Examiner's questions ID/CIL/6:

The Examiner notes the Council's answer to Question 2 (document P/CIL/1). He would, however, welcome comments/clarification regarding the following two issues:

1. **The Council confirms that no specific assessments were run to assess larger in-centre retail developments. The Examiner needs to be confident that the charging schedule is supported by appropriate available evidence particularly relating to viability. Whilst the evidence listed in paragraph 2.4 (a) to (c) of the answer to Question 2 is clearly available it could not be described as detailed or robust and therefore not sufficiently 'appropriate'.**

   It would seem there are two options - either additional evidence regarding in-centre retail is submitted (if available) or it is recommended that this element of the Schedule is deleted. If additional evidence is submitted this would then have to be subject to a 6 week period of public consultation.

2. **With regard to the smaller retail development category (convenience store); hotels and residential institutions it would appear that the situation can be marginal with regard to viability. The sensitivities to change are acknowledged in the Viability Assessment and for example paragraph 3.5.3 concludes that the results should be interpreted cautiously.**

   The number of such schemes coming forward is likely to be small and there are other potential limitations (e.g. CIL only levied on net additional floorspace), nevertheless it would be helpful if the Council could estimate the likely number of such schemes coming forward in a year and what it would expect to raise annually from these three parts of the levy?

The Examiner has not reached conclusions on these two matters but in the interests of openness and transparency he would like to advise the Council (on a no prejudice basis) that he is considering whether or not to recommend the deletion of the £53 rate for in centre retail of any size because it has not been informed by appropriate evidence and it could be argued that it may put at risk the overall development of the area (i.e. the Council's aspirations for the city centre as embodied in policy PCS3 of the Portsmouth Plan may not be achieved which could have consequences for the city as a whole). With regard to small out-of-centre retail, hotels and residential institutions, he is currently minded to recommend their retention in the Schedule because they would not put at serious risk the overall development of the area.

The Council's response to these matters would be welcome by 25 November.

Portsmouth City Council response:

1. In-Centre Retail rate

The council does not wish to put additional evidence to the examiner, but instead would like to explain further the answer given in P/CIL/1.

In-centre retail covers both small scale developments, such as in district centres and smaller city centre units, as well as the large redevelopment schemes referred to in Policy PCS3 of the Core Strategy. The council does not believe that the evidence suggests that in-centre retail schemes across the board would be unable to afford CIL at the proposed level.

In terms of smaller scale developments in town centres, these were covered by the viability assessments for small retail, which did not specifically differentiate between in-centre and out-of-centre schemes. The appraisals run looked at schemes of 300sqm in different value areas and concluded that half the basic rate should be considered. This type of development is probably the most typical within town centres.

The city council's work with the developer with whom it has a Development Agreement to provide the comprehensive city centre scheme (referred to in paragraph 2.4c of P/CIL/1), and the consideration of this scheme in the original viability work, together indicate that although the full rate of £105 may not be viable, this scheme would be able to afford some CIL. Paragraph 3.7 of the viability report indeed suggests that for the city centre scheme, the city council could look to a figure 'not in excess of the £105/sqm, or at a reduced level up to that'. It is this that the city council is aiming to achieve with its suggested £53 rate.

Although it must be noted that a scheme has not been finalised for the city centre development referred to in policy PCS3 of the Core Strategy, and therefore floorspace and mix of uses could change, the council understands that the developer has factored into their current development calculations provision to allow contributions well in excess of the CIL liability that would arise from a £53 charging rate for retail.

The city council would be concerned if the proposed £53 rate of CIL was deleted in favour of a £0 rate for all retail schemes in town centres. In particular, the city centre and the proposed large scale redevelopment scheme within it covers a substantial area of the city, and setting a £0 rate for all in-centre retail could therefore undermine the city's ability to fund infrastructure schemes.

The council remains satisfied that the evidence supports the rate of £53 of in-centre retail, and that this rate strikes the appropriate balance between development viability and the city's need for infrastructure.

2. Estimated number of schemes and CIL income from small retail; hotel and residential institutions

It is not possible to estimate with any degree of accuracy the number of small retail, hotels and residential institution schemes coming forward in future years or what the likely annual levy revenue from these elements would be.

As a proxy, the city council has therefore reviewed past completions of these types of schemes. The table below shows the number, floorspace and notional

CIL income of those schemes that would have been CIL liable between April 2008 and March 2011.

Small retail, C1 hotels and C2 residential institutions April 2008 – March 2011			
Type of Scheme	No of CIL liable Schemes	CIL liable floorspace **(sqm)**	Notional CIL income at £53 / sqm **(£)**
Small retail	6	1,105	58,565
C1 Hotels	1	2,734	144,902
C2 Residential Institutions	3	6,620	350,860
			554,327
The table shows only those schemes that would have been liable to pay CIL under the rules of the regime, i.e. changes of use and small schemes that would not be liable to pay CIL have been excluded. These make up the majority of these types of development, particularly in the small retail category. It should be noted that past monitoring does not include the exact information on floorspace that would be necessary to calculate liability under the CIL regime. The figures are therefore the best estimate from the information available.			

Based on the above figures, the notional CIL income from small retail, hotels and residential institutions could be around £185,000 per annum.

Portsmouth City Council

24 November 2011