



Caerphilly County Borough Council and Merthyr Tydfil County Borough Council

Draft Community Infrastructure Levy (CIL) Joint Examination

Hearing Session Statement – Identification of the Evidence

Examination January 2014

Joint submission

Examination Statement reference :

ES5

Submission date :

January 2014

Hearing Session Statement - Identification of the Evidence

1. Introduction

This Hearing Session Statement has been prepared by Caerphilly County Borough Council (CCBC) and Merthyr Tydfil County Borough Council (MTCBC) in order to help facilitate appropriate discussion at the Joint Examination of the Draft Community Infrastructure Levy for the respective local authorities. The Statement is structured in accordance with the Identification of the Main Issues and Questions set out by the CIL Examiner (Mr Philip Staddon), as part of the Hearing Programme and provides a succinct response to the questions raised as part of that Agenda.

Where the Councils do not intend to provide any additional written evidence the Inspector's attention is directed to the relevant part of the Evidence Base for each local authority, which in the view of the Council addresses the matters raised. The paper will not repeat evidence previously submitted for consideration.

Session 1 – Introductions and Scene Setting

This response will be given at the Hearing Session.

Session 2 – Evidence Base – Development Plan and Infrastructure

To assist the examination the two Councils will be asked to explain (briefly) their Development Plan's approach to sustainable growth in terms of scale, type and location of housing and commercial development.

This response will be given at the Hearing Session by each Council, making reference to the LDP Strategies set out within the Caerphilly County Borough Local Development Plan (adopted November 2010) and the Merthyr Tydfil County Borough Local Development Plan (adopted May 2011).

Caerphilly CBC

Whether the infrastructure requirements set out in the Infrastructure Assessment Report (June 2012) are reasonable and necessary to support planned development in the area?

The Examiner's attention is directed to the Evidence Base as follows:

- **CBD.1** Infrastructure Assessment Report (CCBC)

Whether the infrastructure funding gap of £91 million set out in the Infrastructure Assessment Report (June 2012) is reasonable and whether full account been taken of other (non CIL) funding sources?

The Examiner's attention is directed to the Evidence Base as follows:

- **CBD.1** Infrastructure Assessment Report (CCBC)

To what extent will anticipated CIL receipts fill the infrastructure funding gap?

The Council has undertaken a calculation to determine the likely contribution of CIL receipts generated from housing allocations in the LDP that do not currently have planning permission, along with contributions from potential windfall and small sites. Using forecast completions from the Joint Housing Land Availability Study (JHLAS), it is anticipated that approximately £1.59 million could realistically be generated in the first 3 years (2015-2017) before CIL is reviewed in tandem with the LDP 1st Review. Should all the sites currently allocated in the LDP be granted permission and developed between the implementation of CIL and the end of the plan period to 2021, it is estimated that the CIL charge generated would be in the region of £5.3 million, or 6% of the overall infrastructure gap.

It is not possible to calculate the potential CIL receipt generated from A1, A3 or D1 uses for Caerphilly County Borough as the number of developments within these use classes are likely to be minimal. As identified within the latest Annual Monitoring Report for the Local Development Plan, the majority of commercial site allocations that encompass an A1 and/or A3 use in the LDP have already been developed, or have the benefit of planning permission. Whilst there may be applications on unallocated sites for A1 or A3, it is not anticipated that there will be significant new floorspace provided, particularly as this type of use is more likely to re-use existing floorspace. In addition, the majority of healthcare facilities (including a new hospital) allocated in the LDP have already been developed, and those allocations that do not currently have planning permission that would be liable for CIL are small in scale and are unlikely to generate significant revenue.

Merthyr Tydfil CBC

Whether the infrastructure requirements set out in the Infrastructure Report (February 2013) are reasonable and necessary to support planned development in the area?

The Examiner's attention is directed to the Evidence Base as follows:

- **MBD.3** Infrastructure Report (MTCBC)

Whether the infrastructure funding gap of circa £102 million set out in the Infrastructure Report (June 2013) is reasonable and whether full account been taken of other (non CIL) funding sources?

The Examiner's attention is directed to the Evidence Base as follows:

- **MBD.3** Infrastructure Report (MTCBC)

To what extent will anticipated CIL receipts fill the infrastructure funding gap?

The Council has undertaken a calculation to determine the likely contribution of CIL receipts generated from housing allocations in the LDP that do not currently have planning permission, along with contributions from potential windfall and small sites

Using forecasts from the Joint Housing Land Availability Study (JHLAS), it is anticipated that approximately between £1.05m and £1.35m could be generated through CIL receipts in the first three years after adoption. Should housing completion rates pick up to levels required to fulfill the LDP strategy by 2021, then upto £5.5m may be generated by CIL (approximately 5% of the infrastructure funding gap)

It is difficult to calculate the potential CIL receipts generated from A1, A3 or D1 uses for Merthyr Tydfil County Borough as the number of developments within these use classes are likely to be minimal. The majority of commercial site allocations that encompass an A1 and/or A3 use in the LDP have already been developed, or have the benefit of planning permission. Whilst there may be applications on unallocated sites for A1 or A3, it is not anticipated that there will be significant new floorspace provided, particularly as this type of use is more likely to re-use existing floorspace. There is a remaining retail allocation for approximately 5000 sqm which would generate approx £0.5m in CIL.

In addition, both healthcare facilities (including a new health park) allocated in the LDP have already been developed with any windfall facilities likely to be small scale and not generate significant amounts of CIL.

Draft Regulation 123 Lists

Whether the Draft Regulation 123 Lists are sufficiently comprehensive and clear on the use of CIL receipts? This discussion will include the Dwr Cymru Welsh Water representations.

The Examiner's attention is directed to the Evidence Base as follows:

- **CCD.2** Draft Charging Schedule Report of Consultation (CCBC) - pages 47-49 detail the Council's reasons for excluding/including certain types of infrastructure in response to representations made. Representations of support are also made on pages 45, 46, 50 due to changes made to aid clarity between the Preliminary Draft Charging Schedule and the Draft Charging Schedule.
- **MCD.2** Consultation Report – Draft Charging Schedule. Pages 4 and 5 deal with clarifying issues raised by NRW as to what exactly will be included in the Regulation 123 List. Page 18 deals with the Welsh Water representation.

Session 3 –Viability Evidence and Modelling -Residential

The Council's consultants have made a range of assumptions that have been used in its assessment of viability on different sites. There have been some challenges to the assumptions made. In this session I will ask the Council's consultants to give a (brief) overview of the work they have undertaken and a simple explanation of how the viability model works.

This session will then explore the source and robustness of the assumptions, focusing particularly on those that have been subject to some challenge. We will look at whether the following are reasonable and robust for CIL viability testing purposes:

- ***Land values and benchmark land values***

The Examiner's attention is directed to the Evidence Base as follows:

- **CCD.5/MCD.5** Viability Report (DVS) Paragraphs 5.28-5.42
- **CBD.4** Preliminary Draft Charging Schedule Report of Consultation (CCBC) page 30
- **CCD.2** Draft Charging Schedule Report of Consultation (CCBC) pages 10-12

- **Sales values**

The Examiner's attention is directed to the Evidence Base as follows:

- **CCD.5/MCD.5** Viability Report (DVS) Paragraphs 5.11-5.12
- **CBD.4** Preliminary Draft Charging Schedule Report of Consultation (CCBC) page 91
- **MCD.2** Consultation Report – Draft Charging Schedule (MTCBC) Page 8

- **Build costs**

The Examiner's attention is directed to the Evidence Base as follows:

- **CCD.5/MCD.5** Viability Report (DVS) Paragraphs 5.18-5.22
- **CBD.4** Preliminary Draft Charging Schedule Report of Consultation (CCBC) pages 16, 92
- **CCD.2** Draft Charging Schedule Report of Consultation (CCBC) pages 10-12
- **MCD.2** Consultation Report – Draft Charging Schedule. (MTCBC) Page 6

- **Code for Sustainable Homes requirements**

The Examiner's attention is directed to the Evidence Base as follows:

- **CCD.5/MCD.5** Viability Report (DVS) Paragraphs 5.19-5.21
- **CBD.4** Preliminary Draft Charging Schedule Report of Consultation (CCBC) pages 17-21
- **MBD.2** Consultation Report – Preliminary Draft Charging Schedule (MTCBC) Page 26-27
- **MCD.2** Consultation Report – Draft Charging Schedule. (MTCBC) Page 10-12

- **The 'Fire Sprinkler' issue**

The Examiner's attention is directed to the Evidence Base as follows:

- **CBD.4** Preliminary Draft Charging Schedule Report of Consultation (CCBC) pages 22-23
- **CCD.2** Draft Charging Schedule Report of Consultation (CCBC) pages 3-4
- **MCD.2** Consultation Report – Draft Charging Schedule. (MTCBC) Page 13-14
- **MBD.2** Consultation Report – Preliminary Draft Charging Schedule (MTCBC) Page 28-29

- **Abnormal costs**

The Examiner's attention is directed to the Evidence Base as follows:

- **CCD.5/MCD.5** Viability Report (DVS) Paragraphs 1.11, 8.7
- **CBD.4** Preliminary Draft Charging Schedule Report of Consultation (CCBC) pages 17-21
- **CCD.2** Draft Charging Schedule Report of Consultation (CCBC) pages 7-9
- **MBD.2** Consultation Report – Preliminary Draft Charging Schedule (MTCBC) Page 26-27

- **MCD.2** Consultation Report – Draft Charging Schedule. (MTCBC)
Page 10-12

- ***Affordable housing***

The Examiner's attention is directed to the Evidence Base as follows:

- **CCD.5/MCD.5** Viability Report (DVS) Paragraphs 5.13-5.24
- **CBD.4** Preliminary Draft Charging Schedule Report of Consultation (CCBC) pages 37-38, 41
- **MCD.2** Consultation Report – Draft Charging Schedule. (MTCBC)
Page 15

- ***Profit levels allowances (on market and affordable housing)***

The Examiner's attention is directed to the Evidence Base as follows:

- **CCD.5/MCD.5** Viability Report (DVS) Paragraphs 5.43-5.44
- **CBD.4** Preliminary Draft Charging Schedule Report of Consultation (CCBC) page 39
- **CCD.2** Draft Charging Schedule Report of Consultation (CCBC)
pages 10-12
- **MCD.2** Consultation Report – Draft Charging Schedule. (MTCBC)
Page 15
- **MBD.2** Consultation Report – Preliminary Draft Charging Schedule (MTCBC) Page 30

- ***Site specific infrastructure costs (S.106 and S.278)***

The Examiner's attention is directed to the Evidence Base as follows:

- **CCD.5/MCD.5** Viability Report (DVS) Paragraphs 1.8, 5.23
- **CBD.4** Preliminary Draft Charging Schedule Report of Consultation (CCBC) pages 8-15
- **CCD.2** Draft Charging Schedule Report of Consultation (CCBC)
pages 1-2, 5-6
- **ES3** Section 106 information (CCBC)
- **MBD.2** Consultation Report – Preliminary Draft Charging Schedule (MTCBC) Page 34
- **MCD.2** Consultation Report – Draft Charging Schedule. (MTCBC)
Page 17

I will be asking the Council's consultants to explain the approach to each of the above topics and I will ask questions. I will also allow participating Representatives to offer their views and evidence.

Session 4 – Residential CIL Rates and Charging Zones

Having tested the robustness of the residential evidence, this session will look at how that evidence has been used to inform the CIL proposals in the two authorities' areas.

The session will explore the following key questions:

Has the viability testing included a good range of development sites that reflect the variety of residential developments that are anticipated to meet the Development Plan housing requirements of the two authorities?

The Examiner's attention is directed to the Evidence Base as follows:

- **CCD.5/MCD.5** Viability Report (DVS) Paragraphs 5.1-5.2, 5.8, Appendix F
- **CBD.4** Preliminary Draft Charging Schedule Report of Consultation (CCBC) pages 28-29
- **MBD.2** Consultation Report – Preliminary Draft Charging Schedule (MTCBC) Page 21

Caerphilly CBC -does the viability evidence support the differentiation into the three charging zones – Lower (£0 psm) / Mid (£25 psm) / Higher (£40psm)?

The Examiner's attention is directed to the Evidence Base as follows:

- **CCD.5/MCD.5** Viability Report (DVS) Paragraphs 6.5, 6.10-6,15, Schedule 1, Appendices J, K, L
- **CBD.4** Preliminary Draft Charging Schedule Report of Consultation (CCBC) page 87 - support for boundaries of charging zones
- **CCD.2** Draft Charging Schedule Report of Consultation (CCBC) - all respondents who completed the representation form agreed with the principal of three charging zones

Merthyr Tydfil CBC – does the viability evidence support the differentiation into the three charging zones -Merthyr Tydfil (£25 psm) / Mid Valleys (£0 psm) / Lower Valley (£25 psm)?

- **CCD.5/MCD.5** Viability Report (DVS) Paragraphs 6.7, 6.16-6.18, Schedule 1, Appendices J, K, L
- **MBD.2** Consultation Report – Preliminary Draft Charging Schedule (MTCBC) Page 6 – support for boundaries for zones

Merthyr Tydfil CBC – have the viability results been distorted by viability results from sites in Caerphilly CBC and Rhondda Cynon Taff CBC?

- **MCD.2** Consultation Report – Draft Charging Schedule. (MTCBC) Page 7

In setting the draft CIL charges what allowances have been made for viability 'buffers' and are the viability buffers sufficient to allow for the variability of schemes across the charging zones?

Caerphilly's viability buffer as a percentage of the maximum development CIL rates for each viability area in the study area is shown below.

Development Type	Maximum viable CIL Rate (per sq m)	Proposed CIL rate (per sq m)	CIL as a % of maximum viable rate (as per DVS report)	CIL Viability buffer
Higher Viability Zone	£125	£40	32%	68%
Mid Viability Zone	£60	£25	41.6%	58.4%
Low Viability Zone	N/A	N/A	N/A	N/A

MTCBC's viability buffer as a percentage of the maximum development CIL rates for each viability area in the study area is shown below.

Development Type	Maximum viable CIL Rate (per sq m)	Proposed CIL rate (per sq m)	CIL as a % of maximum viable rate (as per DVS report)	CIL Viability buffer
Higher Viability Zone	N/A	N/A	N/A	N/A
Mid Viability Zone	£60	£25	41.6%	58.4%
Low Viability Zone	N/A	N/A	N/A	N/A

Overall, do the private housing CIL charges constitute a reasonable proportion of development costs?

Caerphilly CBC

Although not included in the original viability report a breakdown of the CIL cost of each site as a percentage of development costs has been prepared. This indicates that the residential CIL charge equates to between 2.6% and 2.8% of gross development costs (excluding the CIL Charge itself) in the high viability area, with an average of 2.7%. In the mid viability area, the percentage of gross development costs is between 1.7 and 1.8%, with an average of 1.8%.

A summary as it relates to Caerphilly testing sites is contained in the Table below:

Development Type	CIL Charge as a % of Gross Development Cost (range)	CIL Charge as a % of Gross Development Cost (average)	CIL Charge as a % of GDV (range)	CIL Charge as a % of GDV (average)
Higher Viability Zone	2.6%-2.8%	2.7%	2.4%-2.7%	2.6%
Mid Viability Zone	1.7-1.8%	1.8%	1.7%	1.7%
Low Viability Zone	N/A	N/A	N/A	N/A

In addition, further testing was undertaken using Savills assumptions where appropriate for notional 50 and 100 dwelling sites in both the high viability area and the mid viability area. This testing indicated that the CIL rate would still only equate to 1.59-1.60% of development costs in the mid viability area and 2.57-2.58% which is considered reasonable. The results of this testing is set out within **ES7 DVS Supplementary Examination Note**.

Merthyr Tydfil CBC

Development Type	CIL Charge as a % of Gross Development Cost (range)	CIL Charge as a % of Gross Development Cost (average)	CIL Charge as a % of GDV (range)	CIL Charge as a % of GDV (average)
Higher Viability Zone	N/A	N/A	N/A	N/A
Mid Viability Zone	1.7-2.0%	1.8%	1.7-1.9%	1.8%
Low Viability Zone	N/A	N/A	N/A	N/A

Should Agricultural Worker's dwellings be treated differently?

Caerphilly CBC

The Examiner's attention is directed to the Evidence Base as follows:

- **CBD.4** Preliminary Draft Charging Schedule Report of Consultation (CCBC) pages 42-43
- **CCD.2** Draft Charging Schedule Report of Consultation (CCBC) - pages 15-16

Session 5 –Viability Modelling Assumptions – Commercial

The Councils' consultants have made a range of assumptions that have been used in its assessment of viability on different commercial developments. There have been some challenges to the assumptions made particularly in terms of supermarket development.

This session will then explore the source and robustness of the assumptions, focusing particularly on those that have been subject to some challenge. We will look at whether the following components are reasonable and robust for CIL viability testing purposes:

- ***Land values and benchmark land values***

The Examiner's attention is directed to the Evidence Base as follows:

- **CCD.5/MCD.5** Viability Report (DVS) Paragraphs 5.28-5.42

- ***Rents and yields***

The Examiner's attention is directed to the Evidence Base as follows:

- **CCD.5/MCD.5** Viability Report (DVS) Paragraphs 5.14-5.17

- ***Build costs***

The Examiner's attention is directed to the Evidence Base as follows:

- **CCD.5/MCD.5** Viability Report (DVS) Paragraphs 5.18-5.22

- ***Abnormal costs***

The Examiner's attention is directed to the Evidence Base as follows:

- **CCD.5/MCD.5** Viability Report (DVS) Paragraph 5.22

- ***Profit levels allowances***

The Examiner's attention is directed to the Evidence Base as follows:

- **CCD.5/MCD.5** Viability Report (DVS) Paragraphs 5.43-5.44

- ***Site specific infrastructure costs (S.106 and S.278)***

The Examiner's attention is directed to the Evidence Base as follows:

- **CCD.5/MCD.5** Viability Report (DVS) Paragraphs 1.8, 5.23

- **CBD.4** Preliminary Draft Charging Schedule Report of Consultation (CCBC) page 8
- **CCD.2** Draft Charging Schedule Report of Consultation (CCBC) pages 5-6, 28-29, 32
- **MBD.2** Consultation Report – Preliminary Draft Charging Schedule (MTCBC) Page 34
- **MCD.2** Consultation Report – Draft Charging Schedule. (MTCBC) Page 17

Session 6 – Commercial CIL Rates

This session will explore each of the proposed commercial CIL charges in turn.

Retail CIL Charges

Does the viability evidence support the Councils' proposals for a £100 psm CIL charge for all retail development and is it reasonable in all other respects?

The Examiner's attention is directed to the Evidence Base as follows:

- **CCD.5/MCD.5** Viability Report (DVS) Paragraphs 7.1-7.7, Table 11, Schedule 1, Appendix Y
- **CBD.4** Preliminary Draft Charging Schedule Report of Consultation (CCBC) pages 49-56. Support for the rate is also on page 85
- **CCD.2** Draft Charging Schedule Report of Consultation (CCBC) pages 26-31. Support for the rate is also on page 24.
- **MBD.2** Consultation Report – Preliminary Draft Charging Schedule (MTCBC) Page 8-9. Support for A1 retail rate

The viability buffer for A1 use within Caerphilly and Merthyr Tydfil is set out below:

Development Type	Maximum viable CIL Rate (per sq m)	Proposed CIL rate (per sq m)	CIL as a % of maximum viable rate (as per DVS report)	CIL Viability buffer
A1 retail	£300	£100	33%	67%

Class A3 CIL Charges

Does the viability evidence support the Councils' proposals for a £25 psm CIL charge for Class A3 development and is it reasonable in all other respects?

The Examiner's attention is directed to the Evidence Base as follows:

- **CCD.5/MCD.5** Viability Report (DVS) Paragraphs 7.1-7.7, Table 11, Schedule 1, Appendix Y
- **MBD.2** Consultation Report – Preliminary Draft Charging Schedule (MTCBC) Page 8-9. Support for A3 rate

The viability buffer for A3 use within Caerphilly and Merthyr Tydfil is set out below:

Development Type	Maximum viable CIL Rate (per sq m)	Proposed CIL rate (per sq m)	CIL as a % of maximum viable rate (as per DVS report)	CIL Viability buffer
A3	£40	£25	63%	37%

Class D1 Primary Healthcare Development

Does the viability evidence support the Councils' proposals for a £60 psm CIL charge for Class D1 Primary Healthcare development?

The Examiner's attention is directed to the Evidence Base as follows:

- **CCD.5/MCD.5** Viability Report (DVS) Paragraph 7.11, Schedule 1, Appendix Y
- **CBD.4** Preliminary Draft Charging Schedule Report of Consultation (CCBC) pages 59-62
- **CCD.2** Draft Charging Schedule Report of Consultation (CCBC) pages 18-22
- **MBD.2** Consultation Report – Preliminary Draft Charging Schedule (MTCBC) Page 8-9. Support for D1 Primary Healthcare rate

The viability buffer for D1 use within Caerphilly and Merthyr Tydfil is set out below:

Development Type	Maximum viable CIL Rate (per sq m)	Proposed CIL rate (per sq m)	CIL as a % of maximum viable rate (as per DVS report)	CIL Viability buffer
Primary Health Care	£125	£60	48%	52%

Is there a case that such development should be exempt from CIL? The Examiner's attention is directed to the Evidence Base as follows:

- **CCD.5/MCD.5** Viability Report (DVS) Paragraph 7.11, Schedule 1, Appendix Y
- **CBD.4** Preliminary Draft Charging Schedule Report of Consultation (CCBC) pages 59-62
- **CCD.2** Draft Charging Schedule Report of Consultation (CCBC) pages 18-22

Session 7 – Round Up and Conclusions

In this final session, I will give the participants an opportunity to sum up their views on the evidence. The focus of this session will be on an overarching examination question which is:

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

This will be discussed at the Hearing Session.