The Planning Inspectorate

Report to Caerphilly County Borough Council

by Mr Philip Staddon BSc, Dip, MBA, MRTPI

an Examiner appointed by the Council

Date: 20 February 2014

PLANNING ACT 2008 (AS AMENDED)

SECTION 212(2)

REPORT ON THE EXAMINATION OF THE DRAFT CAERPHILLY COUNTY BOROUGH COUNCIL COMMUNITY INFRASTRUCTURE LEVY CHARGING SCHEDULE

Charging Schedule submitted for examination on 30 October 2013

Examination Hearings held on 14 January 2014

File Ref: PINS/K6920/429/1

Non Technical Summary

This report concludes that, subject to one modification, the Caerphilly County Borough Council Draft Community Infrastructure Levy Charging Schedule provides an appropriate basis for the collection of the levy in the area.

The modification required is the setting of the CIL rate for 'primary healthcare development' at £0 psm.

Subject to this modification, the Council is able to demonstrate that it has sufficient evidence to support the schedule and can show that the levy rates would be set at levels that will not put the overall development of the area, as set out in its Local Development Plan, at risk.

Introduction

1. This report contains my assessment of the Caerphilly County Borough Council 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 (Community Infrastructure Levy Guidance – DCLG – April 2013).

2. To comply with the relevant legislation the local charging authority has to submit what it considers to be a charging schedule that sets an appropriate balance between helping to fund necessary new infrastructure and the potential effects on the economic viability of development across the district.

3. The basis for the examination, on which Hearing sessions were held on 14 January 2014, is the submitted Draft Charging Schedule (DCS), which was published for public consultation between 20 March 2013 and 1 May 2013. The DCS was submitted for examination on 30 October 2013. The examination was undertaken jointly alongside the CIL proposals for Merthyr Tydfil County Borough Council. This report relates solely to Caerphilly CBC's published DCS.

4. The Council's CIL proposals include charges for residential development and for specified types of commercial development.

5. The residential CIL proposals relate to three defined geographical charging zones within which different CIL rates would apply. The '*higher viability*' zone is in the south of the borough and includes the settlements of Caerphilly, Llanbradach, Bedwas, Machen, Rudry and Risca; in this zone the proposed CIL

charge on new residential development is £40 per square metre (psm). The '*mid-range*' viability zone occupies the central part of the borough and includes a range of settlements, the largest being Ystrad Mynach and Blackwood; in this zone the proposed CIL charge is £25 psm. The '*lower viability*' zone is largely made up of the northern part of the borough, which covers the Rhymney Valley and includes Rhymney, New Tredegar, Bargoed and Gelligaer. However, it also includes an area in the South West of the borough around Senghenydd and Abertridwr. In this zone the CIL charge would be zero rated (£0 psm).

6. The commercial CIL charges are not zoned and would apply throughout the borough. Five types of commercial development listed in the DCS would be zero rated for CIL purposes; these are offices; industrial; care / nursing home; hotels and cinema developments. CIL charges are proposed for three types of commercial development. First, 'A1 Retail Development' would incur a charge of £100 psm. Second, 'A3 Restaurants, Café & Drinking Establishments' would incur a charge of £25 psm. Third, 'D1 Primary Healthcare Development' would incur a £60 psm charge. A footnote on the DCS makes clear that other Class D1 developments would be excluded from the CIL charges.

7. This report is structured under the headings (in bold) of the main issues that I identified through the examination. I draw conclusions after exploring each issue.

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

Local Development Plan

8. The Caerphilly County Borough Council Local Development Plan (LDP) was adopted in 2010. It sets out a clear strategy for a modest level of growth in the plan period to 2021. The plan builds upon the growth in population, new employment opportunities and regeneration projects since the mid-1990s. Prior to that time, the area had suffered from a significant period of depopulation linked to a decline of traditional industries.

9. The LDP identifies three strategic areas. The Southern Connections Corridor (SCC), the Northern Connections Corridor (NCC) and the Heads of the Valleys Regeneration Area (HOVRA). At the risk of oversimplifying the strategy, it seeks to contain development in the SCC to existing settlements whilst encouraging growth and investment north to the NCC and the HOVRA, where population loss, unemployment and deprivation have been higher.

10. The LDP adopted a 'moderate growth option' reflecting population change and planned in-migration. A total of 8,625 new homes are planned in the plan period to 2021, although the plan actually makes provision for a greater number (10,269) to give greater flexibility. Policy HG1 of the LDP allocates sites totalling 6,673 units, with the remainder coming from assumed pipeline completions, windfalls, small sites, empty properties, conversions and demolitions. In terms of the distribution of the planned 6,673 units the

breakdown is as follows:

Southern Connections Corridor - 3,127 (47%)
Northern Connections Corridor - 1,918 (29%)
Heads of the Valleys Regeneration Area - 1,628 (24%)

11. Overall, the LDP has a strong brownfield emphasis for its new housing, although a greater proportion of allocated sites in the HOVRA area are greenfield, to encourage development.

12. The LDP seeks to deliver a total of 964 affordable homes in the plan period. A viability assessment formed part of the LDP evidence base and provided the rationale for a differentiated approach based on viability / location. Accordingly, Policy CW11 seeks to provide differing proportions of affordable housing in different parts of the borough: in the SCC (excluding Aber Valley) the target is 40%; in the NCC (excluding Newbridge) the target is 25% and in the rest of Caerphilly County Borough, including Aber Valley and Newbridge but excluding the HOVRA (where no affordable housing contribution is required) the target is 10%.

13. There is no shortage of employment land in the Council's administrative area. The LDP seeks to secure a range of employment opportunities in appropriate locations to meet the needs of the area's growing population over the Plan period.

14. The Council has recently resolved (October 2013) to begin the process of reviewing the LDP.

Infrastructure planning evidence

15. The Council's CIL evidence included a comprehensive Infrastructure Assessment Report (June 2012) which refreshed and updated the infrastructure evidence base used to support the LDP examination. The report sets out a comprehensive range of physical, social and green infrastructure that the Council has identified as necessary to support planned growth. Some of the largest projects relate to strategic road schemes. The overall assessed funding gap for these infrastructure projects is circa £91 million. This would rise by a further £25 million if the proposal for the Caerphilly South East Bypass is progressed and added in.

16. In developing its CIL proposals the Council used this assessment of infrastructure needs to distil a draft CIL Regulation 123 list. It has prioritised those projects where pooled contributions are already sought and those which relate most closely to the LDP's delivery.

17. There was some discussion at the Hearing sessions about the inclusion of strategic water infrastructure on the draft Regulation 123 list. This matter is beyond the scope of my examination, but, in general, I share the Council's view that such infrastructure has its own, separate, funding regimes and in any particular circumstances where development might be facilitated by such projects (and none were specified) the potential use of S.106 legal agreements is usually an alternative.

18. The Council estimates that its draft CIL proposals could generate circa £5.3 million from its residential CIL charges, along with an unspecified, but much lower, amount from its commercial development CIL charges. This is clearly only a small (circa 6%) proportion of the estimated infrastructure funding gap. Whilst a significant gap would remain, the CIL charges would make a positive contribution to funding important infrastructure required to help support planned sustainable growth.

Economic viability evidence

19. The Council, along with its neighbouring authorities of Merthyr Tydfil CBC and Rhondda Cynon Taff CBC, commissioned District Valuer Services (DVS) to undertake an economic viability study to inform and help define its CIL proposals. The main study was supplemented by some further viability testing evidence, published just before the Hearing sessions. This collective of economic viability study evidence is hereafter referred to as the 'EVS'.

20. The EVS used a residual valuation model to test the viability of residential and commercial development schemes. In essence, this involves taking the end value of a development and deducting a range of costs (building, land, overheads, fees, profit etc.) to determine the surplus (or deficit) that may exist to support a CIL charge.

21. The EVS testing related to actual development sites, albeit that they were anonymised to avoid prejudicing future developer / council negotiations. The three commissioning authorities identified a total of 69 sites of various sizes (big and small) and types (brownfield / greenfield) that they expected to be representative of developments that would deliver their LDP strategies. In the case of Caerphilly CBC, the EVS tested 13 residential sites (ranging from 10 up to 269 units) along with 13 commercial development sites, ranging from small shop and office developments up to a major (20 hectare) employment development.

22. Clearly, such modelling involves making a wide range of assumptions about appraisal inputs. For residential development scenarios, this includes making assumptions about factors such as land costs, build costs, fees, densities, housing mix, affordable housing content, contingencies, sales values, profit levels etc. For the commercial development types, similar assumptions were made but with assumed rents and yields being the key value determinant (rather than sales values). Each modelling appraisal undertaken was bespoke for the individual site / development scheme tested, resulting in an output of 69 appraisals across the study area, 26 of which were within Caerphilly CBC's administrative area.

23. Although many of the modelling assumptions used in the EVS were uncontested and conformed to industry standards, there were some challenges to assumptions made about key components, and some others where I make some observations relevant to this CIL examination. I summarise these below.

Land values

24. The EVS employs the use of 'benchmark land values' to set an assumed price at which a landowner will release the site for development. In the case of active sites (i.e. with an existing use) this included a premium, over the existing use value. The DVS sets these benchmarks using available transactional evidence and professional opinion, and they are expressed as values per imperial acre. For residential sites the benchmark is typically £200,000 / acre although this drops to lower levels in areas with more challenging viability, the lowest being £80,000 / acre in the north of the borough (HOVRA). Commercial benchmark land values ranged from £30,000 / acre up to £300,000 / acre.

25. There were challenges to these land values most notably in terms of residential development. Three examples were quoted at the Hearing sessions claiming much higher levels (ranging from £300,000 – £530,000 / acre) but these appeared to relate to 2006/7 planning permissions with lower affordable housing provision. I am also mindful that during the Hearing sessions the development industry advised me that in the more challenging parts of the borough even entirely free land would not guarantee viability of housing schemes (a subsidy would be required). On balance, I am persuaded that the values employed by the Council are reasonable for CIL viability testing purposes.

Profit levels

26. The profit levels assumed on commercial developments were unchallenged and appeared reasonable. However, the use of 17.5% of Gross Development Value (GDV) as the profit assumption on private market housing (and 4.76% on affordable housing) was challenged by the development industry as being too low. It argued for 20% profit on GDV (and 6% on affordable housing), stating that this was more appropriate. It cautioned against using comparisons drawn from England where house builders perceived development risk to be lower and rewards higher. In response, the Council felt that whilst 20% on GDV was appropriate immediately after the 2007 fall in the market, a lower 'base allowance' of 17.5% was more appropriate today, now that market stability had returned. I have weighed the merits of both arguments and consider that the Council's adopted profit rate is not unreasonable for modelling purposes, subject to it being considered 'in the round' in the context of other allowances and viability 'buffers'. I return to this later.

Housing sales values

27. Sales value evidence was drawn from real world transactions through DVS's access to Stamp Duty and Land Tax returns. There was some discrepancy between the Council's sales values and those suggested by the development industry. However, the maximum sales values stated by house builders were actually comfortably above the average sales rates used. I concluded that the rates used were reasonable and, if anything, quite conservative.

Build costs, external works and fire sprinklers.

28. Base build costs were drawn from BCIS median average costs, adjusted to the locality. However, there was considerable debate, and some dispute, over the allowances that ought be added to house building costs to reflect external works, abnormals and the Welsh Government's requirement for fire sprinklers

in domestic properties from January 2016. The Council's approach involved the addition of a default 17.5% to baseline build costs to cover external works (15%) and sustainability features (2.5%). The development industry argued for the addition of a higher figure of 27% for external works, reflecting the primarily brownfield nature of the LDP's sites which may include abnormal costs, plus a further £3,075 per plot for fire sprinklers.

29. These are not easy issues to untangle and, in my view, there are likely to be a wide spectrum of external works costs which may range from comfortably below the Council's assumption (for serviced sites) to levels more akin to those cited by the house builders. However, I must also give weight to the Council's reasonable stance that the brownfield strategy is not new, and that the transactional evidence and market intelligence that has underpinned the modelling will have reflected the 'norm' of brownfield related development costs in the borough.

30. With regard to the fire sprinkler requirement, this will not be an actual and incurred construction cost until January 2016, but I am mindful that house builders must consider those costs in their appraisals and land buying activities now, along with any CIL charges that may be adopted. These extra costs cannot, therefore, be ignored.

31. Having considered the evidence carefully I do not consider it necessary to define a 'right' percentage to be added to base build costs for externals, abnormals and fire sprinklers, because I do not think that is possible given the variability of schemes. However, the examination of this evidence does underline the importance of setting CIL rates at levels that includes sufficient headroom to allow for the spectrum of different development schemes.

<u>Affordable Housing</u>

32. Affordable housing was assumed in the modelling in full compliance with the LDP policy. However, it is worth noting at this point that the LDP differentiates affordable housing targets by location. In the Caerphilly Basin (excluding Aber Valley) the target is 40% of the total number of dwellings on qualifying sites. In the NCC (excluding Newbridge) the target is 25%. In the rest of the borough, including Aber Valley and Newbridge but excluding the HOVRA (where no affordable housing contribution is required), the target is 10%.

<u>S.106 Allowances</u>

33. The EVS modelling made no specific allowance for residual S.106 obligations relating to site specific infrastructure. The house builders argued for the inclusion of a notional £1000 per plot, in line with a number of CIL studies elsewhere. There are merits to both arguments, the first that it is inordinately difficult to estimate such costs and the second that there will be such costs and applying a notional amount per unit recognises that. However, in my view, there is no fundamental flaw in not including such costs, subject to ensuring sufficient headroom in the CIL rate setting to accommodate this variable element of development costs.

Conclusions on background evidence

34. The LDP was adopted in 2010. The LDP adopts a moderate growth strategy, spreading development between the three identified strategic areas. One of its themes is to encourage development and investment northwards into areas where there has been past depopulation and loss of the traditional employment base. The LDP was supported by detailed evidence on infrastructure needs and this was refreshed and updated in a comprehensive Infrastructure Assessment Report. This has been used to define a draft Regulation 123 List that identifies a range of physical, social and green infrastructure that the Council has identified as necessary to support planned growth. There is a very significant assessed funding gap for the identified infrastructure. Anticipated CIL receipts would make a small, but nonetheless important, contribution towards funding these projects. The LDP and infrastructure evidence provide a solid foundation for the introduction of a CIL charging regime.

35. The background economic viability evidence for both residential and commercial development that has been used is reasonable, robust, proportionate and appropriate. The Council has used appropriate available evidence. Where there have been challenges to some of the high level assumptions used in the viability modelling I have noted these as matters to be considered in the round (later in this report) and, in particular, the consideration of the proximity of the proposed charges to viability thresholds of particular development types.

Are the Residential CIL charging zones and charging rates informed by and consistent with the evidence?

Charging Zones

36. The evidence does provide a convincing basis for geographically differentiated charging zones. Put simply, sales values and development viability are much stronger in the south of the borough than in the north. The three charging zones proposed approximate to, but do not mirror, the three strategic areas defined in the LDP. The geographical zones also reflect earlier work defining housing market areas, and related viability testing which informed the LDP's approach to location specific affordable housing targets. One notable anomaly in this respect was around Risca, which lies in the higher viability CIL charging zone, but a lower zone for affordable housing purposes (10% target); this created some complications which are discussed later (paragraph 43). However, the approach of defining the three zones, and the definition of their boundaries, was supported by the evidence and by the development industry. I conclude that the charging zones are, in principle, sensible and robust. I now turn to the CIL charging proposals for each zone.

Lower Viability Charging Zone - £0 psm

37. The lower viability zone covers the north and part of the west of the borough. The EVS tested viability on two sites in the north (250 and 20 units) and one

in the west (10 units). All three developments involved greenfield sites, reflecting the LDP strategy and, in theory at least, modelling the most viable form of development in these locations. Affordable housing was factored in at the LDP rates, which was zero for the two northern sites and 10% for the western site.

38. The modelled results were stark. The two smaller schemes were not viable at all, returning a 'residualised value for CIL' of -£40 and -£52. Only the larger 250 unit scheme showed a positive viability, but the value of just +£3 is clearly insufficient to justify a CIL charge. The evidence is clear – housing development in this zone cannot currently support CIL charges and the zero rate is appropriate. However, it is worth noting that the EVS sensitivity testing did suggest that relatively modest increases in sales values (other things remaining equal) would create much stronger results that could support CIL charges. This is clearly a matter for future review and consideration.

Mid Range Viability Charging Zone - £25 psm

39. This zone covers the central part of the borough. A good range of sites were tested (seven in total) ranging from 10 units up to 270 units. Affordable housing was factored in at either 10% or 25% depending on location and the respective LDP target. The modelled results demonstrated that all of the seven tested schemes were viable i.e. there was some surplus after all assumed costs and returns had been subtracted.

40. The Council's approach involved averaging the 'residualised value for CIL' results to give a figure of £52 psm as the theoretical achievable CIL across the seven schemes. That would clearly make the £25 psm proposed rate look reasonable and imply a healthy buffer. However, care needs to be taken in averaging the results from different appraisals. My examination revealed that the residual value for CIL extended across a wide range, the lowest being £11 psm and the highest being £108 psm. Five of the schemes could afford the CIL charge whilst retaining a modest to significant buffer (the buffer ranged from 16% to 77%). However, two of the modelled schemes could not afford the CIL charge and remain viable within the parameters set; the residualised CIL values were £11 psm and £19 psm. The £11psm result relates to a small scheme, which, arguably, may not come forward under current conditions. However, the £19 psm result relates to a 140 unit scheme with 25% affordable housing.

41. The evidence does confirm that the majority of the tested schemes would remain viable with the £25 psm CIL charge in place. Even making greater allowances for some of the additional costs and higher profits preferred by the house builders, there should, in most cases, be sufficient surplus to support the CIL charge. Furthermore, the charge would represent only a small proportion of GDV (ranging between 1.4 – 1.6% of GDV). For these reasons, I conclude that the CIL charge of £25 psm is justified. However, the wide spectrum of charges revealed by the monitoring does indicate that there is considerable variability within the charging zone. This is, in part, a product of differential Affordable Housing targets and the Council should recognise that there may be instances where its Affordable Housing targets are placed under some pressure on the more marginal viability sites. This is an area for close

scrutiny through the monitoring and review processes.

Higher Viability Charging Zone - £40 psm

42. Although the LDP strategy seeks to encourage development northwards, the greater share of the LDP housing is proposed in the south of the borough. Viability is stronger here due to the proximity of Cardiff and the M4 corridor. Three larger sites were tested through the modelling – a 60 unit brownfield scheme (40% affordable housing); a 90 unit brownfield site (10% affordable housing) and a 200 unit greenfield site (40% affordable housing).

43. All three sites showed strong viability. The 90 unit scheme showed particularly strong viability (£168psm 'residualised value for CIL') reflecting the lower (10%) LDP affordable housing requirement in the Risca area. This anomaly significantly skewed the Council's stated £103 psm average of the three schemes. However, taken individually the 60 unit scheme returned a £65 psm theoretical CIL and the 200 unit scheme a £75 psm theoretical CIL. The proposed £40 CIL rate would therefore equate to 62% and 53% of the modelled theoretical maximum CIL rate. That is to say, there are good buffers or headroom (of 38% and 47% respectively) above the proposed rate, on both the 60 and 200 unit scheme. CIL expressed as a proportion of GDV would be 1.9% for both schemes.

44. I am mindful that the house building industry expressed most concern about the CIL charges in this zone and I have examined closely the alternative appraisals put forward and the 'hybrid' appraisals undertaken by the council (employing some but not all of the house builders preferred rates). However, even allowing for these different views, my assessment is that, taken in the round, the evidence paints a picture of strong viability in this zone and the £40 psm charge does not appear to be set at the margins of viability. Indeed, two of the tested schemes are loaded with a very significant, 40%, affordable housing content. This is in line with Policy SP11 of the LDP, but it is important to recognise that the policy sets affordable housing <u>targets</u> and includes the important words *"the Council will seek to negotiate*". Whilst the Council's high level evidence does not indicate that viability will be compromised by the CIL charge (indeed it shows that it can be achieved with reasonable headroom), Policy SP11 does provide a degree of flexibility, should viability characteristics on specific schemes suggest a need to reduce the target. I conclude that the £40 CIL rate in this zone is supported by the evidence and that it is reasonable.

Other Residential CIL Matters

45. I examined the case for treating agricultural workers differently for CIL purposes. However, the evidence did not support a different approach for such developments which, in any event, appear to be very rare in the borough.

Are the Commercial CIL charging rates informed by and consistent with the evidence?

46. The EVS provided clear evidence that certain commercial development types were not currently viable and could not sustain CIL charges. These included all employment type developments (Use Classes B1, B2 and B8) along with developments of care and nursing homes, hotels and cinemas. For all of these uses the £0 psm charge listed in the DCS is justified. I turn now to the three development types where positive CIL charges are proposed.

Class A1 Retail- £100 psm

47. The EVS tested four sites, each involving relatively large format shops (the smallest was 900 square metres, the largest 6000 square metres). The results varied markedly from the lowest giving a residualised CIL value of -£293 psm to +£457 psm on the highest. The two in between generated +£40 psm and +£397. On examination, I was persuaded that the two strongly positive results were the more representative of retail development that may happen in the LDP period, whereas the other two examples were unlikely to happen (with or without CIL in place). It should be noted that the Council does not envisage any significant new retail development (large or small format) in the LDP period, as most such development has already been delivered or permitted. In the circumstances I am, on balance, satisfied that the £100 psm CIL charge is reasonable and would leave significant headroom for the modelled retail development scenarios that are most likely.

Class A3 – Restaurants, Cafés and Drinking Establishments- £25 psm

48. The Council does not envisage any significant Class A3 development in the plan period. However, its testing of a modelled 600 square metre 'licensed premises' development generated a £182 psm theoretical residual CIL. Whilst I am mindful that other Class A3 developments may display different viability characteristics, there is a practical limit to the appraisal testing, particularly for developments that are not likely to be forthcoming in any great quantity. The setting of the CIL rate of £25 psm would be substantially below the theoretical maximum of the one example tested and should leave sufficient scope for other Class A3 development types to remain viable.

Class D1 – Primary Healthcare Development - £60 psm

49. The Council's proposal to introduce a CIL charge on primary healthcare development was the source of some contention at the Hearing sessions. It was acknowledged that it was not unusual for Charging Authorities (in England) to include primary healthcare facilities in their Draft Regulation 123 lists i.e. CIL receipts would help fund such social infrastructure facilities to support new developments and growing /ageing populations.

50. The local health board fundamentally opposes the Council's proposed CIL charges, and indicated that imposing them could stifle primary healthcare development, or result in a migration of limited resources to other areas (where CIL charges on primary healthcare development were not in place). In support of its case the health board argued that the whole funding process

surrounding such developments had not been taken in to account. However, the Council's position was that there was now a mature development market defined by investors constructing primary care facilities for the NHS, which became a rent paying tenant (with a very strong covenant). The health board countered this argument by stating that the District Valuer (whose 'services' division produced the EVS) is directly involved in rent setting on primary healthcare schemes and should be setting rents at levels which yield sufficient profit to make the scheme happen (but no surplus beyond to fund CIL).

51. The EVS did not actually viability test any primary healthcare developments in the Caerphilly County Borough area, but relied on two modelled appraisals in the neighbouring authorities of Merthyr Tydfil CBC and Rhondda Cynon Taff CBC (commissioning partners of the EVS). Whilst not ideal, this could be an acceptable approach if that evidence demonstrated a consistency in terms of modelled viability results. However, it did not. The two tested developments generated significantly different CIL 'base rates' of £84 psm for a large scheme in Merthyr Tydfil CBC, and £221 psm for a small scheme in Rhondda Cynon Taff. Furthermore, in seeking to explain the inconsistency between large and small developments the EVS states that 'each scheme is very specific to a range of factors including land cost and the scope of occupiers'.

52. The funding and viability economics of such developments have clearly become quite complicated as new public / private sector delivery models have developed and evolved. Indeed, examination of the evidence further revealed that, falling under the 'Primary Healthcare Development' heading used in the DCS, there appear to be four different funding models. 'Health fund investors' and 'Third Sector Investors' are clearly commercially driven models, whereas 'NHS Capital Projects' and 'GP DIY' are not. The Council's evidence suggested that the two non-commercial models were 'not easily identified' in the EVS and that they could not sustain the same level of CIL as the commercial variants.

53. Overall, I found the evidence to be inconsistent and confusing. In my view, the absence of Caerphilly CBC specific viability evidence, the spectrum of funding models with different viability characteristics (some of which may not be able to afford the charge), and the risk that health board funding might migrate to other areas, all combine to suggest that the proposed charge is not properly supported by the evidence. That is not to say that such development should necessarily be exempt from the CIL *per se,* but I am unconvinced that the Council has defined the development type with sufficient precision and with viability evidence to support it at this stage. Given that little development in this category is anticipated, the effects of the CIL charge, should it prevent schemes coming forward, would not threaten the LDP as a whole. However, I am mindful of the health and deprivation profiles of parts of the borough, which the LDP seeks to improve. For all of these reasons, I conclude that CIL charge would not serve a positive purpose in terms of supporting the LDP, as set out in paragraph 30 of the 2013 CIL Guidance. I therefore recommend that the charge be reduced to £0 psm.

Overall Conclusions

54. The evidence demonstrates that, subject to my recommended modification, the overall development of the area, as set out in the LDP, will not be put at risk if the proposed CIL charges are applied. In setting the CIL charges the Council has used appropriate and available evidence which has informed assumptions about land and development values and likely costs. The CIL proposals will achieve a reasonable level of income to help address a well evidenced infrastructure funding gap.

LEGAL REQUIREMENTS	
National Policy/Guidance	The Charging Schedule complies with national policy/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 Caerphilly Local Development Plan and is supported by an adequate financial appraisal.

55. I conclude that, subject to the modification set out in Appendix A, the Caerphilly County Borough Council Draft Community Infrastructure Levy Charging Schedule, as modified by its Statement of Modifications, 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, subject to my modifications, the Charging Schedule be approved.

P.J. Staddon

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 that the Examiner specifies so that the Draft Charging Schedule may be approved.

Modification No.	Modification
EM1	Page 2 of Draft Charging Schedule – Table 2 D1 Primary Healthcare Development - delete "£60" and replace with "£0"