Runnymede BOROUGH COUNCIL

1 February 2021

Dear Councillor

SUMMONS TO A MEETING OF THE COUNCIL

I hereby summon you to attend the meeting of the Council to be held on **Tuesday 9 February, 2021 at 7.30pm.**

This meeting will be held remotely via MS Teams with audio access to the public for the Part 1 items via registered dial-in only.

PAUL TURRELL
Chief Executive
01932 425500
Email: paul.turrell@runnymede.gov.uk

NOTE:
If members of the public wish to hear the debate by audio via MS Teams you must register by 10am on the day of the meeting with the Democratic Services Team by emailing your name and contact number to be used to dial-in on a toll-free number to: democratic.services@runnymede.gov.uk

A G E N D A

1. **MAYOR'S ANNOUNCEMENTS**

2. **MINUTES**

   To approve and sign, as a correct record, the Minutes of the Meeting of Council held on 10 December 2020, as circulated by e-mail on 1 February, 2021.

3. **APOLOGIES FOR ABSENCE**

4. **DECLARATIONS OF INTEREST**

   If Members have an interest in an item, please record the interest on the form circulated with this Agenda and email it to the Democratic Services Manager by 5pm on the day of the meeting. Members are advised to contact the Corporate Head of Law and Governance prior to the meeting if they wish to seek advice on a potential interest.

Members are advised that Section 106 of the Local Government Finance Act 1992 makes it a criminal offence for any Member with any arrears of Council Tax which have been outstanding for two months or more to attend any meeting at which a decision affecting the budget is to be made, unless the Member concerned declares at the outset of the meeting that he or she is in arrears and will not be voting on the decision for that reason. The Member concerned must not vote but may speak. The application of Section 106 of the 1992 Act is very wide and Members should be aware that the responsibility for ensuring that they act within the law at all times rests solely with the individual Member concerned.

5. **PETITIONS**

To receive any Petitions from Members of the Council under Standing Order No. 19.

6. **QUESTIONS FROM MEMBERS OF THE COUNCIL UNDER STANDING ORDER 13**

Any questions received from Members of the Council under Standing Order No.13 will be circulated separately with this Summons.

The full Agenda reports and appendices associated with the following recommendations 7-10 were circulated to all Members with the Agenda for the Corporate Management Committee meeting held on 21 January, 2021 and Housing Committee held on 6 January, 2021.and are available on the website

7 **2021/22 TREASURY MANAGEMENT STRATEGY, ANNUAL INVESTMENT STRATEGY, PRUDENTIAL AND TREASURY MANAGEMENT INDICATORS AND MINIMUM REVENUE PROVISION STATEMENT – RECOMMENDATION FROM CORPORATE MANAGEMENT COMMITTEE OF 21 JANUARY 2021**

The Committee considered a report on the 2021/22 Treasury Management Strategy, Annual Investment Strategy, Prudential and Treasury Management Indicators and Minimum Revenue Provision Statement.

The Council had total investments of £73,121,000 at 30 November 2020. The Council invested its funds prudently and had regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. This approach was inherent in the Council's Treasury Management Strategy which encompassed the Annual Investment Strategy at Appendix 'B' to the agenda for the meeting. Investment returns were likely to remain low during 2021/22 with little increase predicted in the following few years.

The Council's main source of borrowing was the Public Works Loan Board (PWLB). In November 2020, the Government had made it evident that if the Council borrowed for a purpose that was primarily commercial in nature and fell under the category of asset for yield, the PWLB could not be used for borrowing by Councils. However, the regeneration scheme in Egham was not affected by the PWLB lending criteria and the Council would continue to benefit from reduced rates on borrowing to fund that scheme.

A code of practice had been issued relating to money market investments called the UK Money Markets Code which CIPFA had recommended that all Councils should adopt and the Committee agreed to recommend that it be adopted by the Council to strengthen further the Council's treasury governance arrangements. The Committee agreed to recommend the Prudential and Treasury Management Indicators for 2021/22 as set out in Appendix 'C' to the agenda for the meeting. This included a total authorised limit for external borrowing by the Council in 2021/22 of £759,704,000.

One of the recommendations to Council on the budget was to seek permission from the Government to capitalise up to £4 million of transformation and Covid-19 costs to avoid urgent cuts to the budget in early 2021. Officers confirmed that the proposed capitalisation of up to £4 million would be financed from existing cashflows from the money set aside from various sources including the Minimum Revenue Provision.

The Council was required to pay off an element of the accumulated General Fund capital spend each year (the Capital Financing Requirement – CFR) through Minimum Revenue Provision (MRP) which was a charge to revenue in order to have sufficient monies set aside to meet the future repayment of principal on any borrowing undertaken. The Council was required to approve an MRP statement in advance of each year. The Committee was advised that there was no need to amend the Council's current statement and agreed to recommend the Council's MRP statement for 2021/22 as set out in recommendation v) below.

RECOMMEND TO FULL COUNCIL ON 9 FEBRUARY 2021 that -

i) the proposed Treasury Management Strategy as set out in the report encompassing the Annual Investment Strategy as reported, be approved;

ii) the Council adopts the UK Money Markets Code;

iii) the Prudential and Treasury Management Indicators for 2021/22, as reported, be approved;

iv) the authorised limit for external borrowing by the Council in 2021/22, be set at £759,704,000 (this being the statutory limit determined under Section 3(1) of the Local Government Act 2003); and

v) there be no change to the previously adopted Minimum Revenue Provision (MRP) policy as set out below: -

The Council will use the asset life method as its main method for calculating MRP.

In normal circumstances, MRP will be set aside from the date of acquisition. However, in relation to capital expenditure on property purchases and/or development, we will start setting aside an MRP provision from the date that the asset becomes operational and/or revenue income is generated. Where schemes require interim financing by loan, pending receipt of an alternative source of finance (for example capital receipts) no MRP charge will be applied.

8. CAPITAL STRATEGY AND GENERAL FUND CAPITAL PROGRAMME 2021/22 TO 2025/26 – RECOMMENDATION FROM CORPORATE MANAGEMENT COMMITTEE OF 21 JANUARY 2021

The Committee considered a report on a proposed Capital Strategy and General Fund Capital Programme 2021/22 to 2025/26. The main thrust of the Strategy centred on funding the Council's regeneration projects and the provision of assets to deliver services. A large proportion of the capital receipts that the Council could rely on in the next two financial years arose from the Egham and Addlestone regeneration schemes. The current policy of the Council was only to borrow for regeneration schemes where the resultant assets generated sufficient income to cover the interest charge and loan repayment. As the Council's useable general capital receipts were declining, the Committee agreed to recommend to Council that the Corporate Management Committee consider future revisions to the Council's Capital and Treasury Management Strategies to maintain these receipts at a prudent level.

The underlying Capital Strategy remained the same as last year with the exception of a key change this year resulting from the adverse effects of coronavirus which was the proposal to capitalise up to £4 million of net revenue expenditure. In order to class revenue expenditure as capital, the Council would need to receive a specific dispensation from the Government. The benefits of this capitalisation would be to protect services and to avoid revenue balances being depleted to a dangerously low level. This capitalisation would be financed from existing cashflows from the money set aside from various sources including the Minimum Revenue Provision. The Committee agreed to recommend this capitalisation proposal to the Council. The revenue spending items to be capitalised would be approved by the Corporate Management Committee at a single meeting or through its regular meetings.

RECOMMEND TO FULL COUNCIL ON 9 FEBRUARY 2021 that –

i) the Capital Strategy and the Capital Programme, as reported, be approved;

ii) the Council seeks dispensation from the Government to charge up to £4 million of revenue spending to its capital budget with any capitalisation of revenue spending to be approved by the Corporate Management Committee at a single meeting or through its regular meetings to both protect services and avoid revenue balances being depleted to a dangerously low level; and

iii) the Corporate Management Committee considers future revisions to the Council's Capital and Treasury Management Strategies to maintain useable capital receipts at a prudent level.

9. **HOUSING REVENUE ACCOUNT ESTIMATES FOR 2021/22**

Council is asked to note that the Housing Committee undertook a detailed review of the HRA Estimates 2021/22 at its meeting on 6 January 2021 and the Minute of that review is set out below in italics. Council is therefore asked to make provision as requested in Resolution (i) below in respect of these Estimates.

Minute of Housing Committee 6 January 2021

The Housing Accountant explained that primarily due to the pandemic many of this year's plans had been deferred, and Officers – including the newly appointed Corporate Head of Housing – would be meeting in January with a view to presenting an updated 5-year forecast and Business Plan to the Committee at its next meeting in March.

However, in the meantime it was necessary for the Committee to approve the HRA budgets in order to implement the changes to the Rents, Fees & Charges, in order that they can be implemented from the commencement of the new rent year in April 2021.

Overall, it was estimated that the net costs of the HRA during the current year (2020/21) would have reduced by around £260k compared to the original budget. However, the anticipated level of balances in the Major Repairs Reserve would have increased by around £3.6m, compared to the original figures approved in January 2020. Whilst this would appear to be good news, this reduction in costs was largely as a consequence of works being deferred to subsequent years.

The report provided a summary table setting out the various estimated Housing balances at 31 March 2021 & 2022. However, it was pointed out that these detailed figures do not allow for any major capital expenditure on new schemes not yet approved by this Committee, nor the likely imminent increase in the level of major repairs.

RESOLVED that –

i) the draft revenue estimates for 2021/22 be approved, and the Full Council be requested to make provision accordingly;

ii) the Committee grant permission for Officers to seek written consent from the Secretary of State to top up the DHP allocation by a sum of £30,000, which may only be used to assist in providing DHP to HRA tenants in need; and

iii) the proposed changes in rents and charges (including those for Housing General Fund services) for 2021/22 be approved to be effective either from the first rent week of April 2021, or 1 April 2021 as appropriate.

10. **BUDGET AND COUNCIL TAX 2021/22 – RECOMMENDATION FROM CORPORATE MANAGEMENT COMMITTEE OF 21 JANUARY 2021**

The Committee considered a report on the Council's Budget and Council Tax for 2021/22. The budget was less strategic than in previous years and was more of a tactical budget to recover from the effects of the coronavirus pandemic. Although taxation was an important part of the Council's budget, most of the money that the Council received was from fees and charges, from services which provided income and from rent from commercial assets, and the levels of income that the Council received in those areas of the budget had reduced as a result of Covid-19.

The outlook for the current financial year had changed considerably since the Council had set its budget in February 2020. The original budget showed a surplus of £500,000 to provide services. Covid-19 had changed this to a projected deficit of £5.6 million by March 2021. As a result, General Fund reserves had been seriously depleted, mainly because of the loss of income which was likely to persist into 2021 and 2022. The Committee noted assumptions made by officers on income shortfalls prior to the third national lockdown. Increased costs and reduced income of at least £11 million over a three year period necessitated measures to bridge the budget gap and protect services.

The Committee agreed to recommend that the Band D Council Tax rate for Runnymede be increased by £5 a year which was the maximum allowed to stay within the Government's referendum limits. However, as the Council was a low tax rate Council, this increase would not cover inflation.

The Medium Term Financial Strategy (MTFS) at Appendix 'F' to the agenda detailed risks faced by the Council over the next two financial years. Covid -19 would have an ongoing impact on the Council's income. The Government's "fair funding review" and business rates retention scheme had been delayed probably until 2023 but it was likely that only those Councils which provided adult social care services would benefit. Capital receipts were reducing with limited scope to replenish them. Council tax and business rates collection were not as certain as in previous years. The Government might not continue its Covid-19 relief schemes indefinitely which might result in increased cost pressures for the Council. The rateable value of office premises was being considered currently by the Government's Valuation Office which might lead to significant reductions in rateable value and potential loss of income to the Council.

In order to bridge the budget gap, the Committee agreed to recommend that the Council seek permission from the Government to capitalise up to £4 million of Covid and transformation costs. This would be funded from cash set aside in previous years to repay debt in 2063 totalling £14 million and would be accounting treatment of capital financing and would not increase the Council's borrowing requirement or the cash balances of the Council. Using the strength in the Council's balance sheet would be the lowest risk option to resolve the short term problems caused by Covid and would allow time to redefine capital and revenue spending priorities.

Officers were not recommending that more than £4 million was capitalised as the Council's proposals would be scrutinised carefully by the Ministry of Housing, Communities and Local Government and by the Treasury and this was a measure that should be used sparingly arising out of the exceptional circumstances created by Covid-19. Permission to capitalise up to £4 million could not be guaranteed and it was also possible that conditions could be placed upon the capitalisation.

If the Council was able to capitalise up to £4 million of Covid and transformation costs it would still need to find £1 million of efficiency savings in 2021/22 and reduce its base budget by a further £1 million in 2022/23 and the Committee agreed to recommend that proposals to achieve those requirements be produced for the consideration of Members. If the effect of Covid-19 on the budget had been underestimated it might be necessary to make further savings. The Council's earmarked reserves would need to be retained for the purposes originally set by the Council, not to support general revenue spending. These earmarked reserves had been set up to mitigate specific risks. The onset of the pandemic had not removed those risks and instead the likelihood of those risks crystallising was more acute.

It was noted that the budget for 2021/22 made provision for a staff pay award of 2%. At this stage it was envisaged that this 2% pay award would be implemented. Other Surrey districts were awarding their staff no more than a pay increase of 1.3% for this year. However, in view of the need to make savings in 2022/23, it might be necessary to reduce the staff pay award to 1% in that year.

In previous years Members had received a Section 25 report which outlined the risks that the Council faced in preparing its budget. As the report on the budget and the MTFS for this year were concerned to a very large extent with risk management, no separate section 25 report had been produced for this year. The Council's section 151 officer confirmed his view that the Council's budget for 2021/22 was sustainable and robust.

RECOMMEND TO FULL COUNCIL ON 9 FEBRUARY 2021 that -

i) the Council capitalises up to £4 million of transformation and Covid-19 related costs in 2020/21 and 2021/22, subject to Secretary of State approval;

ii) the £4 million is funded from cash set aside in previous years to repay debt in 2063 totalling £14 million which is accounting treatment of capital financing and will not increase the Council's borrowing requirement or the cash balances of the Council;

iii) the Medium Term Financial Strategy as reported be approved;

iv) the Band D Council Tax rate be increased by £5 a year in line with the Government's referendum limits;

v) proposals be produced for the Council to consider which produce £1 million of efficiency savings to be implemented in 2021/22; and

vi) plans be produced to reduce the base budget in 2022/23 by a further £1 million.

11. COMMUNITY INFRASTRUCTURE LEVY (CIL) CHARGING SCHEDULE (JOHN DEVONSHIRE- PLANNING POLICY)

Synopsis of report:

The Community Infrastructure Levy (CIL) is a charge on development the Council can introduce to help raise funds towards infrastructure across the Borough. The Council can only charge CIL where it has adopted a CIL Charging Schedule. The Charging Schedule sets out the rates in pounds per square metre (£ per sqm) that the Council wishes to charge development where it is viable to do so. Rates can be set by development type, by location and by scale of development. The Charging Schedule must be subject to public consultation and independent examination.

A CIL Charging Schedule was subject to public consultation and independent examination during 2020 with proposed charging rates for residential, office and student accommodation across seven different charging zones. The rates proposed ranged from between £90 and £380 per sqm for residential, a single rate of £495 per sqm was proposed for student accommodation and £50 per sqm was proposed for office development. All other development was not considered to be viable for CIL including the allocation sites at Longcross Garden Village and Chertsey Bittams C and were zero rated (£0 per sqm). The Longcross Garden Village allocation will however be expected to contribute toward infrastructure through Section 106 agreement.

The independent Examiner found that the rates proposed for residential and office development were appropriate and can be adopted by the Council. However, as Members may be aware, the Examiner did not consider that proposed rates for student accommodation could be supported and recommended deletion of the student accommodation rate (effectively setting a zero rate) through a modification to the Charging Schedule. The Examiner also recommended a minor modification to ensure the description of office development meets the Use Classes Order 2020. The Examiner's report is attached at Appendix A and a confidential advice note (Appendix B) is circulated separately with this Summons to assist Members.

In accordance with Section 213 of the Planning Act 2008 (as amended), the Council can adopt the CIL Charging Schedule with the modifications recommended by the Examiner. The alternative to adoption would be to not adopt and formally withdraw the Charging Schedule.

Officers have also prepared a CIL Instalments Policy. The Instalments Policy will enable developers to pay their CIL contribution through a series of instalments rather than a single payment, with the number of instalments dependent on the scale of development. The instalment amounts and period for payments reflect the instalment policies of other Surrey authorities with adopted CIL charging schedules.

The CIL Regulations also include a number of discretionary reliefs from the Levy if the Council wish to make these available. It is considered that the CIL rates contained in the CIL Charging Schedule are sufficiently flexible to remain viable without the need for further discretionary relief.

This report seeks Council's formal approval to adopt the CIL Charging Schedule incorporating the modifications recommended by the CIL Examiner, and the CIL Instalments policy. The CIL Charging Schedule and Instalments Policy are attached at Appendices C and D respectively. This report also seeks Council's approval not to make discretionary relief available.

Recommendation(s):

That Council:

i) Adopt the Community Infrastructure Levy (CIL) Charging Schedule as modified by the CIL Examiner and attached at Appendix C of this report;

ii) Approve the Community Infrastructure Levy (CIL) Instalments Policy as attached at Appendix D of this report; and

iii) To Not Approve making discretionary relief from the Levy available.

1. Context of report

1.1 The Planning Act 2008 (as amended) introduced 'a charge' that local authorities can apply to development to secure contributions towards infrastructure, known as the Community Infrastructure Levy (CIL). CIL sits alongside the ability to physically provide or raise funds towards infrastructure via the existing Section 106 planning obligations process and the two mechanisms can work in tandem. Unlike Section 106, CIL is a non-negotiable charge.

1.2 In order to charge CIL, the Council must adopt a CIL Charging Schedule which is subject to public consultation and independent examination. The CIL Charging Schedule sets out the rates the Council wishes to charge development on a £s per sqm basis and are calculated on the net level of development coming forward. Different CIL rates can be set for different types of development, different scales of development or for different locations across an area, through different charging zones. Some types of development are exempted from CIL including affordable housing, residential extensions and annexes as well as self-build housing and development for charitable purposes. These are mandatory exemptions, but the Council may also allow discretionary relief for charitable investment and/or exceptional circumstances. The Council can also set out its own instalments policy for CIL payments from developers.

1.3 Any CIL receipts which arise once a CIL is in place, must be spent on 'infrastructure' as defined in the 2008 Planning Act. A percentage of CIL receipts must also be 'top-sliced' for local neighbourhood funding. In most areas this 'top-slice' is 15% of the funding secured, but in areas where there is an adopted neighbourhood plan, the 'top-slice' rises to 25%.

1.4 As the charging authority, the Borough Council will be the authority that collects CIL receipts and aside from the neighbourhood funding element, makes decisions on which infrastructure projects CIL monies should be spent. 5% of CIL receipts can also be used by the Council to cover the expense of administering CIL.

2. Report and options considered

2.1 A CIL draft Charging Schedule was consulted on and subject to independent examination during 2020. The draft Charging Schedule set out rates the Council proposed to charge residential development, offices and student accommodation. The rates proposed ranged from between £90 per sqm and £380 per sqm across seven charging zones for residential development. Single rates for offices and student accommodation were also proposed at £50 per sqm and £495 per sqm respectively across the Borough. All other development was not considered sufficiently viable to support a CIL Charge and a zero rate was proposed. A zero rate was also proposed for Longcross Garden Village as infrastructure at this site is expected to be delivered through a Section 106 agreement rather than CIL and it would not be viable to apply both S106 and CIL. A zero rate was also proposed for Chertsey Bittams C as the site is predominantly allocated for Traveller pitches in the 2030 Local Plan and could not viably support a CIL charge.

2.2 The independent Examiner found that the rates proposed for residential and office development and the zero rates at Longcross and Chertsey Bittams C were appropriate and can be adopted by the Council without any modifications to rates or charging zones. However, the Examiner did not find the proposed rate for student accommodation to be appropriate and recommended deletion of the rate for student accommodation as a modification to the Charging Schedule (effectively setting a zero rate for student accommodation). The Examiner also recommended a minor modification to the description of office development to ensure it accords with the Use Classes Order 2020. A copy of the CIL Examiner's report is attached at Appendix A and a confidential advice note (Appendix B) is circulated separately with this Summons to assist Members.

2.3 The CIL Charging Schedule modified as per the Examiner's recommendations can be found at Appendix C and the geographical extent of the different charging zones can be found on the map set out within the CIL Charging Schedule.

2.4 Members therefore have two options to consider. Whether to adopt the CIL Charging Schedule as modified by the Examiner or to not adopt and formally withdraw the CIL Charging Schedule.

2.5 To aid in this consideration and based on the proposed rates for each CIL charging zone, CIL receipts to 2030 are forecast to be around £19.5m with a neighbourhood funding element at around £4.2m on top of this. Not adopting and withdrawing the CIL Charging Schedule would mean the Council starting the CIL process again, including drawing up fresh viability evidence by appointing a viability consultant, consultation with the public and examination of a revised draft Charging Schedule. This process is estimated to take around 12-18 months before a CIL charge could be implemented and at a cost of around £40k. There is currently no budgetary provision for this.

2.6 Adding a further 12-18 months to the date of CIL implementation if Members were still minded to pursue a CIL charge could result in the loss of around £2m-£3m of CIL revenue as well as £420k-£630k of neighbourhood funding. There is also no guarantee that CIL rates in 12-18 months' time would be any higher than as set out in the CIL Charging Schedule attached at Appendix C or that any gain in revenue from development proposed to have a zero rate now, including student accommodation, would make up this shortfall over time if subsequently found viable and a rate implemented. Whilst some of this loss could be off-set through continuing with Section 106 agreements until such time as a CIL is implemented, the disadvantage of this is that S106 obligations would remain negotiable, can only be secured if they are necessary to make development acceptable in planning terms and would carry no neighbourhood funding element.

2.7 As such, the recommendation of this report is to adopt the CIL Charging Schedule with the modifications recommended by the CIL Examiner.

2.8 In adopting CIL, it is open to the Council to adopt a CIL Instalments Policy. This allows developers to pay CIL contributions through a series of instalments rather than in one large single payment on commencement of development. The number of instalments is dependent on the scale of development and will aid in maintaining development viability with instalment amounts and periods for payment reflecting instalment policies of other Surrey authorities with adopted CIL charging schedules. The Instalments Policy is attached at Appendix D and is also recommended for approval.

2.9 It is also open to the Council to make available discretionary relief from the Levy. This includes discretionary charitable relief which covers charitable investment activities, discretionary social housing relief which covers housing sold up to 80% of market value and exceptional circumstances relief. The discretionary charitable and social housing relief would be on top of the mandatory relief these types of development already benefit from under the CIL Regulations.

2.10 It is considered that sufficient flexibility has been built into the CIL rates proposed and that they strike a balance between the need to fund infrastructure and the viability of development. On this basis it is considered that allowing further discretionary relief including exceptional circumstances relief is unnecessary. However, should it become apparent that discretionary relief is necessary, the Council can activate (and then deactivate) this relief at any time. As such, it is open to the Council to offer discretionary relief should circumstances change after implementation of the CIL Charging Schedule and this situation will be closely monitored.

3. Policy framework implications

3.1 The introduction of CIL will support Corporate Business Plan (2016-2020) themes of ‘Improving our Economy’ and ‘Enhancing our Environment’ particularly the priorities to review and support delivery of county and regional infrastructure strategies, support projects which improve integration of road and rail to reduce congestion and through setting a zero rate at Longcross Garden Village the priority to support development of Longcross Park Enterprise Zone.

3.2 Although not a Local Plan document itself, the CIL Charging Schedule supports 2030 Local Plan objectives and policies with respect to infrastructure delivery.

4. Resource implications

4.1 5% of the Council’s CIL receipts can be used for administering the CIL charge. The administration amount can be utilised for purposes such as CIL staffing costs as well general administration of the CIL process.

4.2 The Development Management and Building Control Business Unit Plan 2020/2021 included the set-up costs for new CIL computer software (Exacom) for the purpose of assisting with the administration and management of the levy. The annual CIL administration estimate receipt has been factored into the DM&BC budget as part of previously agreed DM&BC Business unit plans as an income target. Over the lifetime of the Local Plan to 2030 the amount generated to support the administration of CIL is estimated to be £0.9m.

4.3 As established in the agreed business plans the administration money will be utilised primarily to support the CIL staff costs, the £12,200 CIL software annual maintenance charge and for general CIL administration as set out in the CIL regulations.

5. Legal implications

5.1 In accordance with Section 213 of the Planning Act 2008 (as amended) a CIL Charging Schedule can only be adopted by a meeting of the authority. For the purposes of Runnymede this is a meeting of the Council to which this report is being presented.

5.2 In adopting the CIL Charging Schedule, Section 213 of the Planning Act 2008 also sets out that where an Examiner has made recommendations, the Council may approve the charging schedule only if it does so with modifications that are sufficient and necessary to remedy non-compliance. The CIL Examiner has recommended modifications which are sufficient and necessary to remedy non-compliance and, in this instance, the advice from officers is that the Council should adopt the Charging Schedule only with the modifications recommended by the Examiner. Please see the confidential advice note (Appendix B) which is circulated separately with this Summons.

6. Equality implications

6.1 The Council has a Public Sector Duty under the Equalities Act 2020 to have due regard to the need to:

a) Eliminate unlawful discrimination, harassment or victimisation;

b) Advance equality of opportunity between persons who share a Protected Characteristic and persons who do not share it;

c) Foster good relations between those who share a relevant and persons who do not share those characteristics;

in relation to the 9 ‘Protected Characteristics’ stated within the Act.

6.2 The Runnymede CIL Draft Charging Schedule was screened to establish whether there may be an impact whether positive or negative on any of the nine protected characteristics (namely, age, disability, race/ethnicity, pregnancy and maternity, religion, sexual orientation, sex, gender reassignment and marriage / civil partnership). The conclusion of the screening assessment was that a full Equalities Impact Assessment was not required.

7. Environmental/Sustainability/Biodiversity Implications

7.1 The CIL Charging Schedule is not a Local Plan document and as such is not subject to Sustainability Appraisal. A draft version of the Charging Schedule was subject to a Strategic Environmental Assessment (SEA) and Habitats Regulations Assessment (HRA) screening with the conclusion that there will be no likely significant effects on designated habitats or any other significant environmental effects. This conclusion was also confirmed by the three statutory bodies (Environment Agency, Historic England, Natural England).

7.2 The CIL Charging Schedule has the potential to raise funds towards green infrastructure which is likely to benefit the environment and biodiversity in general.

8. **Other Implications**

8.1 None

9. **Conclusions**

9.1 Following independent examination of the CIL Charging Schedule, the Examiner has concluded in his report that the proposed rates for residential and office developments are appropriate and can be adopted but that rates for student accommodation cannot be supported and recommends deletion through a modification.

9.2 The Council now has the choice to adopt the CIL Charging Schedule with the recommended modifications made by the Examiner or to not adopt and withdraw the CIL Charging Schedule. If it adopts the CIL Charging Schedule, the Council also has the choice of whether to approve a CIL Instalments Policy and also whether to make available discretionary relief in the Borough.

9.3 The officer recommendation is that Council adopt the CIL Charging Schedule as set out at Appendix C and approves the CIL Instalments Policy as set out at Appendix D but does not approve making discretionary relief from the Levy available.

(To resolve)

Background papers

Appendix A: CIL Examiner's Report
Appendix B: **Confidential advice note (Not for publication) (Exempt)**
Appendix C: CIL Charging Schedule
Appendix D: CIL Instalments Policy

12 **NOTICES OF MOTION FROM MEMBERS OF THE COUNCIL UNDER STANDING ORDER 15**

To receive and consider any Notices of Motion from Members of the Council under Standing Order 15. Any Motions received will be circulated separately with this Summons.

13. **MINORITY GROUP PRIORITY BUSINESS**

To consider any item of Minority Group Priority Business registered under Standing Order 23. Any item of such business will be circulated separately with this Summons.

14. **PRESS AND PUBLIC TO BE EXCLUDED BY RESOLUTION**

To consider any items so resolved at the meeting.

APPENDIX 'A'

PJS Development Solutions Ltd

PLANNING ACT 2008 (AS AMENDED)

SECTION 212

EXAMINATION UNDER SECTION 212 OF THE DRAFT RUNNYMEDE BOROUGH COUNCIL COMMUNITY INFRASTRUCTURE LEVY (CIL) CHARGING SCHEDULE

REPORT TO RUNNYMEDE BOROUGH COUNCIL

BY

MR PHILIP STADDON BSC, DIP, MBA, MRTPI.
AN INDEPENDENT EXAMINER APPOINTED BY THE COUNCIL

Charging Schedule submitted for examination on 4 September 2020

Examination Hearing held on 26 October 2020

Final report issued: 8 December 2020

Executive Summary

This report concludes that, subject to recommended modifications, the Runnymede Borough Council Draft Community Infrastructure Levy Charging Schedule, as amended by the Statement of Modifications, will provide an appropriate basis for the collection of the levy in the area.

The Council has complied with the legislative requirements and, subject to my recommended modifications, is able to demonstrate that it has sufficient evidence to support the Schedule and can show that the levy rates would be set at levels that will not put the overall development of the area, as set out in the Runnymede 2030 Local Plan (adopted 16 July 2020), at risk.

The main modification required relates to the proposed CIL charge for 'student accommodation' developments. This is not supported by sufficient viability evidence and the charge could place such developments at risk. This means that the drafting requirements under Section 211(2) would not be complied with. However, that non-compliance can be fully remedied by my recommendation, under Section 212A(4), that the CIL charge be deleted. I have also recommended a minor modification, pursuant to Section 212A(6), in respect of the Office development description, to reflect the updated Use Classes.

Subject to these modifications, the implementation of the CIL proposals will secure a valuable and important funding stream for infrastructure necessary to support planned growth in the borough, for which there is a demonstrated funding gap.

Introduction

1. The Community Infrastructure Levy (CIL) is a tool for local authorities in England and Wales to help deliver infrastructure to support the development of the area. CIL is payable on types of new development which create additional floorspace as prescribed in a charging schedule. Before CIL can be introduced, the local authority (the 'charging authority') must set out its CIL rates in a Draft Charging Schedule (DCS) and it must then be examined by an independent person (the Examiner). Any person asking to be heard before the Examiner at the examination must be heard in public.

2. I have been appointed by Runnymede Borough Council to undertake the independent examination of its DCS, as amended by its Statement of Modifications (SOM). I am a Chartered Town Planner with over 30 years' experience in the public and private sectors, including roles as a Planning Inspector and Independent Examiner. I can confirm that I am entirely independent of the Council and that, other than this examination role, I have no business or other interests within the Council's administrative area.

3. This report considers whether the DCS is compliant in terms of the Law[1] and the associated Regulations[2] and whether it is economically viable, as well as reasonable, realistic and consistent with national guidance set out in the Planning Practice Guidance (PPG). My assessment has also taken into account the content of the National Planning Policy Framework (2019) (the Framework), including its approach concerning development contributions.

4. To comply with the relevant legislation and guidance, the charging authority has to submit a charging schedule that should set an 'appropriate balance' between helping to fund necessary new infrastructure and the potential effect of the proposed CIL rates on the economic viability of development across its area.

5. More specifically, the PPG states that the examination should establish that:

   - *the charging authority has complied with the legislative requirements set out in the Planning Act 2008 and the Community Infrastructure Levy Regulations as amended;*
   - *the draft charging schedule is supported by background documents containing appropriate available evidence;*
   - *the proposed rate or rates are informed by and consistent with the evidence on economic viability across the charging authority's area; and*
   - *evidence has been provided that shows the proposed rate or rates would not undermine the deliverability of the plan.*

6. These identified matters are the main issues that I have explored through this examination, which included virtual public Hearing sessions held on 26 October 2020.

Procedural and preliminary matters

7. Due to the ongoing impact of the Covid-19 pandemic, the Hearing sessions were conducted virtually using the Microsoft Teams facility. All participants were invited to take part in the virtual sessions and the Hearing was broadcast live through the Council's YouTube channel and a record was kept.

8. The arrangements worked extremely well and allowed everyone to speak and for representors to exercise their right to be heard. I am grateful to the Council and the Programme Officer for facilitating such an efficient, effective and transparent public Hearing.

Runnymede Borough Council – CIL Draft Charging Schedule (as modified)

[1] Part 11 of The Planning Act 2008 (as amended)
[2] Community Infrastructure Levy Regulations 2010 (as amended)

9. The basis of the examination is the submitted DCS (Document CIL-01) and the subsequent SOM. The DCS was published for an extended period[3] of public consultation between 24 February 2020 and 24 April 2020. The SOM was published for a period of public consultation from 17 July 2020 to 14 August 2020; it proposes amendments to some of the proposed CIL charges and to the charging zone map. All further references to the 'DCS' in this report relate to the schedule as proposed to be modified by the SOM.

10. The DCS proposes CIL charges for three categories of developments which are (i) 'Residential Class C3a, C3c and C4' developments; (ii) 'student accommodation'; and (iii) 'Class B1a Offices only'.

11. The 'residential class' CIL is proposed to be differentiated by location, with 7 charging zones, labelled A – G, defined on a map contained within the DCS. Zone A would cover the north-western part of the borough, including the settlements of Engelfield Green and Virginia Water, and in this zone the proposed CIL for residential development would be £380 per square metre (psm). Zone B would cover the south-western parts of the borough, including the settlement of Ottershaw, and here the CIL would be £300 psm. Zone C covers two parts of the borough, the largest being the central eastern areas of the borough (including Chertsey), and a smaller area centred on the town of Egham towards the north of the borough; in this zone the CIL would be £180 psm. Zone D covers the south-eastern part of the borough, including the town of Addlestone, and here the CIL would be £110 psm. Zone E lies in the north-east part of the borough where it meets the town of Staines and the proposed CIL would be £90 psm. Zone F is a small zone covering a specific site known as 'Chertsey Bittams C', close to Junction 11 of the M25, where CIL would be zero rated, i.e. £0 psm. The final Zone G is also zero rated and covers the Longcross Garden Village (LGV) site in the west of the borough.

12. The 'student accommodation' development CIL is proposed to be £495 psm in zones A – E and £0 psm in zones F and G.

13. The 'Class B1a Offices only' development CIL is proposed to be £50 psm in zones A – E and £0 psm in zones F and G.

14. The DCS proposes that 'All other development' would be zero rated for CIL, i.e. £0 psm.

<u>MAIN ISSUE 1: Has Runnymede Borough Council complied with the legislative requirements set out in the Planning Act 2008 and the Community Infrastructure Levy Regulations 2010 as amended?</u>

15. The Council has submitted a Statement of Compliance (Document CIL-07) which summarises its conformity with the relevant provisions of the Planning Act 2008 (as amended) and the CIL Regulations 2010 (as amended).

[3] The Council extended the period in the light of the Covid-19 pandemic

16. I am satisfied that the Council has complied with all procedural legislative requirements in this regard, including undertaking appropriate levels of consultation. The adequacy of the evidence base, including the financial appraisal which supports the CIL proposals, is assessed through the remainder of this report.

MAIN ISSUE 2: Is the Runnymede Draft Charging Schedule, as modified by the Statement of Modifications, supported by background documents containing appropriate available evidence?

Runnymede 2030 Local Plan

17. The Runnymede 2030 Local Plan ("the Plan") was adopted in July 2020. It is therefore a recent and up to date development plan and it is the 'relevant plan' for the proposed CIL.

18. Policy SD1 sets out the Spatial Development Strategy which seeks to make provision for a minimum 7,507 net additional dwellings, along with new business parks and retail developments. The policy includes a table which lists the spatial distributions of planned growth locations, with the largest developments being focused at Chertsey (2,212 new dwellings); Longcross (a new garden village development of 1,779 new dwellings plus 7,350 sq metres of employment floorspace); Addlestone including Rowtown (1,265 new dwellings plus 11,700 sq metres of employment floorspace); and Egham / Staines (951 dwellings, 198 student bed spaces and employment floorspace totalling 41,580 sq metres).

19. Policy SD9 allocates and sets out the policy requirement's for the LGV development. Section 6 of the Plan includes 17 housing development site allocations (Policies SL2 – SL18), ranging from the smallest of 9 units to the largest of 400 homes. Taken together, these allocations exceed the minimum housing growth target. Policy SL20 sets out affordable housing requirements for new housing developments.

20. Section 8 of the Plan addresses the local economy and seeks to ensure that sufficient employment land of the right type is available to support growth and innovation. It proposes 1 employment allocation and identifies and protects 5 Strategic Employment Areas (SEA). It also includes some mixed use allocations (under Policies IE7 – IE12) for residential, retail and community uses.

Infrastructure evidence

21. The Runnymede Infrastructure Delivery Plan – December 2017 (IDP) (Document CIL-12) is a comprehensive assessment of the future infrastructure needed to support development in the borough. There is a January 2018 addendum (Document CIL-013) which addresses 'projects related to the A320'. There is also a supporting document, produced in May 2018, which sets out the IDP content in schedules, each covering a 5 year period.

22. The IDP and its supporting documents identifies the borough's infrastructure

requirements under a wide range of categories, including education, health, community infrastructure, recreation, green infrastructure, transport, utilities, waste, emergency services, flood defence and drainage.

23. The IDP includes cost estimates and a funding gap shortfall calculation. This has been updated and refined in the Technical Background Document – December 2019 (Document CIL-08) and its Addendum – July 2020 (Document CIL-09). This provides separate estimates for LGV related infrastructure and that required for the 'rest of the plan area', the figures being £60 million and £229 million respectively.

24. As the LGV development is not proposed to be subject to CIL, the relevant figure is £229 million for the 'rest of the plan area'. Well over half of the £229 million relates to transport infrastructure (£122 million), with other substantial amounts attributed to health, education, green infrastructure and flood alleviation. The Council has assessed potential and secured funding sources and calculates that the residual funding gap will be £105.1 million, based on current information.

25. The Council estimates[4] that, if its DCS were implemented soon, CIL may provide a sum of circa £23.8 million towards filling the gap in the Plan period. CIL would therefore make an important contribution to meeting the funding gap, although a significant shortfall would remain.

26. Overall, the evidence indicates that the infrastructure funding gap is substantial and that the imposition of a CIL regime is justified. CIL revenue would make an important contribution to reducing that gap and funding the delivery of new infrastructure required to support planned growth.

Economic viability evidence

Methodology

27. The Council has produced a CIL Viability Testing Final Report – November 2019 (Document CIL-10). This main report is supplemented with 3 further documents: a Technical Background Document – December 2019 (Document CIL-08); a Technical Background Document – Addendum – July 2020 (Document CIL-09); and a Representations Response Paper / CIL Viability Review – June 2020 (Document CIL-11). It can create some complications in having a number of viability evidence documents produced at different times, particularly when there are some inconsistencies between the different documents. However, I have treated this collection of evidence as comprising the Council's 'viability appraisal' (hereafter the VA) to support its CIL proposals, and I make reference to the most relevant sub-document where appropriate.

28. For both residential and commercial developments, a residual valuation approach is employed. In summary, the Council's modelling assumes that the value of a site will be the difference between what a development scheme generates (revenue) and what it costs to develop (including build

[4] Table 6.1 Technical Background Document Addendum July 2020 (Document CIL-09)

costs and a developer margin).

29. Scheme costs are deducted from scheme revenue to arrive at a 'residual value' (RV), which is then compared to a benchmark land value (BLV), being the assumed land price a land owner would be willing to sell the land for development. The VA refers to the Guidance[5] which advises that BLVs for any viability assessment should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner (EUV+). If there is a surplus, sometimes termed an 'overage', remaining after the BLV has been deducted from the RV, this could be used, at least in part, to pay CIL to support infrastructure delivery in the area.

30. As with any such modelling, the outputs that it produces are a direct result of the inputs. That is to say, the assumptions about the various costs and values of development, and the BLVs, are all critical to determining the conclusions made about viability. Unsurprisingly, this can be fertile ground for different viewpoints and a number of challenges were made to the Council's modelling assumptions which I explore, where appropriate, below.

Types of residential development

31. The modelling has assessed 3 main sets of residential developments. First, it assessed the high level viability of 'notional' 1 hectare sites across different housing market areas within the borough. Second, it modelled 15 of the site allocations contained in the 2030 Local Plan. Third, it tested small sites of less than 10 units. In addition, a notional 1 hectare retirement housing development was modelled.

32. I have noted some comments that, other than the LGV development, the portfolio of sites does not include a 500+ size scheme. However, this is not unreasonable, as there are no such developments envisaged in the Plan. In any event, it is not realistic for a charging authority to test all possible site sizes and permutations.

33. In my assessment, the number and range of sites tested, within a relatively compact borough, is very comprehensive for CIL testing purposes and closely representative of the scale and type of housing developments set out in the Plan.

Residential sales values

34. Local residential sales values assumptions were derived from all transactions in the market from January 2015 to June 2017, cross checked with recent new build sales values and then indexed to September 2019 values.

35. Whilst I have noted some criticism of the use of 'second hand' sales data, the study dataset was drawn from a significant period, appropriate indexing

[5] Planning Practice Guidance Paragraph: 013 Reference ID: 10-013-20190509 Revision date: 09 05 2019

was used, and the adopted indicative new build house prices[6] appear to be reasonable and representative of likely new build sales values in the different areas. I am satisfied that the Council has used appropriate available evidence on this important variable. This evidence demonstrates a very wide range of house prices in the borough, with indicative prices for a 3 bedroom semi-detached house ranging from £420,000 in the lowest value area to £1,326,000 in the highest value area.

Residential development costs

36. The construction costs were drawn from the Building Costs Information Service (BCIS), which is collated and published by the Royal Institute of Chartered Surveyors (RICS). The data is drawn from actual tender prices of build costs and rebased for local prices. The prices used were the mean figures for September 2019, which aligns the costs with the sales price indexation. In addition to the base BCIS costs, a 15% allowance was made for external works. A further cost allowance of £10,000 was also included to cover 'sustainability and accessibility' requirements, which include such matters as SANG[7] / SAMM[8] mitigation costs, electric vehicle charging points, renewable energy and accessible, adaptable and wheelchair standard housing costs.

37. Garage costs were not specifically included and one representor claimed these would typically add circa £5,000 per unit. However, as some units will have garages and other will not, and those that do will likely command a higher sales value, I am satisfied that this is a matter than can be considered 'in the round'.

38. Site specific infrastructure costs were included on a bespoke basis for the Local Plan allocations, based on the best estimates of Section 106 Planning obligation and other related costs, for the particular site / development. For the high level testing of notional 1 hectare sites, a £1,500 / dwelling site specific infrastructure cost was assumed.

39. It should be noted that a number of schemes are contingent upon improvements to the A320 corridor and M25 Junction 11, under a scheme forward funded by Homes England under the Housing Infrastructure Fund (HIF), which expects clawback for schemes benefiting from the works. Cost contributions towards these works are not included in any of the CIL modelling. The Council's draft Infrastructure Delivery and Prioritisation Supplementary Planning Document (CIL-017) makes clear that it expects policy compliance and CIL payment first, followed by clawback calculations thereafter.

40. Affordable housing was modelled in line with the Plan's required proportion

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[6] Table A1.2 of the CIL Viability Testing Final Report November 2019 (Document CIL-10)

[7] SANG is Suitable Alternative Natural Green Space which is an agreed mitigation approach, either on or off site, in respect of development proposals in proximity to the Thames Basin Heath Special Protection Area (SPA). It provides alternatives to recreational and other impacts on the natural habitat of the SPA

[8] SAMM stands for Strategic Access Management and Monitoring in respect of the SPA, for which developments within the 'zone of influence' are expected to make financial contributions

(35% of units on schemes of 10 units and above) and tenure split. The associated costs and revenue assumptions appeared well grounded and suitably cautious.

41. The modelling assumed a developer return of 20% of Gross Development Value (GDV) for private housing development and 6% contractor return for affordable housing development. These are reasonable assumptions and have been widely used and accepted in other CIL examinations.

42. I assess that the Council's assumptions and approach on other residential development costs, including professional and legal fees, were all reasonable and within industry norms. The modelling approach to finance was regarded by some as opaque, but the Council confirmed that it had used a 6.75% rate, which appears to be cautious (i.e. high).

43. Overall, I am satisfied that the residential cost assumptions are reasonable. Moreover, any outstanding differences of views on these matters from representors can be considered 'in the round' when assessing the proposed CIL and the extent of the viability headroom (or 'buffers').

Land values

44. The establishment of land values for modelling purposes can be one of the most significant, and often disputed, elements of CIL viability testing. It is also a field where empirical evidence is often quite limited. The Council has referenced its earlier work, set out in the Runnymede 2017 Local Plan Viability Report, which indicated BLV across the borough ranging from £2.57 million / hectare to £8.1 million / hectare. However, for CIL testing purposes, the Council has elected to follow the more recent Guidance, which recommends the use of the EUV+ approach.

45. The use of the EUV+ approach does create some challenges in a borough such as Runnymede. This is because much of the planned development will be on greenfield land, or brownfield land released from the greenbelt, with a smaller number of commercial urban brownfield sites. At the Hearing, the Council advised that about 75% of its planned housing delivery would be on greenfield sites.

46. The challenge arises in that the EUV for much of this land is agricultural use value, which the Council says is £20,000 / hectare (although other suggested slightly higher figures) and there is no set formula for defining what premium, or uplift, is reasonable from such a low base value, i.e. how big the '+' should be over EUV.

47. The VA discusses this challenge and refers to other examples and guidance which suggests the use of a range of between 10 and 20 times, which might suggest a BLV of up to circa £400,000 / hectare. However, the Council considers that, given the commercial nature of many sites, a much higher BLV should be used and has opted to use a BLV of £2 million / hectare for all sites in the VA testing.

48. Whilst this is a relatively simplistic approach, it does follow the thrust of the

Guidance and provides a cautious basis for high level CIL testing. The £2 million value used would represent an enormous uplift on base agricultural land EUV and would, at the same time, be likely to include a reasonable premium over most sites with commercial / brownfield characteristics that are likely to come forward. It is also the same figure that has previously been used for viability testing of the LGV development.

49. I consider the assumed BLV to be reasonable for high level CIL viability testing purposes. However, the limitations of this relatively simplistic BLV assumption need to be factored into the holistic assessment of the CIL proposals. In essence, such a BLV assumption will be robust for most sites identified to come forward in the Plan, and will entail a very significant premium on agricultural land, but it may not be applicable in all instances, particularly where site assembly necessitates acquiring existing higher value uses.

Student housing modelling assumptions

50. The Council modelled a notional 1 hectare site with a 5 storey 15,000 square metre student housing development[9]. In the light of representations, the Council undertook a revised appraisal[10]. Given that the type of student housing development and the assumptions employed are the subject of significant challenge by representors, these matters are discussed later in this report.

Commercial development modelling assumptions

51. The Council tested assumed typology case studies for a range of commercial developments. These included retail; larger retail; professional services; pubs, restaurants and takeaways; B1 business use; B2 general industrial; B8 warehouses; C1 hotels; C2 residential institutions and Class D1 and D2 use developments. All were modelled on a notional 1 hectare site basis. The data sources and assumptions employed for rents, yields and capital values, build costs, developer's profit margin, fees, contingencies and finance all appeared reasonable for high level CIL modelling.

Conclusions on main issue 2 – background evidence

52. The Plan provides a clear strategic Planning framework to guide sustainable growth in Runnymede borough and the IDP identifies the infrastructure needed to support it. The evidence demonstrates a sizeable infrastructure funding gap that justifies the introduction of a CIL regime. Based on the Council's estimate, anticipated CIL receipts will be around £23.8 million and, whilst making an important contribution, a significant funding shortfall will remain.

53. The economic viability evidence has been drawn from available sources and is well grounded, reasonable and appropriate for high level CIL testing. On this basis, the evidence that has been used to inform the DCS is robust,

[9] Runnymede CIL Viability Testing Final Report November 2019 pages 66 – 67
[10] Representations Response Paper / CIL Viability Review June 2020 M2.1 – M2.3

proportionate and appropriate. However, the detailed application, interpretation and use of this evidence, in defining the proposed CIL rates and zones, are discussed more fully below.

MAIN ISSUE 3: Are the proposed CIL rates for 'Residential Class C3a, C3c and C4' development, and the proposed respective charging zones (A – G), informed by and consistent with the evidence on economic viability across the charging authority's area?

High level testing

54. The high level testing of notional 1 hectare sites was essentially an update of the work undertaken in 2017 as part of the Local Plan evidence base. It demonstrates that the borough has generally high values and strong residential development viability. Indeed, the modelling returns positive RVs in all housing sub-market areas. This means that once all scheme costs, including developer profit, are taken account of, there is surplus value left over.

55. In all areas this surplus is well above the adopted £2 million BLV, although the range is significant. In the lowest value areas ('Staines Border and North') the RV with a modelled 30 dwellings per hectare (dph) scheme was £2.5 million / hectare. The figure in the highest value area (Wentworth) was £16.18 million, although this was somewhat exceptional, with the average of the remainder (i.e. excluding Wentworth) being around £3.5 million / hectare.

56. The modelling then deducts the £2 million BLV from the RV and converts the net surplus into a psm amount, which is the modelled maximum theoretical amount that could be available for CIL. These surpluses, set out in the November 2019 Final Report (Document CIL-10), ranged from £208 psm up to £5,908 psm, with the middle ground values being in the narrower range of £546 – £1,175 psm.

57. The Council's Technical Background Document (CIL-08) carries out a similar calculation, but with an assumed slightly higher development coverage, which it considers more accurately reflects policy requirements. However, in doing so it has not made adjustments to the other modelling assumptions, such as sales revenue, so the effect is to understate the surpluses somewhat in most cases. Whilst this is perhaps not the most transparent presentation, the CIL-08 range of £180 psm – £5,108 can be treated as incorporating an element of additional built-in headroom.

Key housing sites

58. Finer grained modelling is provided by the analysis of the key housing sites.

59. The Council had previously modelled the viability of LGV development (in 2019) and found that it generated a significant RV which indicated that it was capable of funding the Section 106 package sought to support the new settlement.

60. For the other key Local Plan sites, 13 of the 14 sites tested generated strong positive RVs. The exception, which indicated a negative RV, was something of an anomaly, involving a small number of homes and a greater number of Gypsy / Traveller pitches.

61. Of the 13 positive results, the VA sets out the net surpluses per dwelling (after the BLV has been deducted) and these ranged from £21,454 to £151,361 per dwelling. When converted to a psm amount, the surpluses ranged from £268 psm up to £1,892 psm[11]. Slightly lower figures were computed in the Technical Background Document (CIL-08); the range here was £70 psm – £1,655 psm.

Smaller sites

62. The testing of small sites, without the costs of affordable housing, indicated even greater surpluses, with the lowest being £608 psm in Staines, the middle ground locations being over £1,000 psm and the highest being £3,010 psm in Virginia Water and, extraordinarily, £8,186 psm in Wentworth[12]. Slightly lower figures were calculated in the Technical Background Document (CIL-08) but in all cases there were substantial surpluses.

Retirement housing

63. The retirement housing notional scheme test modelling generated a surplus of £2,372 psm.

Charging zones and proposed CIL charges

64. The above evidence indicates that there is significant scope for accommodating a CIL to support the delivery of infrastructure in the borough. In terms of the proposed charging zones, the Council has sought to broadly follow its known housing sub-market areas and also to reflect some site specific allocations. It has refined its zoning approach and charges through the SOM in the light of updated evidence. The Council's general approach to setting the proposed charges seeks to consider the respective results from the test scenarios and apply a buffer of about 50% to ensure that there is comfortable viability headroom.

65. I explore each charging zone below, starting with the lowest. For completeness, the figures below state the original CIL-10 values first with, where appropriate, the CIL-08 figures in brackets.

66. Zone G covers the LGV site and a £0 CIL rate is proposed. Given the scale and nature of that strategic development, and the Council's adopted policy approach of securing its required substantial infrastructure through a comprehensive Section 106 Planning agreement, the differentiation of this site through its own zone and £0 rate is justified and follows the Guidance[13].

[11] Runnymede CIL Viability Testing Final Report November 2019 Table 6.4
[12] Runnymede CIL Viability Testing Final Report November 2019 Table 6.5
[13] Planning Practice Guidance Paragraph: 022 Reference ID: 25-022-20190901 (Revision date: 01 09 2019)

67. I have noted concerns from a local representor about uncertainties of the Section 106 delivery process and potential impacts on existing settlements, should infrastructure not be delivered in a timely and comprehensive manner. There is an understandable expectation that the circa £60 million infrastructure package will be secured and implemented as part of the development of the new settlement. However, these are matters for the Council to consider and address when the anticipated Planning application for the LGV development is received and during the subsequent S.106 negotiations.

68. Zone F relates to a Local Plan site (allocation SL16) known as Chertsey Bittams C, where the modelling demonstrates a negative RV and an inability to support a CIL charge. The zone and the associated £0 psm charge are supported by the evidence.

69. Zone E covers the Staines part of the borough and here sales values and RV are at the lower end of the borough's spectrum. The tested notional 1 hectare site indicated a surplus of £208 psm (£180 psm) in this area. Two of the tested key Local Plan sites lie within this zone; site allocation SL7 returning a surplus of £738 psm (£937 psm) and allocation SL8, £609 psm (£772 psm). The smaller sites produced a surplus of £608 psm (£512 psm). Based on the evidence, the proposed £90 psm CIL in this zone is justified and will include a healthy viability buffer, particularly on the two allocated sites and smaller sites.

70. Zone D covers the south-east of the borough where sales values and RV are a little stronger. The tested notional sites indicated a £263 psm (£227 psm) surplus in this area. Two of the key Local Plan tested sites fall in this zone, Addlestone West (allocation IE8) and Vet Labs Parcel B (allocation SL11). These returned modelled surpluses of £571psm (£692 psm) and £268 psm (£70 psm) respectively. For smaller sites, the surplus was £674 psm (£568 psm). The evidence indicates that the proposed £110 psm CIL in this zone can be readily accommodated without threatening viability in most cases. There is some strain on one site (allocation SL11), but the Council points out that this is a greenfield site where just a limited reduction in the significant uplift on agricultural value would address this strain, i.e. development is still incentivised and likely to happen. Other than this one site, the viability buffer would be comfortable in all other tested scenarios.

71. The Zone C notional sites testing indicated a £658 psm (£569 psm) surplus in the Chertsey area and £546 psm (£472 psm) in Egham. This zone contains the greatest number of Local Plan tested key sites and the modelled surpluses were: Pyrcroft Road, Chertsey (allocation SL6) - £617 psm (£587 psm); Chertsey Bittams A (allocation SL14) – £589 psm (£562psm); Chertsey Bittams B (allocation SL15) – £523 psm (£499 psm); Chertsey Bittams D (allocation SL17) – £818 psm (£791 psm); and Chertsey Bittams E (allocation SL18) – £286 psm (£116 psm). For smaller sites, the figures were £1,053 (£887 psm) in the Chertsey area and £1,043 psm (£879 psm) in the Egham area. Based on this evidence, the proposed CIL of £180 psm can be comfortably accommodated with significant viability headroom in most cases. Only allocation SL18 would show some strain but,

as with SL11 above, the Council points out that this is a green field site and delivery is unlikely to be compromised by the CIL.

72. Zone B covers the south-west part of the borough. The notional sites testing for Ottershaw indicated a surplus of £946 psm (£818 psm). The Ottershaw East Local Plan site (allocation SL12) is within this zone and its surplus was £828 psm (£792 psm). For smaller sites, the figure was £1,564 psm (£1,316 psm). The evidence of higher surpluses in this area indicates that the £300 psm CIL can be accommodated without threat to the viability of any tested scheme.

73. Zone A covers the north-west part of the borough, including Virginia Water and Wentworth, where sales values are particularly strong. The notional testing indicated surpluses of £2,029 psm (£1,754 psm) and £5,908 psm £5,108 psm) for these two locations respectively. Three of the key Local Plan tested sites are in this zone and the figures were: Virginia Water North (allocation SL9) – £1,060 psm (£764 psm); Virginia Water South (allocation SL10) – £1892 (£1655 psm); Blays House (allocation SL5) – £1,175 psm (£1,116 psm). For smaller sites, the figures were £3,010 psm (£2,535 psm) in Virginia Water and £8,186 (£6,893 psm) in Wentworth, although little development is expected in the latter. The proposed £380 CIL in this zone can be readily accommodated under all tested scenarios with substantial headroom remaining.

Sensitivity testing, Covid-19 and an uncertain market

74. This examination is taken place at a time of economic uncertainty and the Council has been cognisant of this. It has added some useful commentary on these matters and undertaken some sensitivity of its modelling results[14]. The sensitivity testing provides reassurance that, even with quite dramatic negative changes, i.e. a 10% fall in sales values and a 10% rise in costs, this would only create strain in the two lowest value sub-market zones, covering the Staines border area and Addlestone.

75. Moreover, the Council's approach to CIL modelling actually builds in multiple buffers. In addition to the general (circa 50%) buffer employed against the combined results in each zone, there are a number of additional buffers incorporated into the modelling itself. These include a BLV set at £2 million, which would seem to be very high for green field sites; using BCIS 'mean' build costs for general housing and applying no discount for volume production; and rounding up 'sustainability and accessibility' costs (from £7,839 to £10,000).

76. I have noted concerns expressed by some about the introduction of CIL at this time and views that it will have a negative effect on housebuilding. However, the evidence does not support these concerns and, in my view, it demonstrates a suitably cautious approach by the Council to setting the residential CIL charges.

[14] Runnymede Council – Representations Response Paper / CIL Viability Review (Document CIL-11)

77. It should also be noted that the issues concerning broader market conditions and future uncertainties are equally, if not more so, relevant to all charging authorities with CIL already in place, many of which were set with less generous buffers and safeguards and in areas less reliant on green field sites to deliver planned housing. Moreover, the proposed residential CIL would be a relatively modest proportion of GDV and is unlikely to be a pivotal factor in determining whether a development scheme proceeds.

Conclusion on main issue 3 – residential class development CIL charges

78. The proposed CIL rates for 'Residential Class C3a, C3c and C4' developments, and the proposed respective charging zones (A – G), are informed by and consistent with the evidence on economic viability across the charging authority's area.

MAIN ISSUE 4: Is the proposed borough wide CIL rate for 'Student Accommodation' development informed by and consistent with the evidence on economic viability across the charging authority's area?

79. The Royal Holloway University of London (RHUL) is situated within the borough and has a large campus located west of Egham. The Plan recognises the importance of the University and Policy SL23 is supportive of purpose built student housing, subject to a set of criteria. The policy's supporting narrative explains that it is important that new accommodation is provided to meet the planned increase in student numbers.

80. CIL-08 says that there is a target number of 3,513 student bed spaces and this has already been met. However, the RHUL confirms that this figure, which relates to an extant Outline permission, cannot now be fully achieved, as previously assumed land is no longer available. Based on this and other submissions, it is reasonable to assume that there is likely to be demand for new student accommodation development in the Plan period.

81. The initial Council modelling of student accommodation development was the subject of significant challenge. The Council had modelled a 5 storey scheme and made assumptions about rents, site coverage, unit sizes, build costs and land prices. The modelling indicated a surplus of £2,000 psm.

82. This modelling was disputed by the RHUL and another representor who considered that the Council had modelled an unrepresentative type of development which would not be appropriate in the low rise campus locality, and that it had made a range of erroneous assumptions, including excessive rents, inadequate unit sizes, unduly low build costs, an incorrect yield and unrealistically low land acquisition costs.

83. The Council has sought to respond to those challenges with a revised appraisal (set out in document CIL-11) which models a 3 storey development with some adjustments to the assumptions, including those in respect of site coverage, unit sizes, build costs and yield. It maintains the view that its BLV is well grounded and cites some example house price values on redevelopment sites and applies a premium to show that its BLV is near to the actual EUV. This revised modelling generates a surplus of

£825 psm, which the Council argues justifies its £495 psm flat rate CIL for such developments.

84. Having considered the differing views on this matter, I have concerns about the robustness of the Council's modelling and assumptions. Whilst there is a range of disputed areas, the main reasons underlying my concerns are threefold.

85. First, whilst the £2 million BLV may be appropriate for general housing development, mainly on green field sites, greater caution is needed regarding student accommodation developments. This is because it has a much tighter search catchment, i.e. it has to be close to the campus, and the number of sites available will be limited. Evidence submitted by representors indicated much higher land values for site assembly for private sector schemes and the RHUL stated that its acquired 6.4 hectare expansion site had been valued at £2.5 million per hectare in 2019, notably higher than the £2 million BLV used by the Council.

86. Second, the Council's evidence does not appear to be properly informed by the likely type of student accommodation. This is a particularly specialist sector and highly attuned to market demands and the business models of providers, whether they be universities or the private sector. Notably, the economics of 'cluster' and larger unit 'studio' accommodation developments are fundamentally different; this is not recognised in the modelling.

87. Third, and related to the second point, the Council appears to have taken a rather bullish approach to assumed rent levels and occupancy. The assumed rents of £200 per week are higher than those quoted by the RHUL (£165). It also seems unrealistic to assume 48 weeks occupancy / rent on all units, as the RHUL submits that, unless units are close to catering facilities, they are unlikely to generate revenue through summer school or similar such occupancy.

88. Both representors on this subject have submitted alternative appraisals which have indicated limited scope for CIL. The RHUL appraisal shows a deficit of –£494 psm.

89. Overall, I am not convinced that the Council's proposed CIL charge of £495 psm for student accommodation development is supported by its rather limited evidence base. Indeed, I consider the evidence of the RHUL and another representor to be more persuasive, and these submissions indicate that student accommodation schemes could likely be rendered unviable by the high CIL charge. One representor made plain that, if put in place, the £495 psm CIL charge would not actually raise any revenue, as no such development would happen with such a heavy cost burden and, instead, additional pressure would be placed on the existing housing stock. This would undermine the Plan's stated approach of accommodating new student accommodation development.

90. In reaching my views on this matter, I have considered whether a lower CIL would be appropriate and, at the Hearing, there were suggestions that the recognised different economics of cluster and studio developments might

provide the basis for CIL charge differentiation. However, an examination Hearing is not the place to evolve new CIL proposals on the hoof and I do not consider that the Council has presented sufficiently robust and fine grained evidence to support a specific CIL charge for this type of development. I therefore recommend that the proposed CIL charge for student accommodation development be deleted. This recommended modification will not affect the Council's predicted CIL receipts, as none has been assumed in its calculations. In reaching this recommendation I have taken into account the Guidance with regard to State aid.

Conclusion on main issue 4

91. I conclude that the proposed £495 psm CIL charge for student accommodation development is not supported by sufficiently robust evidence, and that it could put these types of development at risk. This would undermine the Plan and I recommend that the charge be deleted.

MAIN ISSUE 5: Is the proposed borough wide CIL rate for 'Class B1a Offices Only' developments informed by and consistent with the evidence on economic viability across the charging authority's area?

92. The Council reported a relatively healthy local office market and hoped this would resume once the effects of the pandemic have passed. The modelling of a notional office development employed reasonable rent and yield assumptions. Build costs were BCIS based and the assumptions for fees, finance, marketing, developer return and site coverage were all reasonable.

93. The modelling returned a surplus, after deducting the £2 million BLV, of £669 psm. The proposed £50 CIL can be comfortably accommodated with a very significant headroom remaining. The proposed borough wide charge is supported by the evidence and unlikely to threaten the viability of such schemes.

94. A minor modification is required to reflect the changes to the Use Classes that came into effect in September 2020. 'Use Class B1a' needs to be updated to Use Class E(g)(i). This is included in my recommendations.

MAIN ISSUE 6: Is the proposed borough wide zero CIL rate for 'all other development' informed by and consistent with the evidence on economic viability across the charging authority's area?

95. The testing of commercial development types indicated that most other commercial development types could not support CIL charges. The £0 psm CIL charge for 'all other development' is informed by and consistent with the evidence.

MAIN ISSUE 7: Overall, does the evidence that has been provided by Runnymede Borough Council show the proposed CIL rates would not undermine the deliverability of the adopted Runnymede 2030 Local Plan?

96. The CIL proposals and the charging zones for residential development are well grounded and supported by the evidence. Residential development viability in the borough is generally very strong and much of the planned new development will be on known and identified green field sites. The evidence and modelling is comprehensive and demonstrates that the CIL charges and zones would not undermine the viability of housing delivery set out in the Plan.

97. The CIL proposals for student accommodation development are not adequately supported by evidence and would be likely to undermine the delivery of such developments which can be anticipated in the Plan period. This proposed CIL charge should be deleted.

98. The proposed CIL charge for office development can be readily accommodated and will not undermine the deliverability of such developments in the Plan period.

Conclusion

99. I conclude that, subject to the modifications set out in the Schedule to this report, the Runnymede Borough Council Draft Community Infrastructure Levy Charging Schedule, as modified by the Statement of Modifications, satisfies the requirements of Section 212 of the 2008 Act and meets the criteria for viability in the 2010 Regulations (as amended). I further conclude that it complies with the Guidance and the Framework.

100. The main modification required relates to the proposed CIL charge for 'student accommodation' developments. This is not supported by sufficient viability evidence and the charge could place such developments at risk. This means that the drafting requirements under Section 211(2) would not be complied with. However, that non-compliance can be fully remedied by my recommendation, under Section 212A(4), that the CIL charge be deleted. I have also recommended a minor modification, pursuant to Section 212A(6), in respect of the Office development description, to reflect the updated Use Classes.

101. I therefore recommend that, subject to the modifications **EM1 – EM2** set out in the Schedule (on page 18), the Charging Schedule be approved.

P.J. Staddon

Examiner

Attached: Schedule of Modifications that the Examiner specifies so that the Charging Schedule may be approved.

SCHEDULE

Modifications that the Examiner specifies so that the Charging Schedule may be approved pursuant to Section 213 of the Planning Act 2008 (as amended).

Reference	**Modification**
EM1	Rate of CIL (£ per square metre) Chargeable [Page 2 Document CIL-01] In each charging zone table delete "Student Accommodation" and delete "£495". This recommended modification is made under Section 212A(4)
EM2	Rate of CIL (£ per square metre) Chargeable [Page 2 Document CIL-01 In each charging zone table, delete "Class B1a Offices Only" and replace with "Class E(g)(i) Offices Only". This recommended modification is made under Section 212A(6)
Note	For the avoidance of doubt, subject to EM1 and EM2 above, the Statement of Modifications (July 2020) changes numbered 1 – 5 are endorsed by the Examiner.

APPENDIX C

Runnymede Community Infrastructure Levy

Charging Schedule

(Temporary Cover)

February 2021

RUNNYMEDE COMMUNITY INFRASTRUCTURE LEVY (CIL) CHARGING SCHEDULE

Charging Authority

The charging authority is Runnymede Borough Council

Date of Approval

This charging schedule was approved by the Borough Council on 9th February 2021.

Date of Implementation

This charging schedule will come into effect on the 1st March 2021.

Rate of CIL (£ per square metre) Chargeable

CIL will be charged at differential rates according to the type of development as shown in the tables of CIL charges within this schedule.

CIL Rates for Zone A as defined by Plan 1 as set out in this Charging Schedule

Charging Zone A	CIL Tariff (£ per sqm)
Residential Class C3a, C3c & C4 only (Excludes C3b)	£380
Class E(g)(i) Offices Only	£50
All other development	£0

CIL Rates for Zone B as defined by Plan 1 as set out in this Charging Schedule

Charging Zone B	CIL Tariff (£ per sqm)
Residential Class C3a, C3c & C4 only (Excludes C3b)	£300
Class E(g)(i) Offices Only	£50
All other development	£0

CIL Rates for Zone C as defined by Plan 1 as set out in this Charging Schedule

Charging Zone C	CIL Tariff (£ per sqm)
Residential Class C3a, C3c & C4 only (Excludes C3b)	£180
Class E(g)(i) Offices Only	£50
All other development	£0

CIL Rates for Zone D as defined by Plan 1 as set out in this Charging Schedule

Charging Zone D	CIL Tariff (£ per sqm)
Residential Class C3a, C3c & C4 only (Excludes C3b)	£110
Class E(g)(i) Offices Only	£50
All other development	£0

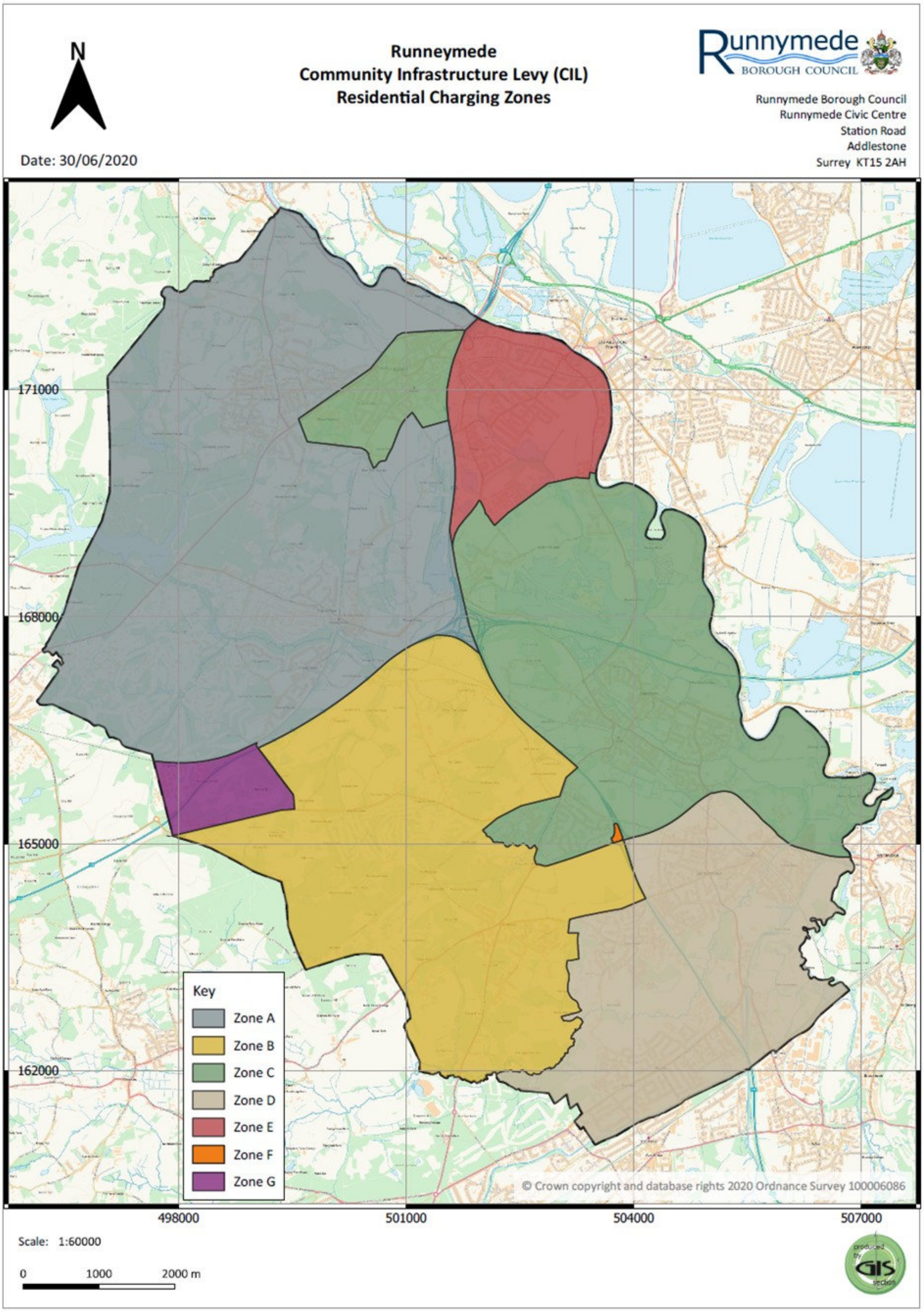
CIL Rates for Zone E as defined by Plan 1 as set out in this Charging Schedule

Charging Zone E	CIL Tariff (£ per sqm)
Residential Class C3a, C3c & C4 only (Excludes C3b)	£90
Class E(g)(i) Offices Only	£50
All other development	£0

CIL Rates for Zones F & G as defined by Plan 1 as set out in this Charging Schedule

Charging Zone F & G	CIL Tariff (£ per sqm)
All Development	£0

Plan 1: Map of Runnymede CIL Charging Zones



The amount of CIL arising from development liable for CIL will be calculated in accordance with Schedule 1 of the CIL Regulations 2010 (as amended). The formula is as follows: -

$$\frac{R \times A \times Ip}{Ic}$$

Where:

R = rate of CIL set by the Borough Council
A = the deemed net area chargeable at rate R
Ip = the index figure for the calendar year in which planning permission was granted
Ic = the index figure for the calendar year in which the charging schedule containing rate R took effect

The value of A is calculated as follows: -

$$G_R - K_R - (G_R \times E)/G)$$

Where:

G_R= The gross internal area of the part of the chargeable development chargeable at rate R
G = the gross internal area of the chargeable development
E = the aggregate of the following:
(i) the gross internal areas of parts of in-use buildings that are to be demolished before completion of the chargeable development; and
(ii) for the second and subsequent phases of a phased planning permission, the value E_X, unless E_X is negative,
provided that no part of any building may be taken into account under both (i) and (ii) above
K_R = The aggregate of the gross internal areas of the following:
(i) retained parts of in-use buildings; and
(ii) for other relevant buildings, retained parts where the intended use following completion of the chargeable development is a use that is able to be carried on lawfully and permanently without further planning permission in that part on the day before planning permission first permits the chargeable development.

The value of E_X must be calculated by applying the following formula

$E_P - (G_p - K_{PR})$
Where:

E_P = the value of E for the previously commenced phase of the planning permission;

G_P = the value of G for the previously commenced phase of the planning permission; and

K_{PR} = the total of the values of K_R for the previously commenced phase of the planning permission

This charging schedule has been issued, approved and published in accordance with Part 11 of the Planning Act 2008 (as amended) and the Community Infrastructure Levy Regulations 2010 (as amended).

APPENDIX D

Runnymede Borough Council

Community Infrastructure Levy

Instalments Policy

This Policy is made in line with Regulation 69B of the Community Infrastructure Levy Regulations 2010 (as amended).

The Community Infrastructure Levy will be payable as follows: -

CIL Liability (£)	Number of Instalments	Amount or Proportion of CIL Payable in any Instalment and Timing of Instalment
Less than £,50,000	1	Full payment required within 60 days of commencement date.
£50,000 to £500,000	2	First instalment representing 50% of the total payable within 90 days of commencement date. Balance payable within 360 days of commencement date.
£500,000 to £1,000,000	3	First instalment representing 25% of the total payable within 90 days of commencement date. Additional 25% of the total payable within 360 days of commencement date. Balance payable within 540 days of commencement date.
£1,000,000 to £2,000,000	4	First instalment representing 25% of the total payable within 90 days of commencement date. Additional 25% of the total payable within 360 days of commencement date. Additional 25% of the total payable within 540 days of commencement date. Balance payable within 720 days of commencement date.
Greater than £2,000,000	5	First instalment representing 20% of the total payable within 90 days of commencement date.

		Additional 20% of the total payable within 360 days of commencement date. Additional 20% of the total payable within 540 days of commencement date. Additional 20% of the total payable within 720 days of commencement date. Balance payable within 1,080 days of commencement date.

Note: For all development, commencement date will be taken to be the date advised by the developer in the commencement notice under CIL Regulation 67.

This instalments policy takes effect on 1st March 2021