
Report to Royal Borough of Greenwich Council

by Mike Hayden BSc (Hons), Dip TP, MRTPI

an Examiner appointed by the Council

Date: 6 March 2015

PLANNING ACT 2008 (AS AMENDED)

SECTION 212(2)

REPORT ON THE EXAMINATION OF THE DRAFT ROYAL BOROUGH OF GREENWICH COMMUNITY INFRASTRUCTURE LEVY CHARGING SCHEDULE

Charging Schedule submitted for examination on 17 November 2014

Examination hearings held on 4 February 2015

File Ref: PINS/E5330/429/5

Non Technical Summary

This report concludes that, subject to modification, the Royal Borough of Greenwich Community Infrastructure Levy Charging Schedule provides an appropriate basis for the collection of the levy in Royal Greenwich. The Council has sufficient evidence to support the schedule and, in general terms, can show that the levy is set at a level that will not put the overall development of the area at risk.

Two modifications are needed to meet the statutory requirements, which can be summarised as follows:

- Reducing the charge for residential development to £40psm in the areas of Thamesmead, Plumstead and Abbey Wood, in order that CIL does not put at risk the delivery of residential development and regeneration in these areas;
- Amending the schedule to include ancillary car parking for retail development as zero CIL rated, in order that the levy does not undermine the viability of retail development and to comply with the CIL regulations;

The specified modifications recommended in this report have either been put forward by the Council or are based on matters discussed during the public hearing sessions.

Introduction

1. This report contains my assessment of the Royal Borough of Greenwich Community Infrastructure Levy (CIL) Charging Schedule in terms of Section 212 of the Planning Act 2008. It considers whether the schedule is compliant in legal terms and whether it is economically viable as well as reasonable, realistic and consistent with national guidance (Community Infrastructure Levy Guidance – June 2014).
2. To comply with the relevant legislation the local charging authority has to submit a charging schedule which sets an appropriate balance between helping to fund necessary new infrastructure and the potential effects on the economic viability of development across Royal Greenwich. The basis for the examination, on which hearing sessions were held on 4 February 2015, is the submitted schedule of 17 November 2014, which is effectively the same as the draft charging schedule published for public consultation on 30 July 2014, as amended by eight modifications published for consultation at the time of submission. I have taken the responses to the consultation on the Council's Statement of modifications into account in writing this report.
3. The Council proposes single rates of £100 per square metre (psm) for new supermarkets/superstores and retail warehousing (280 sq m and over) and £100psm for hotels across Royal Greenwich. It also proposes single rates of £65psm for student housing and £70psm for residential development (excluding Extra Care Housing). All other development would not be charged.

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

Infrastructure planning evidence

4. The Royal Greenwich Local Plan: Core Strategy with Detailed Policies (CS) (LSD1) was adopted in July 2014. This sets out the main elements of growth that will need to be supported by further infrastructure in the borough over a 15 year period from 2013 to 2028, including the delivery of 38,925 additional homes (at an average of 2,595 per year), 21,000 new jobs and up to 45,400 sq m of retail floorspace. The majority of this growth will take place in the strategic development locations at Greenwich Peninsula, Charlton Riverside, Woolwich Town Centre, Thamesmead and Abbey Wood and Kidbrooke.
5. All of the Royal Borough's infrastructure proposals are set out in the Royal Greenwich Infrastructure Delivery Plan (IDP) (LSD2), which was prepared in 2012 in support of the CS. To support the high level of growth required in Royal Greenwich, major new infrastructure is planned, including the development of Crossrail stations at Abbey Wood and Woolwich, new river crossings at Gallions Reach and Silvertown Tunnel and flood defence improvement schemes. Social and community infrastructure is also required to meet the needs of the predicted future population growth, including a number of new schools, health, leisure, emergency services and community facilities.
6. The estimated total cost of the infrastructure required over the 15 year period of the plan is £5.9 billion. The IDP identifies an aggregate funding gap of £1.59 billion (£106 million per year). In the last 5 years, an average of £5.5 million a year was received through S106 contributions and the Council projects that the same level of income would be generated through the proposed CIL, equating to 5.2% of the funding gap. A draft Regulation 123 infrastructure list (CE4) indicates that CIL funding would be directed towards strategic transport and flood defence infrastructure, as well as waste, energy, education, health, leisure and community facilities, open spaces and public realm, all of which contribute towards implementing the objectives of the CS.
7. A number of representations have questioned the soundness of the IDP. However, paragraph 17 of the CIL guidance in the Planning Practice Guidance (PPG) makes clear that infrastructure planning work which was submitted in support of a sound relevant Plan should not be re-appraised in the CIL examination. The IDP was submitted in support of the CS, which was found sound in May 2014. The Inspector's report found that the part of the CS dealing with infrastructure was 'justified by the evidence'. Therefore, it is not necessary or appropriate for me to re-test the IDP. I recognise that there are some information gaps in the IDP, such as the cost for the provision of open space or waste facilities. However, again paragraph 17 of the CIL guidance is clear that the role of infrastructure planning work is to provide evidence of the potential funding gap for the list of infrastructure projects required, which the IDP does, and that it is not the purpose of the examination to challenge the list. The Royal Borough of Greenwich is aware of the need to keep the IDP up to date and has indicated that it will review the document to support its Site Allocations Local Plan.

8. In the light of the infrastructure planning evidence, the proposed CIL charges would make only a modest contribution towards filling the likely funding gap. However, the figures demonstrate the need to introduce CIL in Royal Greenwich to assist the delivery of the strategic infrastructure required to support the high level of growth planned.

Economic viability evidence

9. The Council commissioned a CIL Viability Assessment (VA), dated October 2014 (CE5). The assessment uses a residual valuation approach, with reasonable assumptions for a range of factors including building costs, profit levels, fees, finance costs, stamp duty and acquisition costs, residual S278 and S106 costs, land owner premiums, sales values and rents.
10. Building costs for both residential and commercial schemes are sourced from RICS Building Cost Information Services (BICS), adjusted to reflect the specification of development in Royal Greenwich, having regard to costs on live schemes. For residential development, an additional 6% allowance is included for the costs of construction to Code for Sustainable Homes (CSH) Level 4 requirements and 15% for CSH Level 5. For commercial schemes a 10% allowance is made for BREEAM Excellent. In addition, allowances of 10-15% of build costs have been made for external works and 5% for contingency.
11. For residual S278 and S106 costs, a figure of £1,000 per unit is allowed for residential development, drawn from the figures of local planning authorities in London with whom the VA authors have worked. For commercial schemes an average of £5 per square foot (psf) (£53.8 psm) has been allowed, which is above the average residual S278/S106 figure for commercial schemes based on a range of schemes permitted in Royal Greenwich within the last 2 years (CE7). Developer's profit of 20% is assumed on all residential and commercial schemes tested, reflecting the continuing cautious approach of the banks to development finance. A land owner's premium of 20% above existing use value for residential development and 15-20% for commercial development has been assumed, recognising that land owners will require an incentive to release sites for development.
12. Sales values for residential development are drawn from research undertaken in 2012, supported by evidence of completed sales and properties on the market from recognised sources, including the Land Registry and Right Move. Values vary across the borough; 9 different residential value areas are identified from the data, with the lowest values in the east and the highest values in the west closest to central London. For commercial development, rents assumed are based on average lettings taken from recognised sources, including the Estates Gazette and Focus.
13. The VA provides appraisals for 6 alternative residential scheme types typical of those developed in Royal Greenwich, ranging from 9 houses to 300 flats at varying densities and mixes. The viability of each has been tested for 4 benchmark land value types reflecting typical existing uses of sites which may be considered for residential development, including offices, industrial, warehousing and community buildings. The VA has also sensitivity tested alternative affordable housing targets, as well as higher and lower sales values, an increase in build costs and the effect of CSH Level 5, thereby

enhancing the robustness of its conclusions. For commercial development, the VA tested the viability of office, retail, industrial, hotel and student housing schemes against 3 alternative current use values for existing commercial sites, modelling the effects of varying rents and yields, based on rents achieved locally.

14. A number of representations were made about the assumptions within the VA, both at the preliminary and draft schedule stages. Concerns include allowances made for site preparation and remediation costs, professional fees and S106/S278 residual costs and assumptions for landowner premiums, rentals, yields and developers profit. I recognise that there is scope for disagreement on these individual inputs and that small variations in assumed costs and values can have a significant effect on viability. However, there are often no absolute 'right' or 'wrong' answers. Instead assumptions have to be based on judgement informed by appropriate and available evidence. I have seen no convincing evidence to suggest that the VA assumptions are inappropriate. In addition, the buffer or margin, which I consider in more detail below in relation to the proposed charging rates, is in part designed to ensure that schemes with costs or values which vary from the VA assumptions are likely to remain viable even with CIL. This is reinforced by the evidence in the VA that residential land and sales values in Royal Greenwich have continued to rise since the base data in the VA was gathered in June 2012.
15. Overall I am satisfied that the methodology adopted in the VA is in line with the guidance in the Harman Report (Viability Testing for Local Plans) (June 2012) and accords with paragraphs 18-20 of the CIL guidance in the PPG. The assumptions on costs, sales and land values are based on reliable sources and local data, the assumptions on developers profit and land owners premiums are reasonable and an appropriate range of alternative development schemes have been tested across Royal Greenwich against a variety of different future scenarios.

Conclusion

16. The draft Charging Schedule is supported by detailed evidence of community infrastructure needs and economic viability. On this basis, the evidence which has been used to inform the Charging Schedule is robust, proportionate and appropriate.

Is the charging rate informed by and consistent with the evidence?

Residential rates

17. Overall the results of the VA show that currently the viability of residential development is challenging in the Royal Borough of Greenwich. It shows that residential sales values generated by new schemes are unlikely to exceed the value of existing higher value offices. In the main it is only sites in existing lower value uses such as community, warehousing, industrial or lower value offices, where the appraisals indicate residential development would be viable and consequently that CIL would be viable.
18. In addition, residential land and sales values vary across Royal Greenwich. Areas in the north-west of the borough, including Greenwich Peninsula, Greenwich Riverside and Blackheath attract the highest land values, and areas

to the east, including Thamesmead and Plumstead and Abbey Wood, the lowest values, with areas in the centre, such as Charlton, Woolwich and Kidbrooke, somewhere in between. As a result the VA shows that CIL would be viable across a wider range of scheme types within the higher value, western and some central areas of Royal Greenwich, but not viable for anything other than small sites of less than 10 units in Thamesmead, Plumstead and Abbey Wood.

19. These results are supported by evidence of house building currently taking place in Royal Greenwich, drawn from the Council's housing trajectory (HS8). This confirms that other than small sites in Plumstead, Abbey Wood and Thamesmead (HS7), residential development is taking place exclusively in the western and central areas of the borough, including Greenwich Peninsula and Riverside, Charlton, Woolwich and Kidbrooke, on sites in former industrial, warehousing and community uses. However, the Council's opening statement (HS6) confirmed that, despite the challenging viability of residential development, in the two most recent years for which figures were reported (2011/12 and 2012/13) planning permission was granted for an average of 2,807 units a year in Royal Greenwich in excess of the housing supply target of 2,595 dwellings a year.
20. The VA concludes that it would be viable to charge a CIL for residential development, provided a buffer or margin is allowed to address the risks to delivery such as exceptional costs, variations in current use values and a fall in sales values or rise in build costs. It also advises against imposing a CIL at a level which vastly exceeds current S106 costs and could 'shock' the market, resulting in a fall in land supply. The VA concludes that maximum CIL rates of between £95psm and £265psm would be viable for residential development in different residential value areas, inclusive of the Mayoral CIL for Crossrail, which in Royal Greenwich is £35psm.
21. The Council is proposing to charge a single rate of £70psm for residential development across the whole of the borough. It considers this would be viable for most types of residential development across Royal Greenwich and would not act as an obstacle to housing development. The Council also considers that a single rate would avoid the divisiveness of defining boundaries which can place sites of equal value on opposite sides of the street in different charging zones and would therefore be simpler to understand and implement.
22. Within the higher value areas of Royal Greenwich, namely Greenwich Peninsula, Greenwich Riverside and Blackheath, Charlton Riverside and Charlton, taking the Mayoral CIL into account, the proposed rate of £70psm would allow a buffer or margin of between 55-70%. Although there is no prescribed percentage buffer, the evidence submitted agrees that charging authorities have generally adopted buffers between 20-50%. This indicates that the rate proposed would allow sufficient margin to address the risks to development referred to in the VA within the higher value areas of Royal Greenwich. Whilst some representors have suggested that the values in these areas would support a higher residential CIL rate, it is an inevitable aspect of CIL that some development would viably be able to pay more than the proposed rate.

23. However, within the remainder of Royal Greenwich the proposed rate would not allow a buffer within the 20-50% margin. Dealing firstly with Kidbrooke, Eltham and Woolwich, the proposed rate of £70psm compares with a maximum viable CIL of £120psm within these three areas. Taking into account the Mayoral CIL, however, the remaining buffer would be 18%. Berkeley Homes, the main residential developer within the strategic development locations at Woolwich and Kidbrooke, is concerned that this would put regeneration of these areas on the margins of viability and fails to recognise the higher infrastructure costs involved in redeveloping these strategic locations. Based purely on the results of the VA, the proposed rate would appear to be at the margins of viability for residential development within these areas.
24. However, there is other evidence which suggests greater room for optimism. Firstly, significant residential development in Kidbrooke and Woolwich has already come forward, bearing the higher infrastructure costs via S106 contributions during a time of lower sales values. Secondly, CIL cannot be imposed retrospectively on already permitted schemes and would only apply to new permissions for additional dwellings over and above those already permitted. CIL would replace the strategic element of S106 costs, including schools and transport infrastructure, for any new dwellings rather than be an additional development cost and any additional dwellings granted would improve the viability of existing schemes. Thirdly, residential values have continued to increase in Royal Greenwich since the 2012 base date of the VA (paragraph 2.52 of CE5). Therefore, other schemes coming forward within the areas of Kidbrooke, Eltham and Woolwich, which include those listed in the housing trajectory and in strategic site masterplans (HS8a), would be coming on stream in a rising market, in which the proposed rate is even less likely to put development at risk. Accordingly, I am satisfied that the proposed rate of £70psm for residential development in the areas of Kidbrooke, Eltham and Woolwich is consistent with all of the evidence before me and would not represent a significant risk to the delivery of development in these areas.
25. Turning to the lowest value areas of Thamesmead, Plumstead and Abbey Wood on the eastern side of Royal Greenwich. The proposed rate of £70psm compares to a maximum viable rate of CIL of £95psm. However, taking account of the Mayoral CIL, the proposed rate is above the maximum viable charge of £60psm for residential development in these areas, resulting in a negative buffer of -16.7%. The VA advises that where a scheme would be unviable before a CIL charge is levied, then CIL is unlikely to be a factor in any development decision. However, some development is viable in Thamesmead, Plumstead and Abbey Wood and therefore it is necessary to consider the impact of the proposed CIL charge.
26. Based on the VA evidence, the proposed charge would affect the viability of small sites in these areas, which are currently shown to be viable and based on the evidence of housing completions (HS7) are coming forward. In addition, the Thamesmead and Abbey Wood area is a strategic development location in the Core Strategy, straddling the boundary with the London Borough of Bexley. A scheme is already coming forward near to the Abbey Wood Crossrail station. It has also been confirmed that these areas will be declared as part of a Mayoral Housing Zone to accelerate housing delivery,

with development to come forward over the next 3-5 years (HS9). Therefore, the evidence is that residential development is viable within these areas and will come forward in the next few years. It is important that the CIL rate is set within the margins of viability so that it does not act as a barrier to the delivery of strategic priorities in the development plan for this part of Royal Greenwich.

27. A charge of £70psm would not allow a margin to address the risks to development referred to in the VA. Accordingly, I consider that the residential rates should be modified to reduce the rate for the Thamesmead, Plumstead and Abbey Wood areas to allow such a buffer. A rate of £40psm, when combined with the Mayoral CIL, would allow a 21% buffer from the maximum viable rate of CIL for these areas, within the 20-50% range. It would also be on a par with the rate adopted by the London Borough of Bexley for the adjoining areas of its borough. The boundary between this zone and the rest of Royal Greenwich should follow the boundary shown on the residential value area map in Appendix 2 of the VA.
28. I am satisfied that a rate of £40psm would not shock the market in the lowest value areas of Royal Greenwich. It would also allow the Council to monitor the impact of CIL and undertake an early review in 3 years' time, as indicated in the VA and the Council's supporting information document (CE9), with the possibility of adjusting the CIL rate in these areas, subject to the performance of the market. I recommend that the charging schedule be modified accordingly (**EM1**).
29. The Council proposes to exclude Extra Care Housing from the residential charge, meaning that it would be zero CIL rated. This is consistent with the evidence in the VA, which demonstrates that due to its higher build costs and lower gross to net floorspace ratio, the viability of Extra Care Housing would not be able to absorb a CIL charge, except in the highest value area and on the lowest value existing use sites.
30. On the other hand, sheltered housing, which is distinguished from extra care housing and appraised separately in the VA, is considered to have a sufficient margin of viability to support a residential charge of £70psm. I note that two sheltered/retirement housing operators challenged the Council on its proposed rate for sheltered housing at the preliminary draft stage. One operator has now withdrawn its objection at the draft stage and considers the proposed rate to be broadly acceptable. Although the other operator has not withdrawn its original objection, I have no evidence to suggest that the Council's approach is not appropriate. Modification EM1 would of course apply equally to sheltered housing in the lowest value areas of Royal Greenwich.

Affordable housing

31. Representations have been made about the effect of the introduction of CIL on the delivery of affordable housing in Royal Greenwich. The target set in Policy H3 of the CS is for at least 35% affordable housing on sites of 10 or more dwellings or 0.5 hectares or more. The VA has tested the viability of CIL for different percentages and tenure mixes of affordable housing across all 9 residential value areas. Whilst this shows that both CIL and affordable housing would not be viable on sites currently in higher value office uses, it

does show that affordable housing would be viable with CIL in most areas on sites in warehousing, industrial and community uses, which represent the main types of site coming forward for residential development in the borough.

32. The evidence from the housing trajectory indicates that affordable housing is being delivered in Royal Greenwich through existing S106 arrangements at between 18-100% of the total number of units. It also shows that in the higher value areas, affordable housing is being delivered at significantly above 35%. Overall, the council has confirmed (in HS6) that over the past 5 years 42% of housing delivery in the borough was affordable. I recognise that in negotiating S106 agreements it is possible for the Council to be flexible on other planning obligations to achieve the required level of affordable housing, whereas CIL would be non-negotiable. However, the proposed rate of £70psm would represent an opportunity cost of only 4% of affordable housing. Therefore, overall I am satisfied that the evidence shows the proposed rates of CIL would not reduce the Council's ability to meet its affordable housing target across Royal Greenwich.

Student housing

33. The Council proposes a rate of £65psm for student housing. This is based on the evidence in the VA that student housing should be able to absorb a maximum CIL rate of up to £118psm. As the Mayoral CIL is already included as a development cost in the appraisal for student housing, this allows a buffer of 45% from the maximum viable rate to provide for any abnormal costs or variations in rents. In the absence of any evidence to the contrary, I am satisfied that student housing would remain viable with the CIL charge proposed.

Retail rate

34. The Council proposes to set differential rates for retail development. It proposes a charge of £100psm for large supermarkets and superstores and retail warehousing of 280 sq m and above and a nil charge for all other forms of retail development. The CIL Regulations allow charging authorities to apply differential rates according to type and scale of development, provided they are justified on grounds of economic viability. Paragraph 21 of the CIL guidance in the PPG adds that differential rates should not be used as a means to deliver policy objectives.
35. Dealing first with the type of development, the PPG allows charging authorities to set rates by reference to the different intended uses of development and paragraph 22 is clear that 'use' is not tied to the classes of development in the Town and Country Planning (Use Classes) Order 1987. There is strong evidence in the VA to indicate that supermarkets, superstores and retail warehouses have a greater degree of viability across Royal Greenwich than other forms of retail development within the same use class. It suggests this is to do with the availability of car parking (often on-site and free), better operational economics, the greater covenant strength of occupiers resulting in lower yields and higher investment value and that they tend to be developed on lower value sites such as former industrial sites, resulting in higher surpluses.

36. I understand the concerns of some operators that the proposed rate would discourage larger retail developments, however the appraisals in the VA suggest that a CIL of up to £325psm would be viable on supermarkets, superstores and retail warehousing of over 279 sq m. As the Mayoral CIL is already included as a development cost in the appraisals for retail development, a rate of £100psm would allow a buffer of almost 70% against the maximum viable CIL and would represent around 3-4% of the overall development cost of such schemes. No alternative viability evidence has been presented to indicate otherwise. On this basis, I am satisfied the proposed rate for large supermarkets, superstores and retail warehouses is justified on viability grounds.
37. The evidence on the viability of a CIL charge for other forms of retail development above 279 sq m is somewhat more complex. The VA tested a range of retail developments within the main centres of Greenwich Market, Woolwich and Eltham, for the proposed new centre at Greenwich Peninsula and the rest of the borough, based on differing current use values and varying rents and yields. The appraisals suggest that a charge of £100psm would be viable within the primary shopping centres of Greenwich Market, Woolwich town centre and Greenwich Peninsula, but nowhere else in Royal Greenwich.
38. However, there would be practical difficulties in setting a differential rate for these three centres. Firstly, the viability of retail schemes is strongly dependent on the Zone A rents and overall rental levels that can be achieved within the development. The appraisals show this in the effect of changes in rent and yield assumptions on the maximum level of CIL. Given that Zone A rents vary within centres depending on the level of pedestrian footfall and distance from the centre, this would make the task of defining a viable boundary for a retail CIL charging zone in Greenwich Market and Woolwich very complex. Secondly, the new centre at Greenwich Peninsula is still 'embryonic', with no clear boundary or definition of the amount and type of retail floorspace, the mix of other uses or the size of units. Therefore it would be difficult to define a boundary for a charging zone around this proposed centre and the rate could affect the viability of development disproportionately depending on the amount of retail floorspace eventually delivered.
39. The Council stated that no major opportunities for additional retail floorspace were likely to come forward in these centres over the next 3 years and that any development schemes involving retail would be likely to be residential led with small retail units at ground floor level. Therefore, notwithstanding the conclusions of the VA, I am satisfied that the decision not to charge a rate for other retail development is justified at this time on viability grounds and can be revisited when the Council reviews the charging schedule in 3 years.
40. With regard to the scale of development, the threshold of 280 sq m for chargeable schemes is consistent with the Sunday Trading Law figure, above which large national retailers, with good covenant strength, seek space. This would suggest that there is clear viability evidence to support a differential rate being set at this scale. The justification given for the alternative suggestion of a threshold of 929 sq m to avoid prejudicing town centre development would appear to be more policy based, which the PPG precludes.

41. I note the proposal to zero rate ancillary car parking for retail developments on viability grounds in response to the representation from Ikea. I agree that that the proposed further modification contained in the statement of common ground between the Council and the GLA (SM9) would be necessary to ensure the draft charging schedule complies with the CIL Regulations. Therefore, I have included it as a modification necessary for adoption (**EM2**).

Hotel rate

42. The updated appraisal for hotel development undertaken by BNP Paribas in October 2014 (CE6) shows that hotel schemes could absorb a maximum CIL of between £259psm and £501psm. I note that this is based on the cost assumptions of a central London hotel scheme at Bethnal Green, which provides a more comparable location for Royal Greenwich than the outer London scheme at Whetstone on which the cost assumptions in the VA were previously based. Given that the Mayoral CIL is included separately as a cost in the appraisal, the proposed rate of £100psm for hotel development would leave a substantial margin of between 61-80% of the maximum CIL rates to allow for any abnormal costs or variations in rents. I also note that the proposed rate would remain viable across a wide rental variation in the appraisal. Therefore, in the absence of any firm evidence to the contrary, I am satisfied that hotel development would remain viable with the CIL charge proposed.

All other development

43. The Council's decision not to charge a levy on B uses is consistent with the evidence in the VA, which shows that current market rents for office, industrial and warehousing development are too low to absorb any level of CIL. Whilst appraisals have not been provided for D uses and Sui Generis uses, I am satisfied that for the reasons given in the VA setting a nil rate for these uses is appropriate. In particular, I note that most forms of development falling within D uses classes, including health, education, libraries, sports, leisure and community uses, are defined in the Regulation 123 list for Royal Greenwich as infrastructure for which CIL funding is required.

Other matters

44. A number of representations were made about the Council's proposed Instalments policy (CE13). Although the Instalments policy is not part of the charging schedule, paragraph 54 of the CIL guidance in the PPG makes clear that the existence of such a policy is a material consideration in assessing the viability of the proposed levy rates. Accordingly, I have had due regard to the proposed policy and the modification agreed by the Council in its statement of common ground with the Cathedral Group (HS4). This addresses the viability issues of large scale projects where development is phased over a longer period of time, by allowing each phase within the planning permission to be treated as a separate chargeable development for CIL, so that payments are triggered as each phase is brought forward rather than within 2 years of the commencement of the overall scheme. My assessment that CIL will not undermine the viability of development overall has been based, in part, on the existence of the revised instalments policy.

45. I note the Council's intention to make exceptional circumstances relief available in Royal Greenwich, as this will allow discretion on schemes where the viability of development is marginal and CIL could make it unviable. The decision as to whether to make charitable relief available for development which forms part of the investment activities of a charitable institution is a matter for the Council and not part of my remit to consider. Likewise acceptance of land or infrastructure as payment in kind in lieu of CIL is a matter for the Council in implementing the levy in accordance with Regulations 73, 73A, 73B and 74 and not part of my examination of the charging schedule.
46. Concerns have been expressed by a number of representors about the transition between the current system of S106 obligations and a new CIL regime, in particular over the need to avoid 'double dipping' i.e. paying for the same infrastructure twice under a S106 obligation and CIL. I recognise that the Council has sought to clarify the types of infrastructure that would be funded through CIL and residual S106 obligations in its Draft Infrastructure (Regulation 123) list (CE4) and the Planning Obligations SPD Scoping report (CE11), although these lists lack detail. However, I note that the Council is about to publish a revised Planning Obligations SPD for consultation, providing further clarity on this matter. Although it is not part of my remit to consider the content of the SPD, I would expect the Council to address the matters raised in representations on this issue to provide greater certainty to the market prior to adopting a CIL.
47. The risk of 'double dipping' is a particular concern for developers of large scale schemes, which have already funded a programme of strategic infrastructure improvements under a S106 agreement as part of the early phases of construction, but may have further sites to come forward under future planning consents which would be subject to CIL payments. However, I am satisfied that the Council's commitment to grant discretionary relief in these instances will help to avoid such 'double dipping' undermining viability.
48. Finally, it will be important to keep the charging schedule and its impact on the delivery of development under review. The VA recommends a review is considered by at least 2018, or earlier if the Mayoral CIL is increased before then. The Council makes a commitment in its supporting information document (CE9) to a review within three years of implementation. It would help to provide clarity and certainty if the timescale for review were confirmed at the time of adoption.

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

49. The Council's decision to set rates of £100psm for large supermarkets, superstores and retail warehouses, £100psm for hotels and £65psm for student housing across Royal Greenwich is based on reasonable assumptions about development values and costs and the realistic opportunities for development likely to come forward in the area. However, the draft schedule has overlooked the evidence of the potential impact of a single residential rate of £70psm on the economic viability and delivery of housing development in the lowest value areas of Thamesmead, Plumstead and Abbey Wood.

50. Accordingly modification **EM1** is essential to ensure residential development and thereby regeneration in this part of Royal Greenwich is not put at risk. In addition, modification **EM2** is necessary to ensure that the viability of retail development is not put at risk and that the charging schedule complies with the CIL Regulations. Subject to these modifications, the evidence suggests that residential and commercial development will remain viable across most of the area if the charges are applied. Only if development sales values are at the lowest end of the predicted spectrum would development in some parts of Royal Greenwich be at risk.

Conclusion

51. In setting the CIL charging rate the Council has had regard to detailed evidence on infrastructure planning and the economic viability evidence of the development market in Royal Greenwich. The Council has sought to be realistic in terms of achieving a reasonable level of income to address an acknowledged significant gap in infrastructure funding, while ensuring that a range of development remains viable across Royal Greenwich. The modifications recommended will ensure that the Council achieves the appropriate balance and that the charging schedule complies with the Regulations.

| LEGAL REQUIREMENTS | |
|-----------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| National Policy/Guidance | The Charging Schedule complies with national policy/guidance. |
| 2008 Planning Act and 2010 Regulations (as amended) | <p>The Charging Schedule complies with the Act and the Regulations, including in respect of the statutory processes and public consultation, consistency with the adopted Core Strategy and Infrastructure Delivery Plan and is supported by an adequate financial appraisal.</p> <p>The Council did not give notice by local advertisement of the examination hearing in accordance with Regulation 21(8)(c). However, the Council confirmed in its opening statement to the hearing (HS6) that the required details of the hearing and the examiner were publicised on its website and notified to all parties who made representations under regulation 17 or a request to be heard under regulation 21(3). Accordingly, I have been assured that no persons who submitted a request to be heard by the examiner have been prejudiced by this omission.</p> |

52. I conclude that subject to the modifications set out in Appendix A the Royal Borough of Greenwich Community Infrastructure Levy Charging Schedule satisfies the requirements of Section 212 of the 2008 Act and meets the criteria for viability in the 2010 Regulations (as amended). I therefore recommend that the Charging Schedule be approved.

Mike Hayden

Examiner

This report is accompanied by:

Appendix A (attached) – Modifications that the examiner specifies so that the Charging Schedule may be approved.

Appendix A

- **EM1** – reduce the CIL charge for residential development in the Thamesmead, Plumstead & Abbey Wood areas of Royal Greenwich to £40psm in table 2.1 of the charging schedule and add a map to the charging schedule to define the boundary of the resulting two zones in line with the boundary shown on the residential value areas map in Appendix 2 of the VA.
- **EM2** – include ancillary car parks, including undercroft car parking for supermarkets/superstores and retail warehousing (280 sqm and over) in the schedule as zero CIL rated in table 2.1 and delete footnote 3.