



The Planning  
Inspectorate

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# **Report to London Borough of Redbridge Council**

**by Geoff Salter BA MRTPI**

**an Examiner appointed by the Council**

**Date: 09 September 2011**

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PLANNING ACT 2008 (AS AMENDED)

SECTION 212(2)

## **REPORT ON THE EXAMINATION OF THE DRAFT REDBRIDGE COMMUNITY INFRASTRUCTURE LEVY CHARGING SCHEDULE**

Charging Schedule submitted for examination on 22 June 2011

File Ref: PINS/W5780/429/9

## Non Technical Summary

This report concludes that the Redbridge Community Infrastructure Levy Charging Schedule provides an appropriate basis for the collection of the levy in the Borough. The Council has sufficient evidence to support the schedule and can show that the levy is set at a level that will not put the overall development of the area at risk. I have recommended that the schedule should be approved in its published form, without changes.

### Introduction

1. This report contains my assessment of the Redbridge 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 (Charge Setting and Charging Schedule Procedures – DCLG – March 2010).
2. To comply with the relevant legislation the local charging authority has to submit what it considers to be 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 the district. The basis for the examination, which took place through written representations, is the submitted schedule of June 2011, which is effectively the same as the document published for public consultation in February 2011.
3. The Council propose a rate of £70 per sq m, applied to all qualifying development.

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

#### *Infrastructure planning evidence*

4. The Redbridge Core Strategy (CS) was adopted in March 2008. This sets out the main elements of growth that will need to be supported by further infrastructure in Redbridge, including a range of development in Ilford town centre and a minimum annualised housing target of 905 dwellings up to 2017. The Council has prepared a Community Infrastructure Plan (CIP), updated in January 2011, which calculated that some £199m of community infrastructure would be needed to support the new development over the 10 year period (in addition to £22m for healthcare and £7m for further education/skills).
5. The CIP is a comprehensive document that identifies a wide range of community requirements, primarily to support housing growth. New and

extended school provision makes up a very substantial proportion of the likely infrastructure needs. The Council state that only a small proportion of this expenditure is likely to secure funding from other sources. Government funding in terms of support to local authorities has been reduced and the Council's own finances are severely constrained; the capital programme for 2011-12 shows an overall funding shortfall of £10.7m. It expects the New Homes Bonus to be neutral in effect overall. Taking account of a one third reduction for discounted demolished floor area, the charge is projected to generate about £2.2m each year, compared with the Council's highest ever Section 106 receipts of £1.5m. In the light of the information provided, the proposed charge would therefore make only a modest contribution towards filling the likely funding gap. The figures demonstrate the need to levy CIL.

6. The CS is to be the subject of an early review, which will take account of the revised housing requirements of 760 dwellings per year contained in the recently adopted London Plan (July 2011). Some reduction in infrastructure requirements is likely to result but the potential CIL revenue will also be reduced.

#### *Economic viability evidence*

7. The Council commissioned a CIL Viability Assessment, which was completed in June 2010. The assessment uses a residual valuation approach, using reasonable standard assumptions for a range of factors such as building costs (including Code for Sustainable Homes requirements), profit levels, fees etc. The model was adapted by inputting relevant local data on existing land values, likely sale prices based on a range of sites across the Borough, housing densities and gross to net ratios. The model tested alternative affordable housing targets of 20%, 30% and 40%, based on a tenure split of 60% social rent and 40% intermediate. In the absence of extensive evidence of transactions, affordable housing values were assessed using best available advice from Council officers, assuming grant support. The study was undertaken before the CIL Regulations had been published and took account of an additional small sum (£1,000 per dwelling) of developer contributions to cover on site Section 106 costs for site specific measures, that could be captured in addition to CIL.
8. The Assessment concentrates almost exclusively on residential development but contains a brief appraisal of a commercial scheme in the context of the impact of the Mayor of London's Crossrail Levy. The Council points out that there is a dearth of suitable evidence of recent commercial schemes and that no more detailed assessment could usefully be provided. Most new commercial schemes would result from the redevelopment of existing sites and are thus unlikely to attract a CIL charge, as minimal net new floorspace would be created. The report indicates in broad terms the potential viability of both retail and office schemes if the charge were applied (see below).

#### *Conclusion*

9. The draft Charging Schedule is supported by detailed evidence of community infrastructure needs. The viability analysis of residential development is sufficiently robust, bearing in mind the limited amount of recent development in the Borough at the time it was undertaken. Research on other non

residential development lacks detail. However in view of the small quantity of this type of development likely to take place it is sufficient to assess the potential to charge CIL. 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?**

#### *CIL rates for residential development*

10. Residential land and house prices in Redbridge have reflected national trends in recent years but there is some variation across the Borough. The Viability Assessment takes account of both recently achieved values, up to March 2010, and those in 2007, to reflect better market conditions should an improvement occur in the future. Further evidence from the Land Registry submitted by the Council indicates that average house prices have remained relatively stable over the last year or so, increasing by just over 1%.
11. The viability study tested CIL rates of £23 per sq m (psm), £69 psm and £107 psm. In summary, the output tables demonstrate that in normal market conditions, taken to mean some recovery in values approaching the peak in 2008, the mid-range CIL rate is likely to be deliverable in many development circumstances in the Borough, assuming mid-range sales values. This takes into account provision of affordable housing at 30%, with grant; a higher percentage may be deliverable if sales values improve over the next few years. The Viability Assessment is likely to outline 'worst case' scenarios, because it does not take into account the reduction in CIL charges on those sites where some existing floorspace would be redeveloped. The study acknowledges that the low number of transactions during the months before the work was completed were 'an added complication' and the data base was not extensive. However, in broad terms the study evidence shows that housing development is deliverable across the Borough with the middle band CIL charge selected. The charging rates for residential development are therefore informed by and consistent with the economic viability evidence.
12. The Council acknowledges that average house prices are higher in the northern and western parts of the Borough than those in the south and east. The vast majority of development is in the south, a pattern which is likely to continue under adopted LDF policies. As well as about 4,500 dwellings in Ilford, another 2,000 are expected along the Crossrail corridor. Capacity in the north is more limited, by green belt and conservation area constraints among others, and a higher levy there would generate little extra income. In a densely developed urban area such as Redbridge, the definition of a detailed boundary between two charging areas is likely to create severe practical difficulties. There are no clearly defined separate markets, such as distinct urban or rural areas. The potential benefits of applying a differential rate are likely to be outweighed by these significant disadvantages.
13. In response to a representation about retirement homes, there may well be variations in the ability of different types of housing to absorb CIL charges. In terms of fairness, while retirement housing might not generate demand for education facilities or significant leisure needs, it may lead to other

disproportionate demands, for example for healthcare and social services. The modest rate proposed for Redbridge should be able to be absorbed by most development types, including homes for the elderly, without difficulty.

#### *Commercial rate*

14. There is very little available evidence of comparative viability levels for new commercial development in Redbridge. In the last two or three years there has been a low level of non-residential development. Hardly any industrial development has taken place in the last seven years. The illustrative appraisal of a commercial scheme contained in the Viability Assessment indicates that a charge rate of £69 psm would be viable. In the absence of any evidence to the contrary, or any representations disputing the non-residential rate, there is no reason to believe that the charge would render such development unviable.
15. This view is justified by a viability study prepared for the Mayor of London in relation to the Crossrail CIL. This identified a close correlation between residential land prices and office and shop rents. The study also showed that industrial buildings are typically constructed over just one or two storeys and their redevelopment generates a limited net increase in floor area, and consequently a lower CIL charge. On balance therefore, the Council has set the charge taking into account the best available evidence. While some marginal schemes may be affected, the charge is not likely to render any one class of development unviable.

#### *Impact of Crossrail CIL*

16. At the time the draft charging schedule was published the Mayor of London had not published the draft CIL for Crossrail. The Mayor has set a draft rate of £35 psm, to apply to all types of development across the Borough, excluding health and education facilities. The Mayor's own viability study endorsed the Redbridge Assessment. While the combined charge of both CILs would be close to the upper rate of £107 psm tested by Redbridge, the Mayor's study shows that such a charge would not unduly threaten development viability for two reasons, as already discussed: the Redbridge study analysed 'worst case' scenarios; the impact of the charge is likely to reduce by about one third due to the significant proportion of previously developed sites.
17. The Crossrail CIL is still at examination stage and may be changed. The Mayor supports the Redbridge charging rate and there is no justification for reducing the charge which will support much needed infrastructure investment. The Council has made a commitment to monitor the impact of the charge and to undertake an early review if necessary.

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

18. The Council's decision to set an overall rate of £70 psm is based on reasonable assumptions about development values and likely costs. Even taking into account the potential impact of the Crossrail CIL, the evidence suggest that

residential and commercial development will remain viable across most of the Borough if the charge is applied. Only if development sales values are at the lowest end of the predicted spectrum would development in some parts of the Borough be at risk.

## Conclusion

19. 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 Redbridge. The Council has tried to be realistic in terms of achieving a reasonable level of income to address an acknowledged gap in infrastructure funding, while ensuring that a range of development remains viable across the Borough. However, it is clear that the amount of the charge will have to be monitored closely in the light of its impact on development viability when the Crossrail CIL is also in place and the Council's evolving financial position regarding infrastructure funding. The Redbridge Core Strategy is already in the early stages of a review and is due for examination in early 2013. As the Council suggests, this would be an appropriate time to consider any revision to the charge after it has been in place for 12 months.

LEGAL REQUIREMENTS	
National Policy/Guidance	The Charging Schedule complies with national policy/guidance.
2008 Planning Act and 2010 Regulations (as amended 2011)	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 (2008) and Infrastructure Delivery Plan and is supported by an adequate financial appraisal.

20. I conclude that the Redbridge 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 2011). I therefore recommend that the Charging Schedule be approved.

*GS*

Examiner