



PLANNING ACT 2008 (AS AMENDED)

SECTION 212

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

REPORT TO STEVENAGE BOROUGH COUNCIL

BY

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AN INDEPENDENT EXAMINER APPOINTED BY THE
COUNCIL**

Charging Schedule submitted for examination on 2 August 2019

Examination Hearing held on 5 September 2019

Final report issued: 6 November 2019

Executive Summary

This report concludes that, subject to certain recommended modifications, the Stevenage Borough Council Draft Community Infrastructure Levy Charging Schedule provides an appropriate basis for the collection of the levy in the area. The required modifications relate to a reduction of the CIL to £40 per square metre in the areas covered by the Stevenage West and North of Stevenage urban extensions and, for clarity, the insertion of explanatory notes to define types of older persons' housing developments.

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 adopted Stevenage Borough Local Plan (adopted May 2019), at risk.

The 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 Stevenage Borough Council to undertake the independent examination of its DCS. 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 Law¹ and associated Regulations² 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 in account

¹ Part 11 of The Planning Act 2008 (as amended)

² Community Infrastructure Levy Regulations 2010 (as amended)

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, on which public Hearing sessions were held on 5 September 2019.

Procedural and preliminary matters

7. On 1 September 2019 certain amendments³ to the CIL Regulations became effective. These include changes to charging schedule consultation requirements and publicity, although transitional provisions apply in this case. The changes also include the removal of Regulation 123, relating to lists of infrastructure types to be funded by CIL, and the lifting of the restriction on the pooling of funds for a single infrastructure project. The changes introduce a new regime for charging authorities, which must now produce annual Infrastructure Funding Statements and CIL rate summaries. These matters were discussed at the Hearing sessions and I have considered them in my assessment. Where appropriate and necessary, I have made references to these changes later in this report.
8. During the Hearing's exploration of the Council's evidence, it became apparent that the residential viability appraisals contained a computational error. This related to affordable housing requirements and associated costs. Whilst the report itself stated that these costs were modelled to reflect the local plan policy compliant mix, of 70% 'affordable rent' and 30% 'intermediate' housing, the actual detailed appraisal spreadsheets had transposed the proportions, such that the modelled results reflected 30%

³ The Community Infrastructure Levy (Amendment) (England) (No. 2) Regulations 2019

affordable rent and 70% intermediate housing. The effect of this error was to understate affordable housing costs and to overstate scheme viability in each modelled case where affordable housing was a policy requirement (the small sites with no affordable housing were clearly unaffected).

9. Whilst the Council's viability consultant was able to re-run the appraisals over the Hearing lunch break, I determined that, in the interests of procedural fairness, it would be necessary for the Council to formally produce this corrected evidence, with appropriate updates and commentary, and to invite all Regulation 17 respondents to make any further representations that they wished.
10. In addition to correcting the error, the Council also updated certain modelling assumptions and provided responses to questions and challenges that had been raised through the Hearing sessions. The corrected and updated appraisals led the Council to request that I consider modifying the CIL rates for two of the strategic sites. It also issued a note concerning the definition of types of older persons' housing developments.
11. The Council duly issued this material on 12 September 2019 and allowed a two week period for further representations to be made. Representations were received from three parties and I have taken these into account. I refer to these matters later in this report.

Stevenage Borough Council – CIL Draft Charging Schedule

12. The basis of the examination is the submitted DCS dated April 2019 (Document CIL 101) which was published for public consultation between 11 April 2019 and 17 May 2019.
13. The DCS proposes CIL charges for three different types of residential developments: 'market housing', 'sheltered housing' and 'extracare housing'. The market housing CIL is proposed at two rates differentiated by location: £40 per square metre (psm) in the relatively small Zone 1 which covers 'Stevenage Central' and £100 psm in Zone 2 covering 'everywhere else' (the majority of the borough). The proposed CIL for 'sheltered housing' and 'extracare housing' are £100 psm and £40 psm respectively and these rates are not differentiated by location i.e. the CIL rates apply across the entire borough (Zone 1 and Zone 2).
14. The DCS also proposes a borough wide £60 psm CIL for 'retail development'. The DCS states that 'all other development' types are £0 rated for CIL purposes.

Has the charging authority complied with the legislative requirements set out in the Planning Act 2008 and the Community Infrastructure Levy Regulations?

15. The Council has submitted a Statement of Compliance (Document CIL 103) which summarises its conformity with the requirements of the Act and the Regulations, including those in respect of statutory processes, public consultation, consistency with the Stevenage Local Plan (2019) and the

Infrastructure Delivery Plan (2017) (the IDP) and that it is supported by an adequate financial appraisal.

16. I am satisfied that the Council has complied with the Act and the Regulations and I am also satisfied that it is procedurally compliant with the Framework and the PPG.

Is the charging schedule supported by background documents containing appropriate available evidence?

Stevenage Borough Local Plan

17. The Stevenage Borough Local Plan ("the Plan") was adopted in May 2019. It is therefore a recent and up to date development plan and it is the 'relevant plan' for the proposed CIL. The Plan seeks to meet the identified needs for housing, economic, retail and other development in the period up to 2031. It sets out the Council's vision and strategy for sustainable growth in the borough.
18. In terms of new housing, the Plan sets out to deliver at least 7,600 new homes in the plan period. Some of these homes have already been provided but the balance is planned to be delivered through a range of site allocations. These include 2,700 dwellings proposed across three new neighbourhoods on strategic urban extension sites at 'Stevenage West' (1,350 homes), 'North of Stevenage' (800 homes) and 'South East of Stevenage' (550 homes). A further circa 2,000 homes are proposed in the town centre on a range of identified 'opportunity areas'. The Plan also includes 18 allocated sites spread across the urban area, ranging in size from 5 up to 275 dwelling units.
19. The Plan aims to support economic growth by accommodating at least 140,000 square metres of new B class employment floorspace at a range of locations, including 10,000 square metres within the Stevenage West urban extension. New comparison retail space of the order of 4,700 square metres is planned, with most of this expected to be delivered via an extension to the Westgate Centre in the town centre. Planned new convenience retail floorspace will include new local centres at the three urban extensions of about 500 square metres each.

Infrastructure evidence

20. The Plan's examination was supported by an Infrastructure Funding Strategy (Document CIL 110) and an IDP, which was updated during the Plan's examination in March 2017 (Document CIL 108). The IDP assesses and analyses the infrastructure needs across a range of categories including mobility; education; health; green infrastructure; emergency services; community and leisure; and utilities.
21. The Council assesses that, once known funding sources are deducted, there is an infrastructure funding gap of £89.4 million in the plan period. The majority of that gap is accounted for by mobility (£15.5 million), education (£34.4 million) and healthcare (£34.2 million) infrastructure requirements.

The Council estimates⁴ that, if its DCS were implemented soon, CIL may provide a sum of circa £16 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.

22. The Council has produced a List (Document CIL 104) that sets out the infrastructure that it intends to fund, partly or wholly, through CIL receipts. The List was originally titled 'Draft Regulation 123 list' but, following the removal of that Regulation, the Council has confirmed that the List will now form the basis of its 'Infrastructure List' to be included in its forthcoming annual Infrastructure Funding Statements and CIL rate summary.
23. The List includes the provision of infrastructure covering primary school expansions, secondary schools, outdoor sports facilities, open spaces, transport and public realm improvements. Whilst high level in its drafting, the List is clear and provides a good indication of the intended destiny of CIL revenues. Whilst some representors made comments and suggestions about the List, in the light of the regulatory change (deleting Regulation 123 and pooling restrictions), these are matters that are now more appropriately addressed by the Council through the new annual statement process.
24. 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

25. The Council has produced viability evidence in four separate documents at different points in time. First, a 'Whole Plan Viability Study including CIL' (Document CIL 105) was produced in September 2015 and formed part of the Local Plan examination evidence base. Second, a 'Viability Update – CIL' (Document CIL 106) was produced in December 2017. Third, a 'Post Consultation Viability Note' (Document CIL 107), covering updated assumptions on two of the strategic urban extensions, was produced in January 2019. Fourth, a Post Hearing Viability Note was produced in September 2019, which corrected a computational error, updated certain assumptions and provided further information on other matters.
26. Whilst the Council has adopted a consistent methodical approach to viability testing, the number of reports spread over a period of more than four years does create some complications. This is simply because some of the key variables, such as sales values, build costs and policy requirements, have changed over time. Indeed, a number of submitted representations raised matters about how up to date some of the CIL modelling assumptions were. As a result, with regard to market housing development, I have attached the greatest weight to the Post Hearing Viability Note (hereafter the PHVN)

⁴ The £16 million estimate takes into account the Council's requested modification to reduce CIL rates for two of the strategic sites.

as this, in addition to correcting some computational errors, represents the culmination of the Council's earlier work and its most up to date evidence base. With regard to other development types, I have given greatest weight to the 2017 Viability Update. For all of the evidence, I have factored into my assessment an element of caution, to reflect the passage of time.

27. For both residential and commercial developments, a residual valuation approach is employed. In summary, this seeks to compare the Gross Development Value (GDV) of a scheme with the total costs of the development, including assumed allowances for build costs, land value and developer profit. If GDV exceeds the total costs of the scheme, the modelling output will be a surplus or 'additional profit' that could be used to make CIL contributions. Where this surplus occurs, this value can be seen as the maximum theoretical 'ceiling' for setting CIL.
28. 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 threshold land value, 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.
29. Most notably, some representors from the development industry have argued that the Council's assumptions and approach are flawed and that CIL is being proposed at too high a level, which will threaten viability. However, other representors, including Hertfordshire County Council and North Hertfordshire District Council, consider that the Council is allowing too much headroom in setting the CIL and that a higher CIL is justified to help fund infrastructure provision. Some of these differences have been narrowed by the updated appraisals set out in the PHVN, although divergent views remain. I explore the main modelling assumptions below.

Residential development typologies

30. The modelling assessed a wide range of residential development scenarios that the Council considers are reflective of the sites likely to come forward in the Plan period. These included the three strategic urban extensions; four greenfield sites (122, 45, 30 and 16 units); two town centre flatted schemes (350 and 50 units); four 'brownfield' schemes (12, 14, 24 and 50 units); and three smaller schemes (3, 6 and 10 units).
31. One representor challenged the lack of a large brownfield scheme in the testing scenarios and referred to a specific proposal, which sits just outside the proposed lower Zone 1 Stevenage Central CIL charging zone. However, it is not realistic or possible for the Council to undertake viability testing of every conceivable development scheme and, in any event, the representor's scheme is not a specific housing development allocation in the Plan. In my assessment, the number and range of sites tested, within a relatively compact borough, is comprehensive for CIL testing purposes and representative of the scale and type of different housing development set out in the Plan.

32. The testing also included a range of older persons' housing development types which I consider to be suitably representative of likely schemes in the borough.

Residential sales values

33. Local residential sales values assumptions were derived from a triangulation of a number of sources. This included a survey of asking prices for new build properties conducted in July 2017, a review of Zoopla.com published house price reports (covering all sales rather than just new build) and a detailed study of actual prices paid for new build properties. The latter study looked at all sales recorded by the Land Registry and used floor areas taken from the Energy Performance Certificate (EPC) register to compute sales values per square metre. The main body of data here relates to over 500 transactions in 2016 and 2017, although I have noted the predominance of flat sales in the data set (448 of the 508 records) and the more limited number concerning other dwelling types.
34. Based on this analysis, the Council adopted assumed sales values for new housing of £3,750 psm for 'large greenfield' sites and £3,100 psm for 'smaller infill' sites. For flats, it assumed sales values of £3,700 psm across all sites. There was some challenge to the adopted sales values and a concern that prices have subsequently fallen. However, the PHVN updated data suggests that flat sales values in the first half of 2019 were averaging £4,435 psm, which is notably above that assumed in the modelling. For other housing types of 'detached', 'semi-detached' and 'terrace', the data was inconclusive as the number of transactions was small.
35. Sales values will clearly vary over time in line with the general property market and the local demand and supply factors for different housing products in Stevenage. I am satisfied that the Council's sales values assumptions, whilst broad brush and based on data which is now a few years old, are supported by the evidence and are suitably robust for CIL testing purposes. Moreover, changes in real world sales values, and other assumed components in the modelling, are matters that fall to be considered 'in the round' in terms of setting CIL with an appropriate headroom or 'buffer'.

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. In addition to these build costs, further cost allowances were made for external works which were highest for large greenfield sites (20% of the BCIS base value) due to the costs of providing new services and utilities on such sites, and lowest (5% of BCIS base value) for high density flatted town centre schemes.
37. Whilst the source of the build cost data is well grounded and recommended by the Guidance, the actual figures used were the median values for the July 2017 BCIS release. A number of representors drew attention to the rise

in build costs since that time. The PHVN includes an update on build costs which establishes that the BCIS costs have risen by between 14.22 – 21.88%, depending on the housing type. Whilst recognising the increase in build costs, the Council has not used these updated values in the re-run of appraisals carried out after the Hearing. This means that, based on the most up to date evidence, the Council's modelling does somewhat understate the likely construction costs.

38. I sought some clarification on the Council's position on this matter. Whilst recognising and noting the rise in build costs, the Council has drawn attention to parallel changes in sales values. It also says that there comes a point with any viability study when it is appropriate and necessary to 'draw a line in the sand' and rely on the evidence. I do accept the latter point and acknowledge that some of the delays between the iterations of the viability work have been outside the Council's control.
39. I do also agree that the evidence shows that flat sales values have risen further since 2017, and will therefore have an offsetting effect on any build cost inflation. However, the very limited recent sales value evidence does not confirm similar sales value growth in other forms of housing development ('terrace', 'semi' and 'detached'), and some representors assessed a lowering or flattening of values in recent times.
40. None of this is unusual or unprecedented in the inescapably broad brush exercise of CIL viability testing. However, it does mean that the Council's evidence does need treating with a degree of caution in certain areas. Notably, the recent build cost inflation on housing could be a not insignificant adjustment. Nonetheless, it is a matter that can be considered in the light of the viability buffers above the proposed CIL and, indeed, it underlines the importance of such buffers. Subject to these considerations, the Council has used appropriate and available build cost evidence.
41. Once corrected through the PHVN, affordable housing costs were assumed in line with the Plan's requirement and tenure split. Policy HO7 requires an affordable housing proportion of 25% on brownfield sites and 30% on greenfield sites. The assumed tenure split is 70% affordable rented and 30% intermediate, in line with Policy HO8. These assumptions are well grounded.
42. An allowance of £2,000 per dwelling was assumed for site specific residual S.106 Planning Agreement costs on all tested typologies. Although some questioned the inclusion of this allowance, it is sensible to include a notional amount. However, for the strategic urban extensions, specific S.106 cost estimates were used, based on the latest known position for each site. Specifically, the PHVN updated the S.106 costs for the Stevenage West site to reflect recognised additional highway infrastructure costs of circa £8 million.
43. The Council initially modelled all of its appraisals using a developer return of 20% of Gross Development Costs (GDC). The Council's consultant contends that this is more representative of a developer's commercial risk than using a percentage of GDV as recommended in the Guidance, although in practice

it says its assumptions would typically equate to an amount within the 15 – 20% GDV range suggested in the Guidance⁵. However, for the housing development appraisals only, the PHVN updates the approach to 17.5% of GDV for market units and 6% contractor return on affordable housing. The Council's profit assumption approach for other development types remains based on 20% of GDC. Whilst higher profit levels were suggested by some, the adopted approach, and the assumed return, is reasonable and I have factored into my assessment the different profit assumptions made (for housing and other development types).

44. Although there were some challenges from representors, I assess that the Council's assumptions and approach on other development costs, including professional fees, abnormals, gross to net ratios, finance, marketing, agents and legal fees, are all reasonable and within industry norms. Moreover, any outstanding differences of views on these matters can be considered in the round when assessing the proposed CIL and the extent of the viability buffers.

Land values

45. 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's land value assumptions appear to be consistent over its various iterations of its viability work and recognise the limited availability of transactional evidence.
46. The Council has assessed and utilised 'threshold' land values, which are the land prices a willing landowner is assumed to be incentivised to sell land for development purposes. The assumed threshold values were £425,000 per hectare for agricultural land, £450,000 per hectare for paddock land and £750,000 for industrial land. In each case, these threshold values represent a substantial premium over the base land values. Additionally, 'residential' and 'town centre' land was assumed to be valued at £1 million per hectare. I consider the assumed land values to be reasonable for CIL testing purposes.

Commercial development modelling assumptions

47. The Council tested assumed typology case studies for a range of commercial developments. These included offices, large industrial, distribution, hotels and leisure, community and institutional, and various types of retail development. The data sources and assumptions employed for land values, build costs, developer's profit margin, fees, contingencies and finance all appear reasonable for high level CIL modelling.

Conclusions on background evidence

48. The Plan provides a clear strategic planning framework to guide sustainable growth in Stevenage borough and the IDP identifies the infrastructure

⁵ PPG - Paragraph: 018 Reference ID: 10-018-20180724

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 £16 million and whilst making an important contribution, a significant funding shortfall will remain. The economic viability evidence for residential, older persons' housing and commercial developments 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, proportionate and appropriate.

49. The application, interpretation and use of this evidence, in defining the proposed CIL rates and zones, are discussed more fully below.

Are the charging rates informed by and consistent with the evidence?

Residential development

50. Table 10.3 of the PHVN sets out the results of the Council's modelling, expressed as the amount of 'additional profit' that could, in theory, be used to make CIL payments. In effect, this is the 'overage' after all scheme costs, including land, construction and developer profit, have been deducted.
51. Of the 16 tested schemes, 15 were modelled to be viable and generated 'additional profit' ranging from £27 psm up to £805 psm, which indicates that residential development is generally viable across the borough and in most tested schemes, the additional profit is significant (13 of the 16 results show over £250 psm additional profit). Greenfield sites returned stronger viability than schemes on previously developed land.
52. The exception to the positive results was Site 13, which involved a 12 flat development on a 'small constrained' brownfield site. This scheme generated a negative result of -£298 psm, which indicated that it would not be viable, whether or not CIL was in place.

Strategic sites – £100 psm and £40 psm

53. The South-East Stevenage urban extension generated the highest result with a modelled £805 psm additional profit. The scheme can readily support the proposed £100 psm CIL and a considerable viability buffer will remain. Whilst I note the views of some representors that a higher CIL rate could be supported, the Council has adopted a suitably cautious approach and is clearly mindful of site specific S.106 requirements and the strategic importance of this allocation.
54. In the PHVN appraisals, the North of Stevenage and Stevenage West urban extensions returned results of £312 psm and £255 psm. These amounts of additional profit are significantly reduced from the 2017 appraisals (which were £655 psm and £531 psm respectively) reflecting the corrected affordable housing assumptions, updated S.106 costs and a GDV based developer return.

55. In the light of these reduced values and the strategic nature of these sites, the Council has undertaken a sensitivity test, which applies a +25% buffer to the assumed threshold land values. This indicates that neither scheme would meet this land value plus the buffer at the DCS rate of £100 psm proposed for these sites. However, if the CIL for these sites was set at £40 psm, the North of Stevenage extension would just exceed the buffered land value and the Stevenage West extension would be marginally below it. Whilst this would mean that a reasonable buffer would be maintained in both cases and the CIL would amount to less than 1% of GDV, it is appropriate to adopt some caution on such sites given their importance to the Plan, their acknowledged heavy S.106 burdens for site specific infrastructure, and the dynamics of real world development economics, such as the rise in build costs in recent years and unforeseen future changes.
56. The Council now supports a £40 psm CIL rate for the North of Stevenage and Stevenage West extensions. Based on the evidence, I assess that, whilst the DCS £100 psm rate would be too high for these sites and would create risks to their viability, the £40 psm CIL can be supported and these strategic developments will remain viable. I therefore recommend modifications to the DCS to reduce the CIL for these two sites to £40 psm, and to make consequential changes to the zoning map.

Zone 1 – Town Centre £40 psm

57. As currently defined in the DCS, Zone 1 takes its boundaries from the Plan's Stevenage Central inset map. This embraces the 'opportunity areas' covered by Policies TC2 – TC7, where a significant number of new homes is proposed, primarily within high density major flatted development schemes.
58. Of the 15 positive viability results, the 2 with the lowest viability related to flatted schemes in the town centre. Modelled Site 8, comprising a 350 unit high density scheme of flats, returned a £174 psm additional profit result. A smaller flatted town centre scheme of 50 units (Site 9) was less viable, with an additional profit figure of just £27 psm. Site 8 appears to be the closer proxy to the type and scale of flatted development envisaged under the Policies TC2 – TC7 allocations and I therefore give greater weight to it. I have also noted the seemingly strong sales values of flats in the town centre which the PHVN indicates are still well above the values used in the modelling. This should improve viability further, notwithstanding the PHVN acknowledged recent rise in build costs. Overall, the modest £40 psm CIL is consistent with the evidence and can be supported without any undue threat to the viability of the planned housing development in the town centre.

Zone 2 – 'Everywhere Else' – £100 psm

59. The tested development types in locations outside the town centre, and the North of Stevenage and Stevenage West extensions, generally displayed healthy viability. The four greenfield schemes (Sites 4 – 7) had the highest results, ranging from £450 – £616 psm of additional profit. The viable brownfield schemes (Sites 10, 11 and 12) were a little lower but still fell in a

range of £253 – £378 psm. The smaller sites, below the affordable housing threshold, returned results in a range of £264 – £505 psm.

60. I have noted views that higher CIL charges could be sustained or that a different approach, with higher rates for greenfield and smaller sites, could be adopted. However, whilst this may be the case and there are many hypothetical charging permutations, the Council's approach is simple, cautious and consistent with its evidence. Moreover, the evidence before me indicates that all of these tested 'everywhere else' schemes could absorb the £100 psm CIL and, in most cases, there would still be a sizeable buffer.

Land to the west of Lytton Way

61. I have considered carefully the detailed evidence submitted by a representor concerning a site known as 'land to the west of Lytton Way', which lies just outside Zone 1 (and within the proposed 'everywhere else' higher £100 psm CIL zone). I note the representor's submissions concerning similar town centre values just beyond the Zone, its view that the Zone 1 / Zone 2 boundaries have not been justified and that its site should be included in the £40 Zone. I have further noted its views that by adjusting just some of the Site 8 inputs for its site would render its scheme unviable, and that housing delivery will be placed at risk.
62. However, this is not a site allocated for housing in the Plan and the inset plan boundary, whilst not necessarily representing a dramatic and instant change in land values, does delineate the planned town centre housing development, which is distinct and differentiated from other types and locations of new housing in the wider borough.
63. I do recognise that there could be housing schemes on unallocated windfall sites, such as that being promoted by the representor, that may be challenged in viability terms, but that does not create a compelling case for amending the CIL zone boundaries, which are informed by, and consistent with, the Council's evidence concerning the viability of development across the borough more generally, as set out in the Plan. Moreover, I note that even at the higher rate, CIL amounts to less than 3% of GDV, which means that it is unlikely to be a pivotal factor in terms of whether or not the scheme would proceed.

Older persons' housing development

64. The testing of 'sheltered housing' schemes in brownfield and greenfield scenarios, with policy compliant levels of affordable housing, demonstrated that these types of development could readily absorb the proposed borough wide £100 psm CIL. Indeed, the results indicate substantial levels of additional profit and that the CIL would be less than 2% of GDV in all tested cases.
65. 'Extracare' housing developments displayed weaker viability but could absorb the proposed £40 psm CIL with some headroom remaining, although it is quite limited in the brownfield test scenario. However, the CIL would be

less than 1% of GDV in both greenfield and brownfield test cases, meaning that it would remain a relatively small element of overall development costs.

66. Some representors have suggested that older persons' housing should be exempt from CIL, but I am satisfied that the viability evidence demonstrates that this type of development is able to support the proposed charge. Indeed, it suggests that sheltered housing developments have generally stronger viability than market housing developments.
67. I assess that the CIL charges for sheltered housing and extracare housing developments are informed by and consistent with the evidence. However, for clarity, some modification is required to the DCS development type definitions to ensure that they align with the definitions set out in the revised Guidance⁶ published in June 2019. I have included these modifications in my recommendations.

Commercial development

68. The testing of commercial development types indicated that only retail development types could support CIL charges; all other tested commercial development scenarios generated negative results.
69. The testing of small shops in 'central' and 'other' locations, supermarkets (greenfield and brownfield) and retail warehouse developments generally demonstrated strong viability and an ability to absorb the proposed £60 psm CIL, with significant viability headroom in most cases. Only the small supermarket brownfield site scenario displayed marginal viability. The proposed £60 psm CIL for all types of retail development is informed by and consistent with the evidence.

Does the evidence demonstrate that the proposed charge rates would not put the overall development of the area at risk?

70. There have been challenges to the CIL proposals and the charging zones, with some arguing that the CIL would be too high and may place market and affordable housing delivery at risk, whereas others contend that CIL is proposed at too low a level and that more funding could be captured for infrastructure provision. It must be remembered that testing the viability of development across an area is not an exact science and there is inevitably scope for some disagreement.
71. What is important is that appropriate and available evidence is used which reflects local market conditions and provides a broad assessment that is proportionate for the purposes of CIL. In this regard, I consider that the Council's evidence, whilst made a little complicated by the passage of time and some unfortunate, but now corrected, computational errors, has achieved this requirement. Moreover, its approach of setting CIL with a substantial buffer in most cases mitigates many of the challenges made on

⁶ Planning Practice Guidance Paragraph: 010 Reference ID: 63-010-20190626 (Revision date 26 June 2019)

modelling inputs and allows for the recognised build cost inflation in recent years.

72. Subject to my recommended modifications to reduce the CIL on the North of Stevenage and Stevenage West strategic urban extensions, the evidence indicates that the Council's proposed residential development CIL charges will not place the overall development of the area, as set out in the Plan, at risk. Similarly, I assess that the proposed CIL for older persons' housing developments and for retail developments are appropriately evidenced and reasonable. I do not consider that the CIL will threaten these types of development, based on the evidence.
73. In setting the CIL charging rates, and in its requests to me to make recommended modifications, the Council has had regard to detailed evidence on infrastructure needs and the economic viability of development across Stevenage borough. The Council has sought to be realistic and suitably cautious in its proposals to introduce CIL, which will achieve a reasonable level of income to fund required infrastructure, whilst at the same time ensuring that most development planned through its Local Plan will remain viable.

Other matters

74. The Council has now published a revised draft CIL Instalments Policy that is intended to come into effect at the same time as the charging schedule. This sets out how the liability to pay the CIL in respect of housing developments will be phased. The draft policy should assist the overall viability of developments, particularly larger schemes implemented on a phased basis over the life of the Plan.
75. I have noted representor comments about the policy's exclusion of retail development CIL liabilities from the instalments regime, but there is no evidence before me to suggest that this exclusion would threaten the viability of such schemes, which in any event tend to be much shorter in construction duration than housing developments.

Conclusion

76. I conclude that, subject to the modifications set out in the Schedule to this report, the Stevenage Borough Council Draft Community Infrastructure Levy Charging Schedule 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.
77. I therefore recommend that, subject to the modifications **EM1 – EM3** set out in the attached Schedule, the Charging Schedule be approved.

P.J. Staddon

Examiner

SCHEDULE

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

Reference	Modification
EM1	<p><u>Section 3 Table 1</u></p> <p>Delete 'Zone 1: Stevenage central' and replace with 'Zone 1: Stevenage Central, Stevenage West urban extension and North of Stevenage urban extension'.</p>
EM2	<p><u>Pictures</u></p> <p>Picture 1 – add red lines around the site allocation areas for Stevenage West urban extension and North of Stevenage urban extension and amend the Zone 1 key to delete 'Zone 1: Stevenage central' and replace with 'Zone 1: Stevenage Central, Stevenage West urban extension and North of Stevenage urban extension'.</p> <p>After Picture 2 – add new Picture 3 containing a site plan defining 'Zone 1: Stevenage West urban extension'.</p> <p>Add new Picture 4 containing a site plan defining 'Zone 1: North of Stevenage urban extension'.</p> <p>Current 'Picture 3' – rename as 'Picture 5 Zone 2: Everywhere else'.</p>
EM3	<p><u>Table 3</u></p> <p>Add the following footnotes beneath the table:</p> <p>'Sheltered housing' includes 'age-restricted general market housing' and 'retirement living or sheltered housing' as defined in the Planning Practice Guidance (June 2019).</p> <p>'Extracare housing' refers to 'extra care housing or housing-with-care' as defined in the Planning Practice Guidance (June 2019).</p> <p>'Residential care homes' are classed as 'all other development'.</p>