

**South Somerset Community Infrastructure Levy  
Charging Schedule Examination**

**South Somerset District Council Hearing Statement**

**Issue 4 – Does the evidence demonstrate that the  
proposed charge rate would not put the overall  
development of the area at risk?**

**July 2016**

**(i) Has the appropriate balance been struck in the following key areas:**

- **An appropriate balance between maximising revenue to invest in infrastructure as against the need to minimise the impact of development viability; and**

4.1 The housing and commercial development markets have recovered since the housing market recession in 2009 – 2011 but growth in South Somerset has not been as strong as the average across the UK. For example, the Council's latest housing monitoring data for the period 2015/2016 shows annual delivery of 606 dwellings against a target of 725 dwellings. The Council has therefore adopted a cautious approach in its first CIL charging schedule, which limits the overall burden on development so that it does not exceed amounts currently sought through Section 106.

4.2 By adopting a CIL charging schedule, the Council will secure contributions from a much wider range of developments than would otherwise have been possible through Section 106.

4.3 The Council has sought to keep CIL contributions to a modest proportion of overall developments costs. The Council's calculations indicate that CIL contributions will represent between 1.02% and 1.43% of overall development costs. This is well within the 5% of costs that other examiners have considered as a cap in the broad 'test of reasonableness'.

4.4 The Council intends to monitor the impact of CIL closely after its introduction and will review the rate if there are significant changes in market conditions. If market conditions improve significantly, the Council will consider the extent to which developments can make a higher contribution towards infrastructure through a higher rate.

4.5 In the short term, the Council considers that the result of the referendum on the UK's membership has generated significant uncertainty which brings significant risks to developers. While the Council considers that the proposed rate of CIL will not add to the burden on developments, a higher rate would have resulted in an increase above the amounts currently collected through Section 106. This might have adversely impacted on the ability of developers to bring schemes forward if market conditions weaken due to ongoing uncertainty around the UK's trading relations with the EU.

- **An appropriate balance between prioritising infrastructure funding and affordable housing provision?**

4.6 The proposed residential rate is £40 per square metre, which is significantly lower than the cost of delivering affordable housing, which is typically around £670 per square metre (i.e. the difference between private value and the value that a registered provider would pay the developer). The presence or absence of a CIL contribution therefore has relatively little impact on the ability of a development to viably meet the affordable housing target. Furthermore, Section 106 contributions will be scaled back which would offset some, if not all, of the burden of CIL on

developments. Previously developed sites would often benefit from a reduction in liability arising from the reduction in net additional floorspace after the existing floorspace has been deducted. The Council is therefore satisfied that the CIL rate has been set at an appropriate level to enable developments to continue to meet the important Local Plan objective of contributing towards the District's affordable housing needs.

**(ii) Development at risk: Is it the case that only if development sales values are at the lowest end of the predicted spectrum would the development in some parts of the District be at risk?**

- 4.7 In practical terms, it will not be the proposed CIL that puts development at risk in any part of the District. As noted elsewhere in the Council's responses, the proposed CIL amounts of between 1.02% and 1.43% of total development costs. In contrast, build costs generally move by 3% to 4% per annum and sales values can also move by similar percentages. It is unrealistic to consider that development would be put at risk by such a small contribution.
- 4.8 It is also important to consider how the proposed CIL rate will compare to the amounts currently sought through Section 106. The overall amount that will typically be sought through CIL and residual Section 106 will amount to £4,361 per unit, whereas the Council has collected £4,450 per unit under the current regime.
- 4.9 It is also important to consider the relationship between unit sales values and the final residual land value. Where sales values are lower, land values will also be lower, which to an extent helps to offset the potential impact of lower sales values. There is not a uniform land value across the District; there will be a degree of variation.
- 4.10 The Council also draws the Examiner's attention to the flexibility in Policy HG3, which notes that "Where the above level of affordable housing provision renders a site unviable a reduction of provision will be accepted on the basis of an 'open book' submission in accordance with Policy SS6". A very small reduction in the overall quantum of affordable housing on particular site could mitigate the CIL contribution in its entirety if that were necessary in exceptional circumstances.