

Council's written response to Inspector's Matters, Issues and Questions for
Worthing CIL Examination

Introduction

In October 2020 Worthing Borough Council submitted its CIL revised Draft Charging Schedule for Examination. Following consideration of the evidence submitted and the representations which were received in response to the consultation the Inspector has submitted a number of initial questions. The Council's response to these questions is set out below.

Preliminary Matter – Infrastructure Funding Gap

a. What is the overall amount of Infrastructure Funding required to deliver the quantum of development identified within the various adopted and emerging planning policies for Worthing?	<p>In the 2013 Infrastructure Funding Gap review (April 2013) a total of 43 infrastructure schemes were identified by WBC and their partners for potential CIL funding. The total estimated Infrastructure Funding Deficit from these 43 schemes stood at circa £83.6m, a considerable sum and exceeding the value of CIL revenue expected to be generated during the Plan period.</p> <p>Many of the schemes that were previously costed / included have been taken forward and are included in the Infrastructure Delivery Plan (IDP). Therefore, using updated figures, where available, the estimated Infrastructure Funding Deficit stands at circa £46.6m. This is a minimum figure as a number of the infrastructure needs have not been costed. However, this calculation clearly demonstrates, as shown in question c, that there is still a significant infrastructure funding gap, even with the revised CIL charging schedule.</p>
b. What level of funding has been secured from s106 and the existing CIL regime in Worthing since it has been introduced?	<p>Since October 2015 the following amounts have been collected in Worthing:</p> <ul style="list-style-type: none">• £2,469,208.94 s106• £1,198,556.34 CIL

<p>c. Can the Council provide a projection of the level of funding that will be secured from the CIL and taking this into account what would be the overall Infrastructure Funding Gap in Worthing?</p>	<p>The CIL Trajectory over the period 2021-2029 estimates a projected level of CIL funds collected of £10,690,000. This is a large increase on the amount of CIL currently collected due to a number of factors: increased development expected to come forward during emerging LP period; removal of nil-rated residential CIL zone; and higher greenfield residential CIL rate.</p> <p>Therefore based on this and the above, the overall Infrastructure Funding Gap in Worthing would be £35,910,000. Whilst it is acknowledged that some of the figures are still being updated / reviewed what is abundantly clear is the costs related to infrastructure need far outweigh the expected CIL receipts.</p>
---	---

The Proposed CIL Rates

10 dwellings or less (all dwelling types) - £125sqm

<p>a. Is the local levy rate of £125sqm for 10 dwellings or less (all dwelling types) justified by appropriate available evidence, having regard to national guidance, local economic context and infrastructure needs, including in relation to the various adopted and emerging planning policies for Worthing?</p>	<p>Yes – appropriate available evidence has been prepared and considered, with regard to both national guidance, local characteristics and circumstances. CD02-7 the March 2020 Viability Assessment (& associated documents – Appendices CD02-8-11) details that the proposed CIL rates are clearly informed by the evidence gathered and are based on reasonable assumptions about development values and costs for the purpose of rates setting and as part of striking an appropriate balance between the desirability of funding infrastructure and the potential effects on viability.</p> <p>This response applies to questions d, g, j and l below on housing development, and in respect of the equivalent questions relating to foodstores/retail warehousing, other retail and other types of development.</p>
---	---

	<p>The viability assessment was based on the remaining housing supply expected to come forward based on the Core Strategy (CS) but whilst also looking at the likely ongoing development context – moving towards the (emerging) new Worthing Local Plan and therefore also having regard to its policies development.</p>
<p>b. Does the local levy rate of £125/sqm ensure an adequate viability buffer (it is helpful to clarify this in percentage terms) when measured against the minimum and maximum viable CIL rates for 10 dwellings or less (all dwelling types)?</p>	<p>The principle of ‘buffering’ has been considered as part of the viability assessment, building on appropriately considered assumptions for the purpose of CIL. While the notion of buffering is somewhat arbitrary as has been acknowledged, the exploration of the wide range of results explores the scope for CIL to be supported by each typology when buffered back by approximately 50% (i.e. approximately halved) from the theoretical maximum rates that are accommodated by the reported RLVs (principle at CD02-7 para 3.4.7). In practice, the maximum potential/theoretical CIL rate scope (level of potential viability headroom for CIL) varies by typology/site/scheme and with the specific assumptions used. While this means that the level of buffering will inevitably vary across the piece, an overview approach is necessary for and appropriate to CIL setting and the approach taken helps to ensure generally that the margins of viability are not relied upon.</p> <p>The appraisal results below the AH policy threshold (10 dwellings) can viably support CIL at approximately £100 - 125/sq. m. i.e. with the suitable parameters being approximately around the adopted (pre-indexed) to currently indexed levels (Para 3.4.11) i.e. £100 – £128.57/sq. m (2021).</p> <p>Viability assessment para.s 3.4.8 – 3.4.11 consider the relevant typology results, leading to the overview and findings review</p>

	in sections 4.2, 4.3 and the summary table at 4.5.2 of CD02-7.
c. Overall, does the rate of £125sqm for 10 dwellings or less (all dwelling types) strike an appropriate balance between helping to fund new infrastructure and the potential effects on economic viability?	Yes, building on the comprehensive assessment work, consideration of the infrastructure requirements and stakeholder responses this level of charge does represent an appropriate balance between the desirability of funding infrastructure and potential effects on the viability of development and is in line with guidance and legislation. The consultation indicated support for this proposed CIL rate.

More than 10 dwellings (excluding Flatted development) - £125sqm

d. Is the local levy rate of £125sqm for more than 10 dwellings (excluding Flatted development) justified by appropriate available evidence, having regard to national guidance, local economic context and infrastructure needs, including in relation to the various adopted and emerging planning policies for Worthing?	<p>As per the Council's response to question a above, CD02-7 (& Appendices) sets out the appropriate viability evidence that the proposed CIL rates are clearly informed by, based on all the circumstances and guidance.</p> <p>The Council expects this type of development to come forward predominantly on previously developed land (PDL). Clearly if such schemes were to come forward on greenfield land, viability prospects and therefore CIL headroom scope would improve significantly. This theme is also reflected within a specific element of differentiation included within the Draft Charging Schedule, as below.</p> <p>The viability assessment was based on the remaining housing supply expected to come forward based on the CS but whilst also looking at the likely ongoing development context – moving towards the (emerging) new Worthing Local Plan and therefore also having regard to its policies development.</p>
---	--

e. Does the local levy rate of £125sqm ensure an adequate viability buffer (it is helpful to clarify this in percentage terms) when measured against the minimum and maximum viable CIL rates for more than 10 dwellings (excluding Flatted development)?	Yes, as per the response to b. above, the results explore the scope for CIL to be supported by each typology when buffered back by approximately 50% (i.e. approximately halved) from the theoretical maximum rates (again as per CD02-7 para. 3.4.7 and the related viability assessment information – in this case the discussion of results at para.s 3.4.12 – 3.4.27 and again at sections 4.2, 4.3 and summarised at 4.5.2).
f. Overall, does the rate of £125sqm for more than 10 dwellings (excluding Flatted development) strike an appropriate balance between helping to fund new infrastructure and the potential effects on economic viability?	Yes, building on the comprehensive assessment work, consideration of the infrastructure requirements and stakeholder responses this level of charge does represent an appropriate balance between the desirability of funding infrastructure and potential effects on the viability of development and is in line with guidance and legislation. The consultation indicated support for this proposed CIL rate.

Flatted development of more than 10 dwellings - £25sqm

g. Is the local levy rate of £25sqm for Flatted development of more than 10 dwellings justified by appropriate available evidence, having regard to national guidance, local economic context and infrastructure needs, including in relation to the various adopted and emerging planning policies for Worthing?	More so than other aspects, this element of the Draft Charging Schedule has been included with regard to the viability assessment CD02-7 but then considered primarily with the need to strike an appropriate balance between the desirability of funding infrastructure and potential effects on viability. The selected rate represents a significant reduction from the existing charging rate across key areas of the borough where this impacts, recognises the viability assessment recommendations to consider: “setting CIL at a significantly lower (nominal) or potentially nil rate” (CD02-7 – para. 4.3.1 C).
---	---

	<p>CD02-7 para.s 3.4.18 – 3.4.27 provide discussion on this for example, with summarising again at sections 4.2, 4.3 and 4.5.2.</p> <p>The inclusion of such a rate represents only a very small proportion of development value or cost and is considered unlikely to make the difference between viability and non-viability, with other matters inherent in the nature of many such schemes and the consequent value:cost relationship strength being the real driver viability pressures.</p> <p>Flatted development typologies, including in the key location of the town centre and its surrounds, are found to indicate the most likely challenging viability scenarios overall – both through experience on the ground and as viewed through the viability assessment, and hence recognised through the proposed approach as part of the key balance – also not setting-aside the infrastructure needs.</p> <p>This rate is a considerable decrease on the current indexed rates across most of the borough. Within the overall balance, in viability terms, a reduction in the WBC CIL charging rate applicable to flatted development of a scale exceeding the AH threshold would be a positive influence in terms of viability and therefore overall for delivery.</p> <p>The viability assessment was based on the remaining housing supply expected to come forward based on the CS but whilst also looking at the likely ongoing development context – moving towards the (emerging) new Worthing Local Plan and therefore also having regard to its policies development.</p>
<p>h. Does the local levy rate of £25sqm ensure an adequate viability buffer (it is</p>	<p>With the general nature of the viability results shown and acknowledged as mixed</p>

<p>helpful to clarify this in percentage terms) when measured against the minimum and maximum viable CIL rates for flatted development of more than 10 dwellings?</p>	<p>and often relatively poor, strictly speaking there is no clearly identifiable level of buffering in place in respect of any particular charging level, or even with the alternative of nil-rating, in the case of at least some types of flatted development.</p>
<p>i. Overall, does the rate of £25sqm for flatted development of more than 10 dwellings strike an appropriate balance between helping to fund new infrastructure and the potential effects on economic viability?</p>	<p>Yes, the striking of an appropriate balance for the local circumstances is at the centre of this aspect of the Council's Draft Charging Schedule proposal. This is within the scope of the guidance, to which the balance with funding infrastructure is key and which acknowledges that there is some room for pragmatism as well as scope to not exactly follow the viability evidence. This level of charge is considered and not at a level that would impact significantly on the viability of the majority of future development in the borough.</p> <p>The Council has considered this at length, through its own and the viability assessment work, discussions, experience of delivery, contact with stakeholders and Council analysis of site supply both over the remaining plan period and looking ahead. Overall the testing included consideration of a range of types, values, costs and levels of communal space for example, and with a particular emphasis on their relevance in the town centre areas (including the sea front). It is worth noting that these considerations have also been taken into the review work being undertaken for the emerging Local Plan.</p> <p>The proposed rate will help to strike an appropriate balance between the desirability of funding infrastructure and the likely effects on viability. Based on our CIL Trajectory of sites to come forward under the emerging Worthing Local Plan, a total of around £750,000 would be 'lost' from implementing a nil CIL charge (based on a number of assumptions), as opposed to a £25sqm charge. This would be a</p>

	<p>considerable amount compared to the very small actual/relative impact on viability of implementing a minimal CIL charge for this type of development.</p> <p>The Council understands the public expectation that, where possible, all development contributes to helping deliver the borough's significant infrastructure needs. This is particularly prominent with large town centre sites contributing to the overarching needs of the borough.</p>
--	---

Extra Care Housing - £0sqm

j. Is the local levy rate of £0sqm for Extra Care Housing justified by appropriate available evidence, having regard to national guidance, local economic context and infrastructure needs, including in relation to the various adopted and emerging planning policies for Worthing?	<p>As per the Council's response to question a above, CD02-7 (& Appendices) sets out the appropriate viability evidence that the proposed CIL rates are clearly informed by, based on all the circumstances and guidance.</p> <p>The viability assessment was based on the remaining housing supply expected to come forward based on the CS and also looking at the likely ongoing development context – moving towards the (emerging) new Worthing Local Plan.</p>
k. Overall, does the local levy rate of £0sqm for Extra Care Housing strike an appropriate balance between helping to fund new infrastructure and the potential effects on economic viability (viability buffer)	<p>From experience this development type has more consistent characteristics that can be represented through viability assessment at this level than a wide range of flatted development does. Within CD02-7 the extra care typology tests indicate a lower tone of results (as per para.s 3.4.30 – 3.4.31 and again see section 4.3.1 (E) of the viability assessment) than from the retirement/sheltered housing appraisals considered. This is considered consistent with the Council's developing experience that this type of development has particular characteristics that can be significant for viability, which is relevant to</p>

	<p>then considering the CIL charging scope as has been done.</p> <p>This is particularly relevant where (as often) extra care development may be more towards the C2 side of the inevitably difficult C2/C3 boundary characteristics (falling between fully care-led provision and market led housing for older people), and therefore more clearly warrants differential CIL treatment i.e. in the local circumstances at a lower level than that described for the general residential and sheltered/retirement typologies.</p> <p>With this context in mind, when viewing the results, it can be seen that viability is challenging across all assumed value levels (VLs) unless at the very positive end of the assumptions range. Although these levels of values may well be seen in some circumstances locally, this cannot be reliably evidenced and as such it was considered that a lower or perhaps a nil CIL rate (if sharing C2 characteristics) would be appropriate to such schemes in the Worthing context (CD02-7 para 3.4.31, as above).</p>
--	--

Greenfield housing development - £200sqm

<p>I. Is the local levy rate of £200sqm for Greenfield housing development justified by appropriate available evidence, having regard to national guidance, local economic context and infrastructure needs, including in relation to the various adopted and emerging planning policies for Worthing?</p>	<p>As per the Council's response to question a above, CD02-7 (& Appendices) sets out the appropriate viability evidence that the proposed CIL rates are clearly informed by, based on all the circumstances and guidance.</p> <p>Although the number of instances available and likely to be proposed/acceptable for this form of development at notable scale are very limited in the borough given its almost entirely urban nature to the boundaries with adjoining authorities and</p>
--	--

	<p>the South Downs National Park areas, the viability evidence shows that greater headroom for CIL is available in any such cases.</p> <p>A differential element to the charging schedule is warranted, again bearing in mind the overall balance to be struck. It is considered that a relatively significant level of CIL, at a higher rate than others applicable, could be viably supported on any potential larger greenfield sites where the location of those may be known and where it should, if relevant, therefore be possible to name/describe or 'zone' those appropriately (discussion at CD02-7 paras 3.4.32 - 3.4.35 and see also 4.2.10, 4.3.1 (F) and 4.5.2). Notably stronger viability prospects are noted with the low EUV+ based benchmark land value clearly relevant, and schemes not of a scale warranting significant levels of costly on-site/site-specific infrastructure.</p> <p>Although the Council acknowledges that there are no greenfield sites forming part of the remaining CS site supply picture, this type of development could be relevant looking ahead. This therefore is consistent with what is considered to be a positive approach, looking for continuity and clarity in support of the emerging Local Plan direction as well.</p>
<p>m. Does the local levy rate of £200/sqm ensure an adequate viability buffer (it is helpful to clarify this in percentage terms) when measured against the minimum and maximum viable CIL rates for Greenfield housing development?</p>	<p>Yes, the viability appraisals scope explores the potentially available headroom. As seen with the relevant 450 and 100 dwellings tests, with maximum potential CIL scope at up to and beyond the highest test levels at £300/sq. m, there is scope for CIL to be supported at the proposed £200/sq. m rate when buffered back by approximately 50% (i.e. approximately halved) from the theoretical maximum rates that are accommodated by the reported RLVs (as above, CD02-7 para 3.4.7 regarding the</p>

	buffering principles, together with 3.4.32 - 3.4.35, 4.2.10, 4.3.1 (F) and 4.5.2).
n. Overall, does the rate of £200sqm for Greenfield housing development strike an appropriate balance between helping to fund new infrastructure and the potential effects on economic viability?	Yes, building on the comprehensive assessment work, consideration of the infrastructure requirements and stakeholder responses this level of charge does represent an appropriate balance between the desirability of funding infrastructure and potential effects on the viability of development and is in line with guidance and legislation. The consultation indicated support for this proposed CIL rate.

Foodstore/Supermarket/Retail Warehousing development (greater than 280 sq.m.) - £150sqm

a. Is the local levy rate of £150sqm for Foodstore/Supermarket/Retail Warehousing development (greater than 280 sq.m.) justified by appropriate available evidence, having regard to national guidance, local economic context and infrastructure needs, including in relation to the various adopted and emerging planning policies for Worthing?	<p>Yes, the proposed CIL rates are clearly informed by the appropriate available evidence prepared and reviewed on viability (CD02-7 & associated documents). The approach is consistent both with the guidance and wider experience of suitable CIL charging for such development uses, again following comprehensive review of relevant development typologies for the purpose and using principles and assessment methods that are both consistent with the guidance and reflective of the relevant circumstances.</p> <p>The difference between larger and smaller format retail can be clearly defined for the study purpose with type as the key differential and size as a secondary factor relating to scale but the latter acting as a further way of clarifying the differentiating factors.</p> <p>Specific floor area will not in itself produce a different viability outcome, which is dependent on the nature of the use and relevant development value/cost relationship based on characteristics that</p>
--	--

	<p>are often reflected in relation to the Sunday Trading provisions for example. Related to the opening hours available to an operator, these provisions create a clear threshold and at that a clear differentiator – based on sales area of less than 3,000 sq. ft. (approx. 280 sq. m) (CD02-7 para 3.5.14 – 3.5.20 includes discussion on this).</p>
<p>b. Does the local levy rate of £150/sqm ensure an adequate viability buffer (it is helpful to clarify this in percentage terms) when measured against the minimum and maximum viable CIL rates for Foodstore/Supermarket/Retail Warehousing development (greater than 280 sq.m.)?</p>	<p>Yes, as per CD02-7 (para.s 3.5.5 – 3.5.7), the viability findings are such that suitable significant buffering scope exists with a CIL charging rate not exceeding £150-200/sq. m – with strong results seen even at the maximum tested trial rate of £300/sq. m or beyond, and so with the same principle of broadly halving-back/50% of the maximum potential in place.</p>
<p>c. Overall, does the rate of £150/sqm for Foodstore/Supermarket/Retail Warehousing development (greater than 280 sq.m.) strike an appropriate balance between helping to fund new infrastructure and the potential effects on economic viability?</p>	<p>Yes, the Council's selected charging approach amounts to a re-set to the 2015 (adopted level) CIL charge for these development use types and is considered to contribute appropriately to striking the appropriate balance in the circumstances, particularly when considered alongside the other adjustments proposed on CIL charging as currently impacts a wider range of potential retail developments in the borough. The approach, developed in consultation with stakeholders, is consistent with the guidance and legislation as well as with wider experience of these matters. The consultation indicated support for this proposed CIL rate.</p> <p>The rate is reasonable and it has been shown that this is not at a level that would unduly impact on the viability of any relevant future development in the borough.</p> <p>The viability assessment finds that assuming relatively cautious rental and yield assumptions in each case, these results are strong enough to support a CIL rate of £150/sq. m; possibly to £200/sq. m</p>

	<p>maximum should such development come forward, and therefore perhaps suggesting either some level of re-setting (bearing in mind the rates will continue to be indexed) or at the most a rate not exceeding the current rate as indexed, £192.86/sq. m (2021) (CD02-7 para 4.4.4).</p>
--	--

Other forms of retail - £0sqm

<p>d. Is the local levy rate of £0sqm for other forms of retail justified by appropriate available evidence, having regard to national guidance, local economic context and infrastructure needs, including in relation to the various adopted and emerging planning policies for Worthing?</p>	<p>Yes, have conducted an appropriate level of viability review, CD02-7 (&Appendices, particularly Appendix IIc – CD02-10) details evidence that the proposed CIL rates are clearly informed by, based on reasonable assumptions about development values and costs and around consideration of sensitivity to changes in those – as with all other aspects the assessment, review and CIL charge setting considerations.</p> <p>The findings related to any development of smaller scale retail uses (whether within the town and other centres of individual local developments, e.g. for convenience stores) indicates a more mixed and often much more challenging viability picture in general. These are considered unlikely to consistently support the same or a similar level of CIL to that supportable on the larger format retail types (findings discussion at CD02-7 para.s 3.5.6 – 3.5.9, 4.4.4 – 4.4.7 and then as summarised at 4.5.1(C) and 4.5.2).</p>
<p>e. Overall, does the local levy rate of £0sqm for other forms of retail strike an appropriate balance between helping to fund new infrastructure and the potential effects on economic viability (viability buffer)?</p>	<p>Yes. This is because although the viability assessment indicates there could be scope to consider a positive rate rather than nil rate approach to town centre retail, smaller convenience stores and shops generally, the view taken is that this would be on the basis of potentially overly positive looking assumptions, particularly in the circumstances, and a potential/likely low</p>

	<p>incidence of such schemes that will attract any significant levels of CIL charging in any event (CD01-7 para 4.5.1.C).</p> <p>Overall, the removal of CIL charging on retail development uses other than for the larger format types considered separately is considered appropriate at the current time, and reflected within the differential rate proposals.</p>
--	--

All other development

<p>a. Is the local levy rate of £0sqm for all other development justified by appropriate available evidence, having regard to national guidance, local economic context and infrastructure needs, including in relation to the various adopted and emerging planning policies for Worthing?</p>	<p>Yes, CD02-7 (and associated documents – Appendices I – III, CD02-8, 10 & 11) have been used to inform this position, so that the application of this position is clearly informed by the preparation and review of appropriate evidence. Again this is based on reasonable assumptions about development values and costs, hinging around review of the likely strength of relationship between those in these cases.</p> <p>The approach is consistent with typical experience of the review of other development use types, as the viability assessment discusses and finds.</p>
<p>b. Overall, does the local levy rate of £0sqm for all other development uses strike an appropriate balance between helping to fund new infrastructure and the potential effects on economic viability (viability buffer)?</p>	<p>Yes, the Council considers that this element of its charging schedule proposals also contributes appropriately to the striking of the appropriate balance in the circumstances. The question of buffering is not relevant in this regard, but the review and findings as set out within CD02-7 (para.s 4.4.1 – 4.4.3, 4.4.7 and as summarised at 4.5.1 (D) and 4.5.2 together with Appendix IIb (CD02-10)) clearly present likely challenging viability prospects generally across a range of other development uses considered – other than those for which positive CIL charging scope has been identified and gone on to be</p>

	<p>included within the Draft Charging Schedule proposals.</p> <p>The viability assessment overviews the results associated with both the review of particular development uses types appraised through typologies - offices, industrial, care homes, hotels – (as per CD02-7 para.s 3.5.23 – 3.5.25) and from the comparison of the potential completed value against build costs indications from BCIS for wider range of other use types (para.s 3.5.26 – 3.5.35). The indications are of likely generally poor to marginal development viability outcomes typically. This is consistent with wider experience too.</p> <p>Overall, these developments would be unlikely to support anything more than a nil or nominal CIL charge at the most, and only in limited circumstances. Together with these viability considerations, the added viability burden (which could be relatively significant in the circumstances given the often low relatively value of such schemes) could be likely to delay or frustrate schemes, mean other compromises or add to funding requirements.</p>
--	---

Other Matters

<p>a. Where differential rates are set by zone, does the charging schedule adequately identify the location and boundaries of zones in accordance with (Regulation 12(2)(c) that requires this to be on an Ordnance Survey map which shows National Grid lines and reference numbers)?</p>	<p>The Charging Schedule map provides a link to the Council's website which shows the map adequately identifying the location and boundaries of the Greenfield zone. It also displays the National Grid Lines and reference numbers.</p>
--	--