CIL Consultation,
Development Strategy,
Rugby Borough Council,
Town Hall,
Evreux Way,
Rugby,
CV21 2RR.

By Email: localplan@rugby.gov.uk

4th September 2023

Dear Sir/Madam,

Rugby Borough Council Community Infrastructure Levy Draft Charging Schedule – Public Consultation

Newlands Developments

Newlands Developments ('Newlands') welcome the opportunity to comment on Rugby Borough Council's (RBC's) draft Community Infrastructure Levy (CIL) charging schedule, and associated evidence base.

RBC's draft charging schedule sets rates for residential development (with different rates for development below the affordable housing threshold, development on strategic sites, apartments, and development in different geographical locations), and convenience retail. All other uses are zero rated, with no payment required.

Since RBC's last consultation, in October/November 2022 and May/June 2023, a change has been made to propose an additional charge of £5 per sqm for the development of industrial, light industrial and storage and distribution uses[1] within the Borough. RBC's evidence base has been updated to reflect this proposed change.

Background

Context

Newlands specialise in delivering, high quality, critical infrastructure that facilitates the efficient, sustainable, and effective supply of goods to businesses and consumers.

Cutting edge green credentials, and embedding our developments in the communities they serve, sit at the very heart of our company's ethos.

Newlands have made a commitment, within their 'We Go Beyond' Framework to:

- Deliver prosperity for local communities.
- Create healthy sustainable places.

[1]'Industrial' is use class B2, 'light industrial' is use class E(g)(i), and 'storage and distribution' is use class B8 in each case as defined in Schedules 1 and 2 of the Town and Country Planning (Use Classes) Order 1987 (as amended).

- Invest in people.

More information about Newlands' philosophy can be found here[2].

Rugby

Newlands have a strong history within Rugby borough and are currently in the process of bringing forward new industrial floorspace at Equites Park Rugby, in the form of a single unit of 250,000sqft, following the grant of planning permission in February 2021.

This site falls within the 'Coton Park East' allocation (DS3 and DS7) within the Rugby Borough Core Strategy (2019).

Newlands was founded in November 2018 by the former senior management team of Roxhill Developments. Roxhill was responsible for bringing forward Rugby Gateway at Junction 1 of the M1.

Policy Position

National Planning Policy Framework (NPPF) / National Planning Practice Guidance (NPPG)

CIL was introduced in 2010, as a way of securing contributions for development to be spent on infrastructure to support said development. Part of the funding would also be distributed to local communities via Parish/Town Councils.

Various changes have been made to the Regulations since they were introduced, most importantly in 2019 when the pooling restrictions were lifted.

When setting the levy rates, a council should ensure that an appropriate balance is struck between additional investment to support development and the potential effect on the viability of developments[3]. Councils should be able to show and explain how their proposed rates will contribute towards the implementation of their Local Plan. Charging schedules should be consistent with, and support, up-to-date relevant plans[4].

To prepare a charging schedule, a council should prepare an evidence base and publish this for consultation. The charging schedule will then be examined by an independent person.

With regards to the evidence required, this should:

"The charging authority should have regard to the actual and expected cost of infrastructure, the viability of development, other actual or expected sources of funding for infrastructure and the actual and expected administrative expenses in connection with the levy. (our emphasis)**"**

Councils should consider what infrastructure is required in order to support development, and identify its cost. Other sources of funding should also be reviewed. Details of projects/types of infrastructure is required as part of the examination process.

[2] https://newlandsuk.com/beyond/default.aspx
[3] Paragraph: 010 Reference ID: 25-010-20190901
[4] Paragraph: 011 Reference ID: 25-011-20190901

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With regards to the type of evidence required, the NPPG provides extensive guidance. An appropriate buffer/margin should be included.

Consultation Information Comments

We set out our comments on the various consultation documents in order:

Draft CIL Charging Schedule (July 2023)

- We note that the RBC's information at tables 1 and 2 does not include the 2022/2023 monitoring year. This should be added in to ensure there is a full picture.
- We consider that RBC should provide further guidance as to what constitutes gross internal floorspace (paragraph 6.2 footnote 3) and should refer to the RICS guidance on measurement. RBC should confirm that buildings without full and complete walls (i.e., bike sheds) would not be classed as chargeable development. Rooms in which people do not normally go (i.e., plant and M&E) should also be excluded.
- We consider that RBC should retain the option to offer exceptional circumstances relief, so that the in-built flexibility within the system is retained. It is within RBC's gift to utilise this mechanism, so retention is seen as sensible, especially as exceptional costs have not been considered in the Viability Review.
- To avoid confusion, RBC should define commencement of development in paragraph 7.2.
- Within paragraph 7.3, RBC suggest that relief/exemption forms should be provided alongside the submission of a planning application. As the detail of this may not be known at this stage, only the additional information form should be required. This should be amended to avoid any confusion. In addition, RBC should make clear that a commencement form is required at least one day prior to commencement.

RBC: CIL Viability Assessment Review (July 2023)

- Within the introduction section (2), a review of the economy since the pandemic is given. This relates almost solely to the housing market and there is no commentary on the industrial market, which has been affected by costs of materials and borrowing costs (which are all linked to macroeconomic factors). Therefore, a section should be inserted after paragraph 2.20 to review the industrial market. It should also consider the latest situation in terms of interest rates and inflation. High infrastructure and construction costs make many types of industrial development prohibitive even without the inclusion of a CIL requirement. As set out above, the NPPG requires regard to be had of actual/expected costs in terms of viability and this is currently not the case for industrial development.
- We note that no other neighbouring authorities (table 2.40.1) include a rate for industrial development.
- Section 3 of the Review focuses entirely on residential development and does not reference industrial development at all. This should be updated to take account of the specific circumstances of industrial development. An overriding comment is the specific considerations for industrial development have not been taken into account as part of the evidence base.

- Table 4.10.1 sets out an assumption that, for industrial and warehousing, a rent per square metre of £95 with a year of 5% and rent free period of 12 months is acceptable. It is not clear from the data in Appendix 3 what the assumptions are based on.
- Paragraph 4.17 sets out the assumption that development finance can be secured at a rate of 6%, inclusive of arrangement and exit fees, reflective of current funding conditions. We consider that the evidence behind this should be shown within the viability report. In the current market, rates of 4-5% above the Bank of England base rate are usual. This should be taken into account.
- Paragraph 4.18 sets out the assumption of 3% for marketing costs, plus 0.5% for sales legal fees. This would appear to be in relation to residential development (given the reference to show homes) and the evidence behind this should be set out. Further, it does not set out what this 3% is a percentage of. This should be confirmed.
- Within paragraph 4.19, relating to Section 106 (S106) costs, an allowance of £20 per sqm for non-residential development has been included. It doesn't state if this is GEA or GIA and this should be confirmed. Furthermore, we consider that this allowance underestimates the range of S106 costs which are required to bring forward a policy compliant and market facing industrial scheme. Evidence behind this assumption should be included within the evidence base to ensure it can be robustly tested.
- Within paragraph 4.21 reference is made to sales periods for housing schemes. No information about assumptions for sales periods for other typologies is made. This is important when considering development finance etc.
- Paragraph 4.25 sets out the assumption that for profit on commercial development 20% should be applied, which would be equivalent to 15% of GDV. It is not clear what the 15% would be 'equivalent of'. More detail should be given on this point. It is also not clear what this 15/20% cost would be a percentage of.
- Within paragraphs 4.28 – 4.35, relating to benchmark land values, there is no reference to industrial schemes. This should be confirmed, and the rationale behind it set out.
- Section 6 sets out the appraisal results. For residential schemes the various typologies tested are set out, and where the policy requirements have been included can be seen (by reference to appendix 2 of the review document). For Coton Park East, a Nil rating is proposed given the requirement for infrastructure to be provided (affordable housing and other). For industrial development (paragraphs 6.21 – 6.24) there is no information about the typologies tested, or the outputs of this testing. It simply says that developments could absorb a maximum of £11 per sqm. Paragraph 6.24 states that RBC may wish to apply a nil rate, but a nominal rate could be pursued, given the quantum of space which may come forward in the future. We consider that:
    - More information should be set out as to what typologies have been tested and the output of this; and
    - It should be confirmed what infrastructure requirements have been included, in the same way as for residential sites (i.e., Coton Park East is required to provide sustainable transport upgrades).

The CIL Viability Assessment Review has been updated to incorporate assessment of industrial development. However, there are several parts in which this has not been done, and the review still focuses on housing development.

Updates are therefore required, and we reserve the right to comment further once these have been made.

CIL Infrastructure Funding Position Statement (July 2023)

- Section 4 makes no reference to industrial development. It may be that this is because no CIL receipts are expected over the rest of the plan period (seven years) but this should be confirmed, as it has been for convenience retail at paragraph 4.7.

Conclusions

We trust the above is helpful to the Council to progress and finalise the draft CIL Charging Schedule within the requirements of national policy whilst still allowing much needed development to come forward.

Notwithstanding that, if you have any further questions, please do not hesitate to contact us.

Yours Faithfully,

[redacted]

[redacted]

Associate Planning Director

Enc.

cc.