

F.A.O. Mr. Philip Staddon
Planning Policy & Conservation
Surrey Heath Borough Council
Surrey Heath House
Knoll Road
Camberley
Surrey
GU15 3HD

13th February 2014

EXAMINATION STATEMENT FOR THE SURREY HEATH BOROUGH COUNCIL COMMUNITY INFRASTRUCTURE LEVY DRAFT CHARGING SCHEDULE

This is an Examination Statement written on behalf of McCarthy & Stone Retirement Lifestyles Ltd. and Churchill Retirement Living Ltd. the market leaders in the provision of retirement housing for sale to the elderly. **This Written Statement is being provided in lieu of our attendance at the Examination Hearing**

A representation was sent on behalf of both companies to the Draft Charging Schedule in September 2013. It is considered by both parties that the rationale behind the objection was covered in sufficient detail in the aforementioned representation, particularly as there is nothing to indicate there has been a change in the Council's position, or further evidence provided submitted by the Council on this matter.

For your convenience, we have repeated our submission to the Draft Charging Schedule below. This is largely unchanged although there have been some minor amendments where we feel this benefits clarity.

The effect of the imposition of CIL will be to constrain land supply. This is a significant threat to land with a high existing use value and therefore to the delivery of retirement developments, which due to the nature of residents are required to be sited in close proximity to town and local centres. It is hoped that the CIL schedule can be adopted in a way that does not constrain this much needed form of development.

The CIL Guidance published in December 2012 by the Department for Communities and Local Government (DCLG) states consistently that *'In proposing a levy rate(s) charging authorities should show that the proposed rate (or rates) would not threaten delivery of the relevant Plan as a whole'* (Paragraph 29).

The CIL Guidance also stresses the importance of this principle to individual market sectors that play an important role in meeting housing need, housing supply and the delivery of the Development Plan, such as specialist accommodation for the elderly. This is relevant in the context of Paragraph 37 of the Guidance:

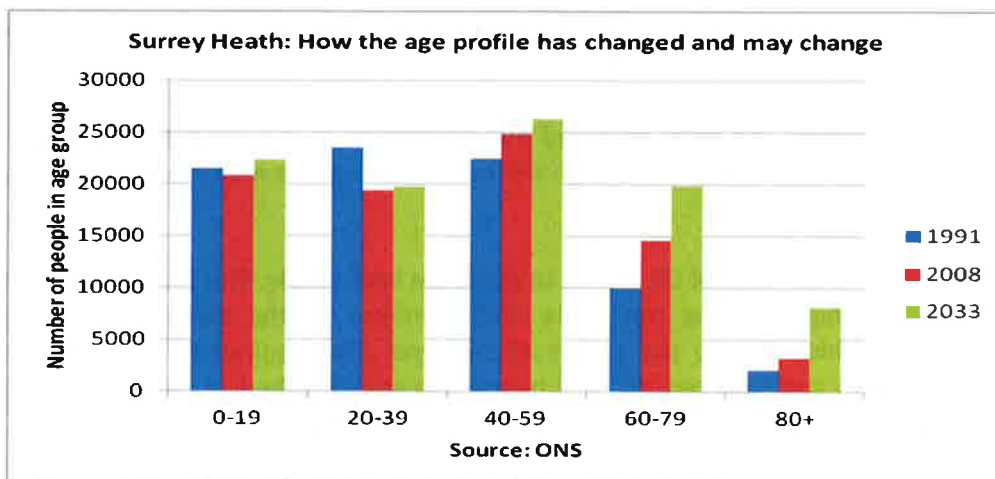
"... However, resulting charging schedules should not impact disproportionately on particular sectors or specialist forms of development and charging authorities should consider views of developers at an early stage".

Where the provision of specialist accommodation for the elderly plays a clear role in meeting housing needs in the emerging or extant Development Plan, by not properly considering the effect of CIL on this form of development the Council would be putting the objectives of the Development Plan at risk and thereby contravening Government Guidance. It is therefore of clear importance that the emerging CIL rate accurately assesses the development of specialist accommodation for the elderly in Surrey Heath.

Growing Elderly Population

The National Planning Policy Framework stipulates that the planning system should be ‘*supporting strong, vibrant and healthy communities*’ and highlights the need to ‘*deliver a wide choice of high quality homes, widen opportunities for home ownership and create sustainable, inclusive and mixed communities. Local planning authorities should plan for a mix of housing based on current and future demographic trends, market trends and the needs of different groups in the community...such as...older people’ [emphasis added].*

The “What Housing Where Toolkit” developed by the Home Builders Federation uses statistical data and projections from the Office of National Statistics (ONS) and the Department for Communities and Local Government (DCLG) to provide useful data on current and future housing needs. The table below has been replicated from the toolkit and shows the projected change to the demographic profile of Surrey Heath between 2008 and 2033.



In line with the rest of the country, this toolkit demonstrates that the demographic profile of the Borough is projected to age, with the proportion of the population aged 65 and over increasing from 21.5% to 29.1% between 2008 and 2033. This is significantly higher than the average projected increase for UK local authorities by the Office for National Statistics (23% of the population aged over 65 by 2033). Significant increases are projected of the ‘frail’ elderly, those aged 75 and over, who are more likely to require specialist care and accommodation.

The adopted *Surrey Heath Core Strategy and Development Management Policies DPD (2012)* reflects this by identifying that the demographic profile of the area is ageing and raising concerns over the future provision of adequate support and accommodation for the growing elderly population. This issue is addressed in Policy *CP6: Dwelling Size & Type* which states

that 'The Borough Council will promote a range of housing types and tenures which reflect the demand for market housing and need for affordable housing, including accommodation for specialised needs'. Specialist accommodation for the elderly is specifically raised as a housing need in the justification to this policy noting 'There is also a need for more specialised forms of accommodation such as those for older persons, which has been identified in the Council's Older & Disabled Persons Housing Needs Study (2007) and Strategic Housing Market Assessment (2009) (Paragraph 5.76). It is therefore clear that the development of specialist accommodation for the elderly is a priority for the Council.

In light of the above, we consider that it is of vital importance that the emerging CIL does not prohibit the development of specialist accommodation for the elderly at a time when there is an existing and urgent need for this form of development and that by not properly assessing this form of development the proposed CIL rate would threaten the delivery of the relevant Development Plan contravening Government Guidance.

The Need to Consider Specialist Accommodation for the Elderly

We recognise that the number of sheltered / retirement developments coming forward over the Development Plan period will be limited when compared to general needs / family housing. We do not however consider that the comparative disparity in the volume of units implies a lower level of importance as the provision of specialist housing is integral to meeting the diverse housing needs of the Borough and creating balanced and sustainable communities. Indeed, we would argue that rendering the development of specialist accommodation for the elderly unviable would undermine the delivery of the Development Plan.

There is an increasing consensus within the Planning Industry that specialist accommodation for the elderly should not be viewed as an oversight or 'casualty' of the CIL regime. Pertinently, the Retirement Housing Group (RHG), a consortium of retirement housing developers and managers from the private sector and housing associations, recently commissioned the consultants Three Dragons to produce a paper that provides evidence and guidance for viability practitioners in appraising sheltered / retirement and extra care accommodation. This paper was sent to every viability practitioner in the UK with a copy sent to the Planning Minister, Nick Boles – a copy of this paper has also been attached for your convenience.

The Planning Minister responded positively to the RHG's paper with a letter sending out a message to charging authorities that they should differentiate between retirement housing and general needs homes where viability is an issue. The letter states "... *The revised Guidance published in December 2012 is clear that "charging schedules should not impact disproportionately on particular sectors or specialist forms of development and charging authorities should consider views of developers at an early stage". (page 121, paragraph 37). The guidance does not specify that any form of housing should be treated any differently to other sectors but is clear that if you have any evidence that your development would be made be made unviable by the proposed levy charge, this should be considered by the Authority and the examiner...*'. A copy of the Minister's letter is provided for your convenience.

Additionally, a joint position paper produced by McCarthy & Stone Retirement Lifestyles Ltd and Churchill Retirement Living Ltd, the two largest providers of specialist housing for the

elderly, was recently sent to every local planning authority in England and Wales. The paper provides a number of recommendations on testing the viability of specialist accommodation for the elderly for CIL and how it differs from conventional housing. A copy of this paper has also been appended for your convenience.

Consideration of the viability of specialist accommodation for the elderly has been raised specifically in the recent draft National Planning Practice Guidelines published by the DCLG. Within the Viability chapter, specifically the sub-chapter entitled 'How should different Development types be treated in decision-taking' (ID 10-018-130729) Government guidance states that approaches to planning obligations and policy requirement should reflect the viability of individual residential development types, including relevant variables. With specific regard to specialist accommodation for the elderly the Government advises '*For older people's housing, the scheme format and projected sales rates may be a factor in assessing viability*'.

It is therefore clear that there is an increasing consensus that specialist accommodation for the elderly should not be viewed as an oversight or 'casualty' of the CIL regime. There is now a considerable amount of guidance available for charging authorities and viability practitioners to address this issue competently and quickly.

The Council's Current Position

As you are aware, as a national retirement housing company, McCarthy & Stone are currently submitting planning applications throughout the Country. In light of this we obviously need to ensure that the supporting viability work for the CIL is actually representative of what is happening in the real market place for all forms of housing, as, if it is not, the adoption of CIL may prevent needed development coming forward.

The Draft Charging Schedule, whilst providing different rates throughout the Borough of Surrey Heath based on viability, provides a uniform CIL levy rate for all forms of residential development and does not differentiate between houses, flats and Retirement / Sheltered accommodation despite the significant differences between these forms of accommodation.

We note that the Council previously recommended that a CIL rate of £100 per m² be attributed to **Residential (C2) Low / Mid level dependency** in the Preliminary Draft Charging Schedule. Whilst there were several issues with the terminology used in this CIL classification we presume that the intention was to levy a lower rate of CIL for specialist accommodation for the elderly that are not considered to be 'high dependency' i.e. traditional Nursing / Care homes.

The revised findings of Community Infrastructure Levy Final Viability Assessment concluded that there was '*no scope for CIL exists for sheltered/extra care development as all scenarios return negative land values. Capital values for sheltered/extra care accommodation would have to improve to over £3,000 before RLV exceeded EUV*' (paragraph 3.62). Consequently the bespoke levy rate for **Residential (C2) Low / Mid level dependency** was removed in the Draft Charging Schedule. Specialist accommodation for the elderly that falls within the C2: Residential Use Class, namely traditional care / nursing homes and Extra Care accommodation, will be considered within the 'All Other Development' CIL category and therefore be exempt from CIL. McCarthy and Stone support the principle of exempting C2 residential use classes from CIL.

It must however be noted that a number of forms of specialist accommodation for the elderly are classified within the Residential (C3) use class, namely Sheltered / Retirement housing. Retirement / Sheltered housing are characterised by their extensive communal facilities, higher build costs and a slower rate of sale which make the viability of such developments more finely balanced than conventional 'general needs' housing. This is alluded to in the findings of the Council's Viability Assessment. The development economics of this form of housing is akin to the C2 Extra Care Housing model.

Under the provisions of the Draft Charging Schedule however Retirement / Sheltered housing will be subject to the same rate of CIL as general needs housing. This will effectively render these much needed forms of specialist accommodation for the elderly further unviable within the Borough.

We are concerned that this would prevent those sites from coming forward for retirement housing in the C3 Use Class where viability is currently marginal, since we believe that in the current market there is scope for development of this form of housing, dependent on location and the local housing market. For example Churchill Retirement Living recently gained permission for a 61 unit Use Class C3 development of retirement apartments in Camberley which would have been unlikely to come forward were the levels of CIL proposed in the Draft Charging Schedule to have been applied (this would have resulted in a CIL liability of circa £880,000).

We appreciate that the Council have appraised this form of housing in their viability work undertaken to date and have deemed it to be not viable, or of marginal viability under the current policy burden. Clearly this was the rationale between changing the Charging schedule between Preliminary Draft and Draft stages as outlined above. It is however a quirk of the Use Classes Order that extra care is deemed under Use Class C2 but where lower levels of care are offered retirement housing is deemed to fall under Use Class C3 and therefore attracts a requirement for affordable housing contributions. If CIL is also required then this would render schemes less viable as confirmed by the Council's evidence.

As drafted therefore the Draft Charging Schedule does not achieve the Council's apparent aim, i.e. to exempt sheltered/ retirement housing from CIL on the grounds of the relative viability of this form of housing.

We respectfully request the Charging Schedule should include a footnote to state that the development of C3 housing, where occupancy is restricted by way of a planning condition to those over 55 years old, should be exempt from CIL in much the same way as Care Homes / Extra Care, Use Class C2. This will ensure that the Council's aims are met without choking off the potential to deliver retirement housing schemes where viable.

Summary

Given the extent of projected housing need for older person's accommodation it is paramount that the Surrey Heath Borough Council CIL provides an accurate and robust assessment of the viability of sheltered / retirement housing. **On this basis we can only conclude that there is no reasonable justification for a CIL charge on Sheltered / Retirement housing at the same level as general needs housing.**

In summary, without the modification proposed above, the Draft Charging Schedule runs the risk of prejudicing the delivery of specialist accommodation for the elderly which is shown by the Council's own evidence to be unviable at the proposed rates of CIL.

Thank you for the opportunity for comment.

Yours faithfully,



Ziyad Thomas
Policy Planner
The Planning Bureau Ltd.