



**PLANNING ACT 2008 (AS AMENDED)**  
**SECTION 212**

**EXAMINATION UNDER SECTION 212 OF THE DRAFT**  
**RUNNYMEDE BOROUGH COUNCIL COMMUNITY**  
**INFRASTRUCTURE LEVY (CIL) CHARGING SCHEDULE**

**REPORT TO RUNNYMEDE BOROUGH COUNCIL**

**BY**

**MR PHILIP STADDON BSC, DIP, MBA, MRTPI.**  
**AN INDEPENDENT EXAMINER APPOINTED BY THE COUNCIL**

Charging Schedule submitted for examination on 4 September 2020

Examination Hearing held on 26 October 2020

Final report issued: 8 December 2020

## Executive Summary

This report concludes that, subject to recommended modifications, the Runnymede Borough Council Draft Community Infrastructure Levy Charging Schedule, as amended by the Statement of Modifications, will provide an appropriate basis for the collection of the levy in the area.

The Council has complied with the legislative requirements and, subject to my recommended modifications, 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 the Runnymede 2030 Local Plan (adopted 16 July 2020), at risk.

The main modification required relates to the proposed CIL charge for **'student accommodation' developments**. This is not supported by sufficient viability evidence and the charge could place such developments at risk. This means that the drafting requirements under Section 211(2) would not be complied with. However, that non-compliance can be fully remedied by my recommendation, under Section 212A(4), that the CIL charge be deleted. I have also recommended a minor modification, pursuant to Section 212A(6), in respect of the Office development description, to reflect the updated Use Classes.

Subject to these modifications, the implementation of the CIL proposals will secure a valuable and important funding stream for infrastructure necessary to support planned growth in the borough, for which there is a demonstrated funding gap.

## Introduction

1. The Community Infrastructure Levy (CIL) is a tool for local authorities in England and Wales to help deliver infrastructure to support the development of the area. CIL is payable on types of new development which create additional floorspace as prescribed in a charging schedule. Before CIL can be introduced, the local authority (the **'charging authority'**) must set out its CIL rates in a Draft Charging Schedule (DCS) and it must then be examined by an independent person (the Examiner). Any person asking to be heard before the Examiner at the examination must be heard in public.
2. I have been appointed by Runnymede Borough Council to undertake the independent examination of its DCS, as amended by its Statement of Modifications (SOM). I am a **Chartered Town Planner with over 30 years'** experience in the public and private sectors, including roles as a Planning Inspector and Independent Examiner. I can confirm that I am entirely independent of the Council and that, other than this examination role, I **have no business or other interests within the Council's** administrative area.

3. This report considers whether the DCS is compliant in terms of the Law<sup>1</sup> and the associated Regulations<sup>2</sup> and whether it is economically viable, as well as reasonable, realistic and consistent with national guidance set out in the Planning Practice Guidance (PPG). My assessment has also taken into account the content of the National Planning Policy Framework (2019) (the Framework), including its approach concerning development contributions.
4. To comply with the relevant legislation and guidance, the charging authority has to submit a charging schedule that should set an 'appropriate balance' between helping to fund necessary new infrastructure and the potential effect of the proposed CIL rates on the economic viability of development across its area.
5. More specifically, the PPG states that the examination should establish that:
  - *the charging authority has complied with the legislative requirements set out in the Planning Act 2008 and the Community Infrastructure Levy Regulations as amended;*
  - *the draft charging schedule is supported by background documents containing appropriate available evidence;*
  - *the proposed rate or rates are informed by and consistent with the evidence on economic viability across the charging authority's area; and*
  - *evidence has been provided that shows the proposed rate or rates would not undermine the deliverability of the plan.*
6. These identified matters are the main issues that I have explored through this examination, which included virtual public Hearing sessions held on 26 October 2020.

### **Procedural and preliminary matters**

7. Due to the ongoing impact of the Covid-19 pandemic, the Hearing sessions were conducted virtually using the Microsoft Teams facility. All participants were invited to take part in the virtual sessions and the Hearing was **broadcast live through the Council's YouTube channel and a record was kept.**
8. The arrangements worked extremely well and allowed everyone to speak and for representors to exercise their right to be heard. I am grateful to the Council and the Programme Officer for facilitating such an efficient, effective and transparent public Hearing.

### **Runnymede Borough Council – CIL Draft Charging Schedule (as modified)**

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<sup>1</sup> Part 11 of The Planning Act 2008 (as amended)

<sup>2</sup> Community Infrastructure Levy Regulations 2010 (as amended)

9. The basis of the examination is the submitted DCS (Document CIL-01) and the subsequent SOM. The DCS was published for an extended period<sup>3</sup> of public consultation between 24 February 2020 and 24 April 2020. The SOM was published for a period of public consultation from 17 July 2020 to 14 August 2020; it proposes amendments to some of the proposed CIL charges **and to the charging zone map. All further references to the 'DCS' in this report relate to the schedule as proposed to be modified by the SOM.**
10. The DCS proposes CIL charges for three categories of developments which **are (i) 'Residential Class C3a, C3c and C4' developments; (ii) 'student accommodation'; and (iii) 'Class B1a Offices only'.**
11. **The 'residential class' CIL is proposed** to be differentiated by location, with 7 charging zones, labelled A – G, defined on a map contained within the DCS. Zone A would cover the north-western part of the borough, including the settlements of Engelfield Green and Virginia Water, and in this zone the proposed CIL for residential development would be £380 per square metre (psm). Zone B would cover the south-western parts of the borough, including the settlement of Ottershaw, and here the CIL would be £300 psm. Zone C covers two parts of the borough, the largest being the central eastern areas of the borough (including Chertsey), and a smaller area centred on the town of Egham towards the north of the borough; in this zone the CIL would be £180 psm. Zone D covers the south-eastern part of the borough, including the town of Addlestone, and here the CIL would be £110 psm. Zone E lies in the north-east part of the borough where it meets the town of Staines and the proposed CIL would be £90 psm. Zone F is a small zone covering a specific **site known as 'Chertsey Bittams C'**, close to Junction 11 of the M25, where CIL would be zero rated, i.e. £0 psm. The final Zone G is also zero rated and covers the Longcross Garden Village (LGV) site in the west of the borough.
12. **The 'student accommodation'** development CIL is proposed to be £495 psm in zones A – E and £0 psm in zones F and G.
13. **The 'Class B1a Offices only'** development CIL is proposed to be £50 psm in zones A – E and £0 psm in zones F and G.
14. The DCS proposes that **'All other development'** would be zero rated for CIL, i.e. £0 psm.

**MAIN ISSUE 1: Has Runnymede Borough Council complied with the legislative requirements set out in the Planning Act 2008 and the Community Infrastructure Levy Regulations 2010 as amended?**

15. The Council has submitted a Statement of Compliance (Document CIL-07) which summarises its conformity with the relevant provisions of the Planning Act 2008 (as amended) and the CIL Regulations 2010 (as amended).

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<sup>3</sup> The Council extended the period in the light of the Covid-19 pandemic

16. I am satisfied that the Council has complied with all procedural legislative requirements in this regard, including undertaking appropriate levels of consultation. The adequacy of the evidence base, including the financial appraisal which supports the CIL proposals, is assessed through the remainder of this report.

**MAIN ISSUE 2: Is the Runnymede Draft Charging Schedule, as modified by the Statement of Modifications, supported by background documents containing appropriate available evidence?**

***Runnymede 2030 Local Plan***

17. The Runnymede 2030 Local Plan ("the Plan") **was adopted** in July 2020. It is therefore a recent and up to date development plan **and it is the 'relevant plan' for the proposed CIL.**
18. Policy SD1 sets out the Spatial Development Strategy which seeks to make provision for a minimum 7,507 net additional dwellings, along with new business parks and retail developments. The policy includes a table which lists the spatial distributions of planned growth locations, with the largest developments being focused at Chertsey (2,212 new dwellings); Longcross (a new garden village development of 1,779 new dwellings plus 7,350 sq metres of employment floorspace); Addlestone including Rowtown (1,265 new dwellings plus 11,700 sq metres of employment floorspace); and Egham / Staines (951 dwellings, 198 student bed spaces and employment floorspace totalling 41,580 sq metres).
19. Policy SD9 allocates and sets out the policy **requirement's** for the LGV development. Section 6 of the Plan includes 17 housing development site allocations (Policies SL2 – SL18), ranging from the smallest of 9 units to the largest of 400 homes. Taken together, these allocations exceed the minimum housing growth target. Policy SL20 sets out affordable housing requirements for new housing developments.
20. Section 8 of the Plan addresses the local economy and seeks to ensure that sufficient employment land of the right type is available to support growth and innovation. It proposes 1 employment allocation and identifies and protects 5 Strategic Employment Areas (SEA). It also includes some mixed use allocations (under Policies IE7 – IE12) for residential, retail and community uses.

***Infrastructure evidence***

21. The Runnymede Infrastructure Delivery Plan – December 2017 (IDP) (Document CIL-12) is a comprehensive assessment of the future infrastructure needed to support development in the borough. There is a January 2018 addendum (Document CIL-013) **which addresses 'projects related to the A320'.** There is also a supporting document, produced in May 2018, which sets out the IDP content in schedules, each covering a 5 year period.
22. The IDP and its supporting documents identifies **the borough's infrastructure**

requirements under a wide range of categories, including education, health, community infrastructure, recreation, green infrastructure, transport, utilities, waste, emergency services, flood defence and drainage.

23. The IDP includes cost estimates and a funding gap shortfall calculation. This has been updated and refined in the Technical Background Document – December 2019 (Document CIL-08) and its Addendum – July 2020 (Document CIL-09). This provides separate estimates for LGV related **infrastructure and that required for the 'rest of the plan area'**, the figures being £60 million and £229 million respectively.
24. As the LGV development is not proposed to be subject to CIL, the relevant **figure is £229 million for the 'rest of the plan area'**. Well over half of the £229 million relates to transport infrastructure (£122 million), with other substantial amounts attributed to health, education, green infrastructure and flood alleviation. The Council has assessed potential and secured funding sources and calculates that the residual funding gap will be £105.1 million, based on current information.
25. The Council estimates<sup>4</sup> that, if its DCS were implemented soon, CIL may provide a sum of circa £23.8 million towards filling the gap in the Plan period. CIL would therefore make an important contribution to meeting the funding gap, although a significant shortfall would remain.
26. Overall, the evidence indicates that the infrastructure funding gap is substantial and that the imposition of a CIL regime is justified. CIL revenue would make an important contribution to reducing that gap and funding the delivery of new infrastructure required to support planned growth.

## ***Economic viability evidence***

### ***Methodology***

27. The Council has produced a CIL Viability Testing Final Report – November 2019 (Document CIL-10). This main report is supplemented with 3 further documents: a Technical Background Document – December 2019 (Document CIL-08); a Technical Background Document – Addendum – July 2020 (Document CIL-09); and a Representations Response Paper / CIL Viability Review – June 2020 (Document CIL-11). It can create some complications in having a number of viability evidence documents produced at different times, particularly when there are some inconsistencies between the different documents. However, I have treated this collection of evidence as comprising **the Council's 'viability appraisal' (hereafter the VA)** to support its CIL proposals, and I make reference to the most relevant sub-document where appropriate.
28. For both residential and commercial developments, a residual valuation approach is employed. In summary, **the Council's modelling assumes that** the value of a site will be the difference between what a development scheme generates (revenue) and what it costs to develop (including build

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<sup>4</sup> Table 6.1 Technical Background Document Addendum July 2020 (Document CIL-09)

costs and a developer margin).

29. **Scheme costs are deducted from scheme revenue to arrive at a 'residual value'** (RV), which is then compared to a benchmark land value (BLV), being the assumed land price a land owner would be willing to sell the land for development. The VA refers to the Guidance<sup>5</sup> which advises that BLVs for any viability assessment should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner (EUV+). If there is a surplus, **sometimes termed an 'overage'**, remaining after the BLV has been deducted from the RV, this could be used, at least in part, to pay CIL to support infrastructure delivery in the area.
30. As with any such modelling, the outputs that it produces are a direct result of the inputs. That is to say, the assumptions about the various costs and values of development, and the BLVs, are all critical to determining the conclusions made about viability. Unsurprisingly, this can be fertile ground for different viewpoints and a number of challenges were made to the **Council's modelling** assumptions which I explore, where appropriate, below.

### *Types of residential development*

31. The modelling has assessed 3 main sets of residential developments. First, it assessed the high level **viability of 'notional' 1 hectare sites across** different housing market areas within the borough. Second, it modelled 15 of the site allocations contained in the 2030 Local Plan. Third, it tested small sites of less than 10 units. In addition, a notional 1 hectare retirement housing development was modelled.
32. I have noted some comments that, other than the LGV development, the portfolio of sites does not include a 500+ size scheme. However, this is not unreasonable, as there are no such developments envisaged in the Plan. In any event, it is not realistic for a charging authority to test all possible site sizes and permutations.
33. In my assessment, the number and range of sites tested, within a relatively compact borough, is very comprehensive for CIL testing purposes and closely representative of the scale and type of housing developments set out in the Plan.

### *Residential sales values*

34. Local residential sales values assumptions were derived from all transactions in the market from January 2015 to June 2017, cross checked with recent new build sales values and then indexed to September 2019 values.
35. **Whilst I have noted some criticism of the use of 'second hand' sales data,** the study dataset was drawn from a significant period, appropriate indexing

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<sup>5</sup> Planning Practice Guidance Paragraph: 013 Reference ID: 10-013-20190509 Revision date: 09 05 2019

was used, and the adopted indicative new build house prices<sup>6</sup> appear to be reasonable and representative of likely new build sales values in the different areas. I am satisfied that the Council has used appropriate available evidence on this important variable. This evidence demonstrates a very wide range of house prices in the borough, with indicative prices for a 3 bedroom semi-detached house ranging from £420,000 in the lowest value area to £1,326,000 in the highest value area.

### *Residential development costs*

36. The construction costs were drawn from the Building Costs Information Service (BCIS), which is collated and published by the Royal Institute of Chartered Surveyors (RICS). The data is drawn from actual tender prices of build costs and rebased for local prices. The prices used were the mean figures for September 2019, which aligns the costs with the sales price indexation. In addition to the base BCIS costs, a 15% allowance was made for external works. A further cost allowance of £10,000 was also included to cover **'sustainability and accessibility'** requirements, which include such matters as SANG<sup>7</sup> / SAMM<sup>8</sup> mitigation costs, electric vehicle charging points, renewable energy and accessible, adaptable and wheelchair standard housing costs.
37. Garage costs were not specifically included and one representor claimed these would typically add circa £5,000 per unit. However, as some units will have garages and other will not, and those that do will likely command a higher sales value, I am satisfied that this is a matter than can be **considered 'in the round'**.
38. Site specific infrastructure costs were included on a bespoke basis for the Local Plan allocations, based on the best estimates of Section 106 Planning obligation and other related costs, for the particular site / development. For the high level testing of notional 1 hectare sites, a £1,500 / dwelling site specific infrastructure cost was assumed.
39. It should be noted that a number of schemes are contingent upon improvements to the A320 corridor and M25 Junction 11, under a scheme forward funded by Homes England under the Housing Infrastructure Fund (HIF), which expects clawback for schemes benefiting from the works. Cost contributions towards these works are not included in any of the CIL **modelling. The Council's draft Infrastructure Delivery and Prioritisation** Supplementary Planning Document (CIL-017) makes clear that it expects policy compliance and CIL payment first, followed by clawback calculations thereafter.
40. Affordable housing was modelled **in line with the Plan's required** proportion

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<sup>6</sup> Table A1.2 of the CIL Viability Testing Final Report November 2019 (Document CIL-10)

<sup>7</sup> SANG is Suitable Alternative Natural Green Space which is an agreed mitigation approach, either on or off site, in respect of development proposals in proximity to the Thames Basin Heath Special Protection Area (SPA). It provides alternatives to recreational and other impacts on the natural habitat of the SPA

<sup>8</sup> SAMM stands for Strategic Access Management and Monitoring in respect of the SPA, for which developments within the 'zone of influence' are expected to make financial contributions



(35% of units on schemes of 10 units and above) and tenure split. The associated costs and revenue assumptions appeared well grounded and suitably cautious.

41. The modelling assumed a developer return of 20% of Gross Development Value (GDV) for private housing development and 6% contractor return for affordable housing development. These are reasonable assumptions and have been widely used and accepted in other CIL examinations.
42. **I assess that the Council's** assumptions and approach on other residential development costs, including professional and legal fees, were all reasonable and within industry norms. The modelling approach to finance was regarded by some as opaque, but the Council confirmed that it had used a 6.75% rate, which appears to be cautious (i.e. high).
43. Overall, I am satisfied that the residential cost assumptions are reasonable. Moreover, any outstanding differences of views on these matters from representors can be considered 'in the round' when assessing the proposed CIL and the extent of the viability **headroom (or 'buffers')**.

#### ***Land values***

44. The establishment of land values for modelling purposes can be one of the most significant, and often disputed, elements of CIL viability testing. It is also a field where empirical evidence is often quite limited. The Council has referenced its earlier work, set out in the Runnymede 2017 Local Plan Viability Report, which indicated BLV across the borough ranging from £2.57 million / hectare to £8.1 million / hectare. However, for CIL testing purposes, the Council has elected to follow the more recent Guidance, which recommends the use of the EUV+ approach.
45. The use of the EUV+ approach does create some challenges in a borough such as Runnymede. This is because much of the planned development will be on greenfield land, or brownfield land released from the greenbelt, with a smaller number of commercial urban brownfield sites. At the Hearing, the Council advised that about 75% of its planned housing delivery would be on greenfield sites.
46. The challenge arises in that the EUV for much of this land is agricultural use value, which the Council says is £20,000 / hectare (although other suggested slightly higher figures) and there is no set formula for defining what premium, or uplift, is reasonable from such a low base value, i.e. how big the **'+' should be over EUV**.
47. The VA discusses this challenge and refers to other examples and guidance which suggests the use of a range of between 10 and 20 times, which might suggest a BLV of up to circa £400,000 / hectare. However, the Council considers that, given the commercial nature of many sites, a much higher BLV should be used and has opted to use a BLV of £2 million / hectare for all sites in the VA testing.
48. Whilst this is a relatively simplistic approach, it does follow the thrust of the

Guidance and provides a cautious basis for high level CIL testing. The £2 million value used would represent an enormous uplift on base agricultural land EUV and would, at the same time, be likely to include a reasonable premium over most sites with commercial / brownfield characteristics that are likely to come forward. It is also the same figure that has previously been used for viability testing of the LGV development.

49. I consider the assumed BLV to be reasonable for high level CIL viability testing purposes. However, the limitations of this relatively simplistic BLV assumption need to be factored into the holistic assessment of the CIL proposals. In essence, such a BLV assumption will be robust for most sites identified to come forward in the Plan, and will entail a very significant premium on agricultural land, but it may not be applicable in all instances, particularly where site assembly necessitates acquiring existing higher value uses.

### *Student housing modelling assumptions*

50. The Council modelled a notional 1 hectare site with a 5 storey 15,000 square metre student housing development<sup>9</sup>. In the light of representations, the Council undertook a revised appraisal<sup>10</sup>. Given that the type of student housing development and the assumptions employed are the subject of significant challenge by representors, these matters are discussed later in this report.

### *Commercial development modelling assumptions*

51. The Council tested assumed typology case studies for a range of commercial developments. These included retail; larger retail; professional services; pubs, restaurants and takeaways; B1 business use; B2 general industrial; B8 warehouses; C1 hotels; C2 residential institutions and Class D1 and D2 use developments. All were modelled on a notional 1 hectare site basis. The data sources and assumptions employed for rents, yields and capital values, build costs, **developer's** profit margin, fees, contingencies and finance all appeared reasonable for high level CIL modelling.

### *Conclusions on main issue 2 – background evidence*

52. The Plan provides a clear strategic Planning framework to guide sustainable growth in Runnymede borough and the IDP identifies the infrastructure needed to support it. The evidence demonstrates a sizeable infrastructure funding gap that justifies the introduction of a CIL regime. Based on the **Council's estimate, anticipated** CIL receipts will be around £23.8 million and, whilst making an important contribution, a significant funding shortfall will remain.
53. The economic viability evidence has been drawn from available sources and is well grounded, reasonable and appropriate for high level CIL testing. On this basis, the evidence that has been used to inform the DCS is robust,

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<sup>9</sup> Runnymede CIL Viability Testing Final Report November 2019 pages 66 – 67

<sup>10</sup> Representations Response Paper / CIL Viability Review June 2020 M2.1 – M2.3

proportionate and appropriate. However, the detailed application, interpretation and use of this evidence, in defining the proposed CIL rates and zones, are discussed more fully below.

**MAIN ISSUE 3: Are the proposed CIL rates for 'Residential Class C3a, C3c and C4' development, and the proposed respective charging zones (A – G), informed by and consistent with the evidence on economic viability across the charging authority's area?**

*High level testing*

54. The high level testing of notional 1 hectare sites was essentially an update of the work undertaken in 2017 as part of the Local Plan evidence base. It demonstrates that the borough has generally high values and strong residential development viability. Indeed, the modelling returns positive RVs in all housing sub-market areas. This means that once all scheme costs, including developer profit, are taken account of, there is surplus value left over.
55. In all areas this surplus is well above the adopted £2 million BLV, although the range is significant. In the lowest value areas ('Staines Border and North') the RV with a modelled 30 dwellings per hectare (dph) scheme was £2.5 million / hectare. The figure in the highest value area (Wentworth) was £16.18 million, although this was somewhat exceptional, with the average of the remainder (i.e. excluding Wentworth) being around £3.5 million / hectare.
56. The modelling then deducts the £2 million BLV from the RV and converts the net surplus into a psm amount, which is the modelled maximum theoretical amount that could be available for CIL. These surpluses, set out in the November 2019 Final Report (Document CIL-10), ranged from £208 psm up to £5,908 psm, with the middle ground values being in the narrower range of £546 – £1,175 psm.
57. **The Council's** Technical Background Document (CIL-08) carries out a similar calculation, but with an assumed slightly higher development coverage, which it considers more accurately reflects policy requirements. However, in doing so it has not made adjustments to the other modelling assumptions, such as sales revenue, so the effect is to understate the surpluses somewhat in most cases. Whilst this is perhaps not the most transparent presentation, the CIL-08 range of £180 psm – £5,108 can be treated as incorporating an element of additional built-in headroom.

*Key housing sites*

58. Finer grained modelling is provided by the analysis of the key housing sites.
59. The Council had previously modelled the viability of LGV development (in 2019) and found that it generated a significant RV which indicated that it was capable of funding the Section 106 package sought to support the new settlement.

60. For the other key Local Plan sites, 13 of the 14 sites tested generated strong positive RVs. The exception, which indicated a negative RV, was something of an anomaly, involving a small number of homes and a greater number of Gypsy / Traveller pitches.
61. Of the 13 positive results, the VA sets out the net surpluses per dwelling (after the BLV has been deducted) and these ranged from £21,454 to £151,361 per dwelling. When converted to a psm amount, the surpluses ranged from £268 psm up to £1,892 psm<sup>11</sup>. Slightly lower figures were computed in the Technical Background Document (CIL-08); the range here was £70 psm – £1,655 psm.

### *Smaller sites*

62. The testing of small sites, without the costs of affordable housing, indicated even greater surpluses, with the lowest being £608 psm in Staines, the middle ground locations being over £1,000 psm and the highest being £3,010 psm in Virginia Water and, extraordinarily, £8,186 psm in Wentworth<sup>12</sup>. Slightly lower figures were calculated in the Technical Background Document (CIL-08) but in all cases there were substantial surpluses.

### *Retirement housing*

63. The retirement housing notional scheme test modelling generated a surplus of £2,372 psm.

### *Charging zones and proposed CIL charges*

64. The above evidence indicates that there is significant scope for accommodating a CIL to support the delivery of infrastructure in the borough. In terms of the proposed charging zones, the Council has sought to broadly follow its known housing sub-market areas and also to reflect some site specific allocations. It has refined its zoning approach and charges through the SOM in the light of updated evidence. **The Council's general** approach to setting the proposed charges seeks to consider the respective results from the test scenarios and apply a buffer of about 50% to ensure that there is comfortable viability headroom.
65. I explore each charging zone below, starting with the lowest. For completeness, the figures below state the original CIL-10 values first with, where appropriate, the CIL-08 figures in brackets.
66. Zone G covers the LGV site and a £0 CIL rate is proposed. Given the scale and nature of that strategic development, and the **Council's adopted** policy approach of securing its required substantial infrastructure through a comprehensive Section 106 Planning agreement, the differentiation of this site through its own zone and £0 rate is justified and follows the Guidance<sup>13</sup>.

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<sup>11</sup> Runnymede CIL Viability Testing Final Report November 2019 Table 6.4

<sup>12</sup> Runnymede CIL Viability Testing Final Report November 2019 Table 6.5

<sup>13</sup> Planning Practice Guidance Paragraph: 022 Reference ID: 25-022-20190901 (Revision date: 01 09 2019)

67. I have noted concerns from a local representor about uncertainties of the Section 106 delivery process and potential impacts on existing settlements, should infrastructure not be delivered in a timely and comprehensive manner. There is an understandable expectation that the circa £60 million infrastructure package will be secured and implemented as part of the development of the new settlement. However, these are matters for the Council to consider and address when the anticipated Planning application for the LGV development is received and during the subsequent S.106 negotiations.
68. Zone F relates to a Local Plan site (allocation SL16) known as Chertsey Bittams C, where the modelling demonstrates a negative RV and an inability to support a CIL charge. The zone and the associated £0 psm charge are supported by the evidence.
69. Zone E covers the Staines part of the borough and here sales values and RV are at the lower end of the borough's spectrum. The tested notional 1 hectare site indicated a surplus of £208 psm (£180 psm) in this area. Two of the tested key Local Plan sites lie within this zone; site allocation SL7 returning a surplus of £738 psm (£937 psm) and allocation SL8, £609 psm (£772 psm). The smaller sites produced a surplus of £608 psm (£512 psm). Based on the evidence, the proposed £90 psm CIL in this zone is justified and will include a healthy viability buffer, particularly on the two allocated sites and smaller sites.
70. Zone D covers the south-east of the borough where sales values and RV are a little stronger. The tested notional sites indicated a £263 psm (£227 psm) surplus in this area. Two of the key Local Plan tested sites fall in this zone, Addlestone West (allocation IE8) and Vet Labs Parcel B (allocation SL11). These returned modelled surpluses of £571psm (£692 psm) and £268 psm (£70 psm) respectively. For smaller sites, the surplus was £674 psm (£568 psm). The evidence indicates that the proposed £110 psm CIL in this zone can be readily accommodated without threatening viability in most cases. There is some strain on one site (allocation SL11), but the Council points out that this is a greenfield site where just a limited reduction in the significant uplift on agricultural value would address this strain, i.e. development is still incentivised and likely to happen. Other than this one site, the viability buffer would be comfortable in all other tested scenarios.
71. The Zone C notional sites testing indicated a £658 psm (£569 psm) surplus in the Chertsey area and £546 psm (£472 psm) in Egham. This zone contains the greatest number of Local Plan tested key sites and the modelled surpluses were: Pyrcroft Road, Chertsey (allocation SL6) - £617 psm (£587 psm); Chertsey Bittams A (allocation SL14) - £589 psm (£562psm); Chertsey Bittams B (allocation SL15) - £523 psm (£499 psm); Chertsey Bittams D (allocation SL17) - £818 psm (£791 psm); and Chertsey Bittams E (allocation SL18) - £286 psm (£116 psm). For smaller sites, the figures were £1,053 (£887 psm) in the Chertsey area and £1,043 psm (£879 psm) in the Egham area. Based on this evidence, the proposed CIL of £180 psm can be comfortably accommodated with significant viability headroom in most cases. Only allocation SL18 would show some strain but,

as with SL11 above, the Council points out that this is a green field site and delivery is unlikely to be compromised by the CIL.

72. Zone B covers the south-west part of the borough. The notional sites testing for Ottershaw indicated a surplus of £946 psm (£818 psm). The Ottershaw East Local Plan site (allocation SL12) is within this zone and its surplus was £828 psm (£792 psm). For smaller sites, the figure was £1,564 psm (£1,316 psm). The evidence of higher surpluses in this area indicates that the £300 psm CIL can be accommodated without threat to the viability of any tested scheme.
73. Zone A covers the north-west part of the borough, including Virginia Water and Wentworth, where sales values are particularly strong. The notional testing indicated surpluses of £2,029 psm (£1,754 psm) and £5,908 psm (£5,108 psm) for these two locations respectively. Three of the key Local Plan tested sites are in this zone and the figures were: Virginia Water North (allocation SL9) – £1,060 psm (£764 psm); Virginia Water South (allocation SL10) – £1892 (£1655 psm); Blays House (allocation SL5) – £1,175 psm (£1,116 psm). For smaller sites, the figures were £3,010 psm (£2,535 psm) in Virginia Water and £8,186 (£6,893 psm) in Wentworth, although little development is expected in the latter. The proposed £380 CIL in this zone can be readily accommodated under all tested scenarios with substantial headroom remaining.

#### *Sensitivity testing, Covid-19 and an uncertain market*

74. This examination is taken place at a time of economic uncertainty and the Council has been cognisant of this. It has added some useful commentary on these matters and undertaken some sensitivity of its modelling results<sup>14</sup>. The sensitivity testing provides reassurance that, even with quite dramatic negative changes, i.e. a 10% fall in sales values and a 10% rise in costs, this would only create strain in the two lowest value sub-market zones, covering the Staines border area and Addlestone.
75. **Moreover, the Council's approach to CIL modelling actually builds in multiple buffers.** In addition to the general (circa 50%) buffer employed against the combined results in each zone, there are a number of additional buffers incorporated into the modelling itself. These include a BLV set at £2 million, which would seem to be **very high for green field sites; using BCIS 'mean' build costs for general housing and applying no discount for volume production; and rounding up 'sustainability and accessibility' costs (from £7,839 to £10,000).**
76. I have noted concerns expressed by some about the introduction of CIL at this time and views that it will have a negative effect on housebuilding. However, the evidence does not support these concerns and, in my view, it demonstrates a suitably cautious approach by the Council to setting the residential CIL charges.

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<sup>14</sup> Runnymede Council – Representations Response Paper / CIL Viability Review (Document CIL-11)

77. It should also be noted that the issues concerning broader market conditions and future uncertainties are equally, if not more so, relevant to all charging authorities with CIL already in place, many of which were set with less generous buffers and safeguards and in areas less reliant on green field sites to deliver planned housing. Moreover, the proposed residential CIL would be a relatively modest proportion of GDV and is unlikely to be a pivotal factor in determining whether a development scheme proceeds.

*Conclusion on main issue 3 – residential class development CIL charges*

78. The proposed CIL rates for 'Residential Class C3a, C3c and C4' developments, and the proposed respective charging zones (A – G), are informed by and consistent with the evidence on economic viability across the charging authority's area.

**MAIN ISSUE 4: Is the proposed borough wide CIL rate for 'Student Accommodation' development informed by and consistent with the evidence on economic viability across the charging authority's area?**

79. The Royal Holloway University of London (RHUL) is situated within the borough and has a large campus located west of Egham. The Plan recognises the importance of the University and Policy SL23 is supportive of purpose built student housing, subject to a set of criteria. The policy's supporting narrative explains that it is important that new accommodation is provided to meet the planned increase in student numbers.
80. CIL-08 says that there is a target number of 3,513 student bed spaces and this has already been met. However, the RHUL confirms that this figure, which relates to an extant Outline permission, cannot now be fully achieved, as previously assumed land is no longer available. Based on this and other submissions, it is reasonable to assume that there is likely to be demand for new student accommodation development in the Plan period.
81. The initial Council modelling of student accommodation development was the subject of significant challenge. The Council had modelled a 5 storey scheme and made assumptions about rents, site coverage, unit sizes, build costs and land prices. The modelling indicated a surplus of £2,000 psm.
82. This modelling was disputed by the RHUL and another representor who considered that the Council had modelled an unrepresentative type of development which would not be appropriate in the low rise campus locality, and that it had made a range of erroneous assumptions, including excessive rents, inadequate unit sizes, unduly low build costs, an incorrect yield and unrealistically low land acquisition costs.
83. The Council has sought to respond to those challenges with a revised appraisal (set out in document CIL-11) which models a 3 storey development with some adjustments to the assumptions, including those in respect of site coverage, unit sizes, build costs and yield. It maintains the view that its BLV is well grounded and cites some example house price values on redevelopment sites and applies a premium to show that its BLV is near to the actual EUV. This revised modelling generates a surplus of

£825 psm, which the Council argues justifies its £495 psm flat rate CIL for such developments.

84. Having considered the differing views on this matter, I have concerns about **the robustness of the Council's modelling and assumptions**. Whilst there is a range of disputed areas, the main reasons underlying my concerns are threefold.
85. First, whilst the £2 million BLV may be appropriate for general housing development, mainly on green field sites, greater caution is needed regarding student accommodation developments. This is because it has a much tighter search catchment, i.e. it has to be close to the campus, and the number of sites available will be limited. Evidence submitted by representors indicated much higher land values for site assembly for private sector schemes and the RHUL stated that its acquired 6.4 hectare expansion site had been valued at £2.5 million per hectare in 2019, notably higher than the £2 million BLV used by the Council.
86. Second, the **Council's evidence does not appear to be properly informed by** the likely type of student accommodation. This is a particularly specialist sector and highly attuned to market demands and the business models of providers, whether they be universities or the private sector. Notably, the **economics of 'cluster' and larger unit 'studio' accommodation developments** are fundamentally different; this is not recognised in the modelling.
87. Third, and related to the second point, the Council appears to have taken a rather bullish approach to assumed rent levels and occupancy. The assumed rents of £200 per week are higher than those quoted by the RHUL (£165). It also seems unrealistic to assume 48 weeks occupancy / rent on all units, as the RHUL submits that, unless units are close to catering facilities, they are unlikely to generate revenue through summer school or similar such occupancy.
88. Both representors on this subject have submitted alternative appraisals which have indicated limited scope for CIL. The RHUL appraisal shows a deficit of -£494 psm.
89. **Overall, I am not convinced that the Council's proposed CIL charge of £495** psm for student accommodation development is supported by its rather limited evidence base. Indeed, I consider the evidence of the RHUL and another representor to be more persuasive, and these submissions indicate that student accommodation schemes could likely be rendered unviable by the high CIL charge. One representor made plain that, if put in place, the £495 psm CIL charge would not actually raise any revenue, as no such development would happen with such a heavy cost burden and, instead, additional pressure would be placed on the existing housing stock. This **would undermine the Plan's stated approach of accommodating new student accommodation development**.
90. In reaching my views on this matter, I have considered whether a lower CIL would be appropriate and, at the Hearing, there were suggestions that the recognised different economics of cluster and studio developments might



provide the basis for CIL charge differentiation. However, an examination Hearing is not the place to evolve new CIL proposals on the hoof and I do not consider that the Council has presented sufficiently robust and fine grained evidence to support a specific CIL charge for this type of development. I therefore recommend that the proposed CIL charge for student accommodation development be deleted. This recommended **modification will not affect the Council's predicted** CIL receipts, as none has been assumed in its calculations. In reaching this recommendation I have taken into account the Guidance with regard to State aid.

#### *Conclusion on main issue 4*

91. I conclude that the proposed £495 psm CIL charge for student accommodation development is not supported by sufficiently robust evidence, and that it could put these types of development at risk. This would undermine the Plan and I recommend that the charge be deleted.

#### **MAIN ISSUE 5: Is the proposed borough wide CIL rate for 'Class B1a Offices Only' developments informed by and consistent with the evidence on economic viability across the charging authority's area?**

92. The Council reported a relatively healthy local office market and hoped this would resume once the effects of the pandemic have passed. The modelling of a notional office development employed reasonable rent and yield assumptions. Build costs were BCIS based and the assumptions for fees, finance, marketing, developer return and site coverage were all reasonable.
93. The modelling returned a surplus, after deducting the £2 million BLV, of £669 psm. The proposed £50 CIL can be comfortably accommodated with a very significant headroom remaining. The proposed borough wide charge is supported by the evidence and unlikely to threaten the viability of such schemes.
94. A minor modification is required to reflect the changes to the Use Classes that came into effect in September 2020. 'Use Class B1a' needs to be updated to Use Class E(g)(i). This is included in my recommendations.

#### **MAIN ISSUE 6: Is the proposed borough wide zero CIL rate for 'all other development' informed by and consistent with the evidence on economic viability across the charging authority's area?**

95. The testing of commercial development types indicated that most other commercial development types could not support CIL charges. The £0 psm CIL charge for 'all other development' is informed by and consistent with the evidence.

**MAIN ISSUE 7: Overall, does the evidence that has been provided by Runnymede Borough Council show the proposed CIL rates would not undermine the deliverability of the adopted Runnymede 2030 Local Plan?**

96. The CIL proposals and the charging zones for residential development are well grounded and supported by the evidence. Residential development viability in the borough is generally very strong and much of the planned new development will be on known and identified green field sites. The evidence and modelling is comprehensive and demonstrates that the CIL charges and zones would not undermine the viability of housing delivery set out in the Plan.
97. The CIL proposals for student accommodation development are not adequately supported by evidence and would be likely to undermine the delivery of such developments which can be anticipated in the Plan period. This proposed CIL charge should be deleted.
98. The proposed CIL charge for office development can be readily accommodated and will not undermine the deliverability of such developments in the Plan period.

**Conclusion**

99. I conclude that, subject to the modifications set out in the Schedule to this report, the Runnymede Borough Council Draft Community Infrastructure Levy Charging Schedule, as modified by the 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 further conclude that it complies with the Guidance and the Framework.
100. The main modification required relates to the proposed CIL charge for **'student accommodation' developments. This is not supported by sufficient** viability evidence and the charge could place such developments at risk. This means that the drafting requirements under Section 211(2) would not be complied with. However, that non-compliance can be fully remedied by my recommendation, under Section 212A(4), that the CIL charge be deleted. I have also recommended a minor modification, pursuant to Section 212A(6), in respect of the Office development description, to reflect the updated Use Classes.
101. I therefore recommend that, subject to the modifications **EM1 – EM2** set out in the Schedule (on page 18), the Charging Schedule be approved.

*P.J. Staddon*

Examiner

Attached: Schedule of Modifications that the Examiner specifies so that the Charging Schedule may be approved.

## **SCHEDULE**

Modifications that the Examiner specifies so that the Charging Schedule may be approved pursuant to Section 213 of the Planning Act 2008 (as amended).

<b>Reference</b>	<b>Modification</b>
EM1	<p><u>Rate of CIL (£ per square metre) Chargeable [Page 2 Document CIL-01]</u></p> <p>In each charging <b>zone table delete "Student Accommodation" and delete "£495"</b>.</p> <p>This recommended modification is made under Section 212A(4)</p>
EM2	<p><u>Rate of CIL (£ per square metre) Chargeable [ Page 2 Document CIL-01]</u></p> <p>In each charging <b>zone table, delete "Class B1a Offices Only" and replace with "Class E(g)(i) Offices Only"</b>.</p> <p>This recommended modification is made under Section 212A(6)</p>
Note	<p>For the avoidance of doubt, subject to EM1 and EM2 above, the Statement of Modifications (July 2020) changes numbered 1 – 5 are endorsed by the Examiner.</p>