Issue 3: Levy rates for other uses

(v) In relation to care homes (C2) (residential accommodation and care to people in need of care), is there sufficient evidence to justify a rate of £40 psm, based on reasonable assumptions about development values and likely costs?

1.1 With reference to the PPG advice set out below, we maintain the view that the Council has not published robust evidence upon which to set a proposed rate of £40/m² for care and extra care schemes falling within a C2 use.

1.2 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” (Paragraph 21, Reference ID: 25-021-20140612).

1.3 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, Reference ID: 25-015-20140612).

1.4 The PPG emphasises the importance of “robust” evidence to inform CIL. 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”.

1.5 We note that across both Viability Studies, such development has not been adequately assessed against a full appraisal set. It must also be highlighted that there is limited discussion and explanation of charging CIL for C2 schemes.

1.6 As a result, we are concerned at the lack of viability evidence provided by the Council in charging CIL on C2 uses. The absence of such an assessment is contrary to Paragraph 21 of the PPG which states that differences in CIL rates “need to be justified by reference to the economic viability of development”.

1.7 As has been explained in our Matter Statement on Issue 2 (with specific reference to sheltered housing), the structure and funding of C2 care and extra care schemes also greatly differs to that of general market housing. Like specialist housing for older people, the funding streams for C2 schemes are provided up front by the provider – which comes with an element
of risk. In addition, a significant proportion of the total development floor space is set aside for care and communal facilities.

1.8 Due to the different funding streams and processes involved in C2 development, the developer will receive a return in a different way and often over a longer period of time than a C3 development, where houses may be sold off gradually over time or in ‘phases’. The cost of setting up a commercial enterprise to employ and operate a care team on a site – which is fundamental for C2 development – needs to be factored into any assessment of viability: which has clearly not been presented in the two studies here.

1.9 In addition, the Corby CIL viability study (BNP Paribas) states:

“In our experience, extra care housing schemes have gross to net floorspace ratios between 55% and 60% due to the additional communal areas.”

“6.37 – It is therefore considered that the viability of extra care housing is very different from standard C3 housing care homes, and our calculations show that they would be unable to absorb a CIL tariff.”

1.10 In the public consultation on the South Somerset CIL Draft Charging Schedule (February 2016), the SW HARP was successful in its challenge on the removal of the CIL charge on care and extra care development. The HARP argued that there was insufficient viability evidence for the Council to set a CIL rate for C2 development, and the charge was subsequently removed by the Council in its Submission Version of the Draft Charging Schedule (published in May 2016).

1.11 In conclusion, the evidence fails to clearly differentiate between the specific requirements and differences of C2 uses compared to C3 residential schemes. The published viability evidence also fails to ensure that this is a “robust” assessment upon which to charge CIL for C2 development, which therefore results in a CIL charge that is contrary to national planning policy. We therefore request that this be removed from the CIL Charging Schedule.

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