Strategic Planning Team
Horsham District Council
Parkside
Chart Way
Horsham
West Sussex
RH12 1RL

17th June 2016

Dear Sirs,

Horsham Draft CIL Charging Schedule – Representations

Thakeham Homes Ltd are submitting representations to the Horsham Community Infrastructure Levy (CIL) Draft Charging Schedule as local stakeholders. We are a house builder based near Horsham with a proven track record for delivering high quality, sustainable schemes across Sussex, Surrey and Hampshire. At present, we have a broad range of portfolio sites at varying stages of the planning process within the District and have considered the Charging Schedule within the context of our own sites as well as the delivery of development as a whole.

We have reviewed the material that the Council has published for consultation, including the Draft Charging Schedule, the Infrastructure Delivery Plan Review and the Viability Assessment Update. We are broadly supportive of the Draft CIL Charging Schedule, however we wish to make a number of representations with regard to the proposed CIL rates for residential and non-residential development.

Context

National planning policy and guidance requires that CIL charging schedules are produced and tested alongside the Local Plan where appropriate. This is important because it enables the CIL to respond effectively to the future development of the District and provide the necessary infrastructure associated with new development. Where, for example, new requirements in local plans affect viability within the District, these should and must inform the development of the charging schedule.

National planning guidance makes it clear that as well as being developed alongside an up-to-date Plan, any CIL charging schedule should be supported by a robust evidence base.

“A charging authority should be able to explain how their proposed levy rate or rates will contribute towards the implementation of the relevant Plan (the Local Plan in England, Local Development Plan in Wales, and the London Plan in London), and support development across their area. Charging authorities will need to summarise their economic viability evidence.”

National Planning Practice Guidance, Paragraph 18
We are aware that the Council consulted on the Preliminary Draft CIL Charging Schedule (PDCS) in May-June 2014. The PDCS included a flat rate of £125/sqm for all residential development and £50/sqm for the North of Horsham Strategic Site. The PDCS also proposed a rate of £100/sqm for all retail development within the Borough. Thakeham issued representations to the PDCS and made a number of recommendations including an increase in the viability buffer to allow the Charging Schedule to be flexible and resilient to market changes, and a recommendation for the CIL charges to be applied for additional types of development to reduce the burden on housebuilders and the residential sector.

Since the consultation on the PDCS in May 2014, Horsham adopted the Horsham District Planning Framework (HDPF) in November 2015, and in early 2016 published a number of updated evidence base documents, including a Viability Assessment Update (February 2016) and an update to the Infrastructure Delivery Plan. The updated viability evidence recommends a rate in the region of £125/sqm and no more than £200/sqm for residential development, with no rate for the North of Horsham Strategic Site.

The Draft Charging Schedule has been prepared following the HDPF and new evidence base documents, and includes a number of changes. These include an increased rate for Residential development to £135/sqm (from £125/sqm in the PDCS) and removes the rate for the North of Horsham Strategic Site. The Draft Charging Schedule also follows the recommendation in the Viability Assessment Update to differentiate ‘large format’ and small scale retail development, the latter of which is no longer subject to proposed CIL charges.

Thakeham has considered the changes in light of the HDPF and supporting evidence base documents and is broadly supportive of the approach taken. In particular, we consider that the flat rate for residential development is consistent with the NPPG and CIL Guidance, and serves to avoid undue complexity. We wish to make specific representations however with regard to the proposed CIL rates for residential and non-residential development, and the wider policy context with regard to the evidence base documents.

**Residential Rates**

The cost of delivering new homes is growing rapidly, with the most recent BCIS General Building Cost Index in May 2016 projecting materials prices will rise by 2.4% over the year to 1st quarter 2017, then rising at around 4% per annum, while wages are projected to rise 2.6% in the year to 1st quarter 2017 up to 3.4% in the year to 1st quarter 2019. Furthermore, the cost associated with meeting environmental regulations, housing design standards and increasing planning application and pre-application fees, along with the introduction of CIL Charging Schedules, are cumulatively placing a significant burden on the viability of development.

With this in mind, it is important that the CIL charging schedule is drafted in the spirit of facilitating and enabling development and that any proposed rates are not set at a level that would frustrate or put a brake on delivery.

Infrastructure is an enabling force for development and requires a significant and sustained level of funding. As such, it is vital that the infrastructure funding gap within Horsham, estimated at some £14,059,110, is addressed as far as possible through CIL receipts. In order to be
effective, national policy guidance requires that CIL is set at a level which raises the necessary funds, but is also economically viable.

An integral thread of the CIL guidance is therefore the need to establish a sufficient buffer to ensure that development is not put at risk.

“The authority will need to be able to show why they consider that the proposed levy rate or rates set an appropriate balance between the need to fund infrastructure and the potential implications for the economic viability of development across their area…”

...A charging authority’s proposed rate or rates should be reasonable, given the available evidence, but there is no requirement for a proposed rate to exactly mirror the evidence. For example, this might not be appropriate if the evidence pointed to setting a charge right at the margins of viability. There is room for some pragmatism. It would be appropriate to ensure that a ‘buffer’ or margin is included, so that the levy rate is able to support development when economic circumstances adjust. In all cases, the charging authority should be able to explain its approach clearly.”

National Planning Practice Guidance, Paragraph 19

It is understood that CIL need not be set so low that all development is viable, as this would not constitute an appropriate balance. The consideration needs to be with the delivery of the plan as a whole and ensuring that large amounts of development are not put at risk. Values and costs vary widely between individual sites and over time, so it is important that the CIL remains robust as circumstances change.

In establishing an appropriate buffer, it is worth noting that the 2014 CIL Viability Assessment proposed a rate of £125/sqm for all residential development, with a number of scenarios providing nil or negative surplus value. It is therefore disappointing that the proposed rate has increased in the 2016 Viability Assessment and Draft CIL Charging Schedule, without a full review of the Infrastructure Delivery Plan following the adoption of the HDPF in November 2015. It is our view that the rate for residential development should be amended to provide a greater viability ‘buffer’ given the lack of a full up-to-date evidence base and uncertainties related to building and land cost which may further constrain development in the plan period.

Non-Residential Rates

The Council identifies within the Draft Charging Schedule a substantial funding gap within the District and sets out a clear justification for the need to introduce CIL across Horsham District.

“Given the substantial overall funding gap, evidenced through the revised infrastructure schedule and referred to above, the Council considers that there is clear justification for the need to introduce CIL across Horsham District”

Draft CIL Charging Schedule, Paragraph 2.12

Given the extent of the funding gap that has been identified, we consider that the development types that are included within the Council’s Draft CIL Charging Schedule are rather limited and should be expanded, as at present the Council only proposes to apply a CIL charge to residential and retail development. We consider that other uses such as General Industry,
Warehouses, Hotels, Leisure and Houses in Multiple Occupation etc. could also be liable to pay CIL contributions.

The above uses will benefit from the infrastructure delivered as a result of the CIL charge and therefore a CIL charge should be applied to other types of development, even if this is minimal to reduce the burden on house builders and assist in bridging the infrastructure funding gap.

**Evidence**

National Planning Practice Guidance (NPPG) and the relevant CIL Guidance require that CIL Charging Schedules are supported by a robust, up-to-date evidence base that reflects and facilitates the delivery of the required infrastructure.

We are encouraged by the positive work that the Council has carried out since the production of the original PDCS, in particular the updated Viability Assessment and the successful adoption of the HDPF, which now gives a much clearer view of the development needs of the District over the current plan period. It is concerning however that the Infrastructure Delivery Plan has not received a full review following the significant changes that have occurred with regards to the planning context within the District since the production of the PDCS. In accordance with the NPPG, we would urge the Council to carry out a comprehensive review of the Infrastructure Delivery Plan prior to commencing with the production of the Draft Charging Schedule.

**Monitoring and Review**

The Council’s Draft CIL Charging Schedule includes a commitment to review the Schedule where evidence emerges to indicate that the adopted rates are no longer appropriate. Whilst we welcome this commitment, we consider that the proposed approach may be too slow to adapt to potential shifts in economic viability that may occur. We consider that the Schedule should include a specific commitment to undertake a formal review within 2-4 years, as recommended by the Viability Assessment Update (Paragraph 43). It is particularly important that the review process highlights the impact that CIL is having on sites coming forward, completion rates and new planning permissions within the District.

**Conclusions**

The cost of delivering new homes is growing rapidly. In particular, the cost associated with meeting environmental regulations, housing design standards and increasing planning application and pre-application fees, along with the introduction of CIL Charging Schedules, are cumulatively placing a significant burden on the viability of development.

As such, we consider that the proposed rates for residential development should be amended to ensure that the CIL Charging Schedule is not set at a level that would frustrate or put a brake on delivery. We also consider that the Council should expand the types of development that are liable for payment of CIL should be expanded to reduce the burden on house builders and assist in bridging the infrastructure funding gap.
We hope that the above representations have been useful and we would be happy to discuss these comments in further detail if this would be of assistance. In the meantime please no hot hesitate to contact me if you require any additional information.

Yours Sincerely,

Anthony Heslehurst
Graduate Planner