

Issue 2: Is the residential charging rate informed by and consistent with the evidence?

(ii) In light of the representations from the specialist housing sector, should specialist housing for older people be subject to the same charging levy as the rest of class C3 residential?

1.1 Paragraph 21 of the CIL section in the Planning Practice Guidance (PPG) establishes that “differences in rates need to be justified by reference to the economic viability of development” and adds that “a charging authority that plans to set differential rates should not have a disproportionate impact on particular sectors or specialist forms of development”.

1.2 The PPG states that “the evidence base for a charging schedule is examined in public prior to the adoption of the levy”, and that “care must be taken to ensure that it is robust” (Paragraph 15).

Statistics show that the population of North Somerset is ageing. Statistics highlight that North Somerset will have a higher proportion of its population aged 65 and over, compared to the other West of England’s Local Planning Authorities (LPAs, see Figure 1). By 2024, some 26% of its population is projected to be aged 65 and over.

Figure 1: Proportion of West of England’s projected population aged 65+ in 2024 and the rate of change in those aged 65+ from 2014 to 2024.

Local Planning Authority	Projected population 65+ in 2024 (%)	Change in age 65+ 2014-2024 (%)
Bath & North East Somerset	21%	16.1%
Bristol	13.6%	13.1%
North Somerset	25.7%	22.5%
South Gloucestershire	20.1%	20.8%

Source: Subnational population projections for England: 2014-based projections

1.3 In addition, the rate of change amongst those aged 65 years and over is highest in North Somerset amongst the West of England authorities; Figure 1 shows that between the years 2014 and 2024, this age group is expected to increase by nearly 23%.

1.4 The above findings therefore highlight that an ageing population is a challenge in North Somerset. Although this is acknowledged by the Council within its Regulation 19 (1) (b) Statement (dated December 2016), this issue is more acute in North Somerset compared to the other West of England authorities.

1.5 Against the backdrop of an ageing population, the need for specialist housing for older people will inevitably increase.

- 1.6 As set out in our September 2016 comments (**document ref. D2w**), we note that only one sheltered housing scheme within the district was assessed as part of the viability research for charging CIL on sheltered housing schemes. The PPG emphasises the importance of “robust” evidence to inform CIL. The CIL section of the PPG adds at Paragraph 19 that an appropriate “sample” of sites should be assessed within its evidence, which should “reflect a selection of the different types of sites included in the relevant Plan”. The PPG states that the outcome of the exercise should be “to provide a robust evidence base about the potential effects of the rates proposed”.
- 1.7 These findings led to the updated Viability Study from August 2016 summarising that it could see “no clear viability pointers to vary the PDCS approach” (Paragraph 3.2.14). Following a further review of the original Viability Assessment on the PDCS published in October 2012, it appears that no sheltered housing schemes were assessed.
- 1.8 Alternative forms of older peoples housing share some characteristics with general market housing in that each unit will have its own front door, and residents of such development will live more independently than they would in a care home. However as is also applicable to extra care housing in the C2 Use Class, such schemes significantly different to general market housing in terms of their structure and funding.
- 1.9 Unlike general market housing which benefits from being sold ‘off plan’, such types of accommodation are funded entirely upfront and at risk by the provider, with sales only able to occur after or close to full completion. The return on any investment takes place over a longer period of time. They are by their nature ongoing long term commercial operations in a way that standard C3 house building is not. We do not see this reflected in the viability work that has been produced.
- 1.10 Standard C3 housing developers are on most occasions able to sell units as a scheme progresses and before the whole development is complete. This has significant implications for cash flow and funding. While standard C3 flats can be said to be similar in this regard they do not have to fund extensive communal areas, set up and employ people to manage and maintain the use and have this in place essentially on the first occupation.
- 1.11 We have direct experience of developers of retirement properties including housing associations, avoiding areas with a high CIL charge due to the significant impact on scheme costs. If the Council wishes to encourage specialist retirement to come forward, then it needs to be pragmatic in setting a CIL rate that encourages development. Furthermore, in order to comply with such a charging rate, planning obligations towards other critical infrastructure – including affordable housing – are likely to be impacted.

- 1.12 Our previous representation from January 2013 (**document ref. B1**) made reference to the findings of the Corby CIL viability study (undertaken by BNP Paribas). These findings are still pertinent today, and are set out below:

“6.38 – Our appraisals of retirement housing (I.E. McCarthy and Stone type development, where residents have their own flat or house and buy in additional services and support as required) indicate that such developments are unlikely to generate positive residual land values. Our appraisals assume a 70% gross to net ratio, accounting for additional common areas required in such developments. This factor, along with a slower sales rate, combines to adversely affect viability”.

- 1.13 To summarise, on the basis that just one sheltered housing scheme in North Somerset has been assessed; and in the absence of any conclusive evidence in the 2012 Viability Assessment it is clear that the CIL charge on specialist housing for older people (under a C3 use class) has not been formulated on robust evidence. It is also apparent that the evidence does not undertake an appropriate sampling exercise in line with the requirements of the PPG.

- 1.14 As a result the proposed CIL charge for specialist older people’s housing and sheltered housing is considered to be inappropriate and unreasonable.

(iv) What is the justification for reducing the percentage of affordable housing (AH) on sites of from 30%, which is policy compliant, to 20%? In view of the broadening of the definition of AH, is there a case for updating the VS to consider its impact?

- 1.15 Protecting the delivery of affordable housing should be a fundamental consideration for LPAs when setting their CIL rates. The NPPF and PPG are highly cautious that CIL should not impede the delivery of relevant Development Plan objectives, and the provision of market and affordable housing on key strategic sites:

“Pursuing sustainable development requires careful attention to viability and costs in plan-making and decision-taking. Plans should be deliverable. Therefore, the sites and the scale of development identified in the Plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened. To ensure viability, the costs of any requirements should, when taking account of the normal costs of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable” (NPPF Paragraph 173)

“Charging authorities should set a rate which does not threaten the ability to develop viably the sites and scale of development identified in the relevant Plan...” (CIL Section PPG Paragraph 008); and

“As background evidence, the charging authority should also provide information about the amount of funding collected in recent years through section 106 agreements. This should include information on the extent to which their affordable housing and other targets have been met”. (Our emphasis added, CIL Section PPG Paragraph 018)

- 1.16 The reduction in the provision of affordable housing from the policy-compliant 30% to 20% due to the CIL rate highlights that the Council's affordable housing target would not be met on such housing sites. As a result, the proposed CIL rate would threaten the Council's ability to viably develop specific housing sites.
- 1.17 In addition, the decrease of the affordable housing target on such sites would significantly reduce the Council's ability to meet its overall affordable housing needs.
- 1.18 With regard to the broadening of the definition of affordable housing, we note that the impact of the proposed 20% threshold on Starter Homes will mean that a smaller proportion of new affordable homes will be of a 'traditional' tenure, as specified in Annex 2 of the NPPF. The delivery of affordable housing is also likely to be affected due to continued changes to national housing policy, which include:
- Welfare reforms: such as the housing benefit reductions and the introduction of Universal Credit, adversely impacting upon the business plans of Registered Providers (RPs);
 - Rent reductions: reduction in RP rents by 1% per year for four years from 2016 – thus reducing their capital loan repayment capacity, meaning less income to invest in affordable housing;
 - Right to Buy: as part of the Housing and Planning Act 2016, the Right to Buy programme will be extended through voluntary measures to be announced in due course;
- 1.19 Following consideration of the above issues, it is clear that the economic context surrounding affordable housing is subject to continued change, and a significant component has been the insertion of Starter Homes within the legal definition. As a result, the impact of this new form of affordable housing should be considered in the Viability Study.

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