased

¹² PS13 Bidwell's Response to Sensitivity Tests

¹³ PS15 Post Hearing Additional Sensitivity Testing Table 1 Page 3 Paragraph 10

costs related to the Country Park, the overage available for CIL would decrease to around £25 psm.

51. The Manydown site is a key element of the Council's development strategy. When taking the evidence in the round, including the need to ensure that an appropriate balance has been struck between helping to fund the infrastructure required and the potential effect of the levy on economic development across the Borough, I am of the opinion to ensure adequate flexibility; all policy requirements are met; and the long term development of the complex site is able to withstand changes in economic circumstances and to remain viable that it would be inappropriate for the potential overage of around £25 psm to be further reduced by the collection of any CIL on the site. The LPA calculates its proposed rate, at £50 psm, would only be around 1.4% of the Gross Development Value (GDV) of the development. However, the evidence demonstrates that the proposed rate would potentially threaten the viability of the development over its life time and as such it is, in my view, unlikely, that the forecast CIL revenue from this site of around £9.2 million¹⁴ would, in reality, be secured. As such, the proposed £50 psm charging rate is not informed and consistent with the evidence. All in all, given the substantial differences in infrastructure costs, my conclusions in relation to the Country Park, and that the sensitivity testing figure I have applied is relatively modest, and this figure of £25 psm is substantially less than the £40 psm buffer which the LPA considered to be appropriate when its proposed CIL rate was set at £50 psm (EV03), I recommend that the proposed CIL rate should be set at £0 psm (**EM2**).

Zone 3- £80 Basingstoke Golf Club, East of Basingstoke; Upper Cufauade Farm

52. Zone 3 includes three separate areas of Basingstoke Golf Course, land East of Basingstoke and Upper Cufuade Farm.
53. As set out above, I have concluded that the broad approach to residential modelling, including the setting of the BLV and professional fees appears, on the whole, to be reasonable, subject to the consideration of the proposed CIL rates in the light of sensitivity testing to reflect changes in economic circumstances.
54. I note that there are concerns that the LPA has underestimated the costs of infrastructure required to bring forward the development. However, no evidence has been put forward to counter the LPA's position that nursery provision, and Gypsy and Traveller requirements would be cost neutral. Moreover, the LPA is bound by the provisions of the CIL regulations to ensure that any infrastructure which is required must be reasonable, necessary and directly related to the development. Therefore, there may be infrastructure requirements which are related to the development which appear to be more expensive within the IDP than within the VA. An example of which is highway improvements to the A30 corridor, where the developer would only be required to contribute, as far as is directly related to the development. Combined with economies derived by developers paying for infrastructure in kind, rather than contracting someone else to undertake the works, this may

¹⁴ PS20- Local Planning Authority response to the Examiner's query around a reduction in CIL rates arising following the Examination hearing session on 9 January 2018.

result in costs below those set out in the *Infrastructure Delivery Plan Schedule* (EV01).

55. I also note that there are concerns that the circulation space required for low rise flats has been underestimated and that the levels of housing delivered at the size modelled by the LPA would be difficult to fit on the site. However, there is no substantive and persuasive evidence before me to demonstrate that this is the case.
56. I do, however, have sympathy when considering how costs evolve during the consideration of specific planning applications. However, having taken into account the LPA's position relating to contingency allowances, which are subsumed within the 15% figure for externals, I requested that the LPA's consultants undertake sensitivity testing of the proposed VA to ensure that potential changes in economic circumstances do not impact on the viability of development. Following the sensitivity testing, it is clear that even were costs to go up by 2%, and values reduce by 2%, that the CIL rate of £80 psm remains viable with a buffer of 51% (or £41 psm). Were costs to increase by 5%, the proposed CIL rate would continue to remain viable with headroom of 40%¹⁵.
57. I note the VA is a snapshot in time and that costs and values will vary. Nonetheless, I conclude that in the round, the available evidence suggests the proposed CIL rate of £80 psm would not put the development of the sites at risk and the proposed CIL rate is informed by and consistent with the evidence. Therefore, no change is required.

Zone 4- £140 Basingstoke and Tadley

58. Zone 4 appears to be exceptionally robust to changes in costs and values. Indeed, from the sensitivity testing that took place, it appears it is only when costs rise by 10% and values fall by 10% that the viability of developments are threatened by the proposed CIL rate at £140 psm¹⁶. Consequently, I conclude that the proposed CIL rate is informed by and consistent with the evidence and no change is required.

Zone 5- £200 Rest of the Borough

59. Similarly, Zone 5 which makes up the rest of the Borough is able to comfortably absorb the proposed CIL rate¹⁷. Therefore, I conclude that the proposed CIL rate is informed by and consistent with the evidence and no change is required.

Care homes, extra care, sheltered accommodation

60. The VA testing demonstrated that such uses would not be viable with the imposition of a CIL charge. Therefore, the evidence is consistent with the proposed CIL rate of £0 psm.

¹⁵ PS15 Post Hearing Additional Sensitivity Testing Table 3 Page 6

¹⁶ PS15 Post Hearing Additional Sensitivity Testing Table 4 Page 7

¹⁷ PS15 Post Hearing Additional Sensitivity Testing Table 4 Page 8

Single dwellings- £0 psm

61. The revised VA testing¹⁸ for single dwellings excludes affordable housing costs. However, it demonstrates, due to the higher costs associated with the construction of single dwellings, that the imposition of a CIL charge would render such development unviable within the Borough, other than in Zone 5 'Rest of Borough' where a theoretical maximum of £44 psm could be absorbed.
62. The PPG counsels against 'undue complexity'¹⁹ when setting rates for CIL. The majority of new single dwellings are likely to be self build and therefore, to benefit from the self build exemption. As such, in reality, they are likely to contribute marginal levels of funding and a limited number of single dwelling schemes would be caught by the charge. However, whilst I am aware following discussion at the hearing that the Council officers were receptive to the deletion of the single dwelling typology, the viability evidence continues to demonstrate that the viability of single dwellings would be threatened by the imposition of a levy. Consequently, to retain the viability of windfall housing of individual dwellings throughout the Borough, and to avoid undue complexity within the charging schedule, I conclude that the zero rated figure should continue to apply and recommend no change.

Wholly flatted schemes

63. This rate applies to where the whole scheme is made up of flats, rather than where flats make up part of a wider development. The VA testing generally demonstrates that the residual site value of such uses would be less than the benchmark value. Consequently, the evidence would not support the collection of CIL for wholly flatted schemes and no change is required.

Non-residential developments

Comparison retail shop outside of Basingstoke town centre/ Retail warehouses

64. Figure 9-6 of the VA²⁰ illustrates, if BCIS build costs are applied, out of centre retailing and retail warehouses would be able to support a CIL charge of £40 psm. However, if the local costs were to be used, as recommended by the Development Industry workshop, such development would not show any viability once consideration of the BLV is taken into account.
65. Moreover, following the additional sensitivity testing²¹, even were the BCIS costs to be used, a marginal reduction in values by 2% and a rise in costs of 2%, would result in a loss of the overage required to be able collect a CIL charge without threatening the viability of development. Consequently, I conclude that the evidence does not support the proposed charge of £40 psm and I therefore recommend that the proposed rate should be reduced to £0 psm (**EM3**). In calculating the contribution of CIL monies to the provision

¹⁸ PS09 Additional Sensitivity Tests Briefing Note Page 17

¹⁹ Planning Practice Guidance ID 25-021-20140612

²⁰ EVO4 Page 67

²¹ MIQ05 Non-residential sensitivity tests briefing note 15 December 2017

of infrastructure planning, the Council has not identified any income from such sources, as no sites have been allocated within the Local Plan²².

Budget hotels

66. The VA relating to budget hotels also sets out two different scenarios utilising BCIS costs and locally derived build costs. Again, the use of the locally derived costs does not provide adequate headroom to allow the imposition of a levy. However, the BCIS data provides for adequate coverage to set a CIL charge of £40 psm.
67. Nonetheless, if sensitivity testing is applied to assume a 2% increase in costs or a 2% reduction in values, the development would be unlikely to go forward given the BLV is greater than the residual value, even without a charge. Consequently, I conclude the evidence does not support the charge at £40 psm. I therefore recommend that the CIL charge be reduced to £0 psm (**EM4**). This change would not substantially alter the levels of forecast income to the Council²³.

All other developments

68. The Council's consultants have undertaken VA testing of a number of uses including, convenience retail, offices, industrial, warehousing, hotels and mixed leisure developments. The evidence indicates that these uses could not support any form of CIL. Moreover there is nothing to indicate that other forms of development not specifically appraised would be likely to viably pay a CIL charge. Consequently I conclude that the CIL rate for 'all other uses' should be set at £0 psm.

Conclusion

69. Therefore, I conclude from the evidence before me, that the charging rates are informed by, and broadly consistent with the evidence, except in relation to my conclusions relating to housing within Zones 1 and 2; budget hotels; retail warehouses and comparison retail shops outside of Basingstoke town centre.

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

70. The Council's decision to set the rates set out within the Draft Charging Schedule is broadly based on reasonable assumptions about development values and likely costs. The evidence suggests that residential and commercial development will remain viable across most of the area if the charge is applied, subject to making the modifications set out in Appendix A.

²² PS20 Local Planning Authority response to Examiner's query around a reduction in CIL rates arising following the Examination hearing session on 9 January 2018: Page 1.

²³ PS20: Page 1.

Conclusion

71. I conclude that, subject to the modifications set out in Appendix A, the Basingstoke and Deane Borough Council 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). I therefore recommend that the Charging Schedule be approved.

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

Louise Nurser

Examiner

This report is accompanied by:

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

Appendix A

Modification recommended by the examiner so that the charging schedule may be approved.

Examiner Modification (EM) Number	Reference	Modification
EM1	Draft Charging Schedule Proposed CIL Charging Zone 1	Amend from £30 to £0 and make consequential changes to the key.
EM2	Draft Charging Schedule Proposed CIL Charging Zone 2	Amend from £50 to £0 and make consequential changes to the key.
EM3	Draft Charging Schedule Proposed CIL 'Comparison retail shop outside of Basingstoke town centre/ Retail warehouses'	Amend from £40 to £0 and make consequential changes to the key.
EM4	Draft Charging Schedule Proposed CIL 'Budget hotel'	Amend from £40 to £0 and make consequential changes to the key.