

Stevenage Borough Council - Community Infrastructure Levy (CIL) Examination

Examiner's Post Hearing Clarification Request

The examiner's questions are copied into the shaded boxes below, with the Council's responses following.

The Examiner's requests the following clarification from the Council.

The Council's Post Hearing Viability Note (11 September 2019) includes updated BCIS construction cost data. This indicates that, since 2017, construction costs have risen by between 14 – 22% (page 3 of the Note). However, it appears that the Council's re-run of the appraisals remains based on the (lower) 2017 BCIS build costs.

The Council is asked to explain:

The issue of updated costs was discussed at the CIL Examination. The Council readily accepted that build costs had increased, but made the point that values had also changed. In line with the comments made by the Council at the hearing, 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 at a date.

The Council maintains its position that the cost and value assumptions included in the *Viability Update – CIL (December 2017)* still form an appropriate evidence base for this assessment, with the addition of updated site-specific costs that were identified for strategic infrastructure and mitigation at two of the Local Plan's strategic sites, as recorded in the *Post Consultation Viability Note (January 2019)*.

The *Post Hearing Viability Note (September 2019)* was produced for the following reasons and was never intended to amend construction costs using updated BCIS construction cost data:

- The primary purpose was to tidy up and formally submit, with a note of explanation, the results tabled at the hearing session. No changes were made to the tables submitted at the CIL Examination and the results were presented in a way to be easily comparable (using the same paragraph and table numbers).
- Also, as agreed at the CIL Examination, a note was included on the changes in costs and values. It was not suggested that the appraisals would be further updated and the examiner neither asked for this to be done or agreed that it should be done.
- In addition, HDH used the note to clarify (but not introduce any new evidence) several points made at the CIL Examination. It is accepted that the examiner did not ask for this, however this was felt to be helpful to the overall process.

The examiner's two specific questions are responded to below.

1. The Council's reasons for not updating the modelling to reflect the recognised increases in BCIS build costs.

The Council's viability evidence is made up of a number of documents.

Whole Plan Viability Study including Community Infrastructure Levy (CIL), (HDH, September 2015) (the 2015 Viability Study) is the 'root' viability document that was published to support the Stevenage Local Plan 2011-2031. It was submitted to the Secretary of State for independent examination in July 2016. The public hearings concluded in March 2017, and in June and July 2017 the Council undertook a consultation on the Proposed Main Modifications.

Viability Update – CIL. December 2017 (HDH, December 2017) (the 2017 CIL Update) was prepared following the receipt of the Local Plan Inspector's report, when the Council was further reconsidering Community Infrastructure Levy (CIL) as a mechanism to fund the infrastructure required to support the new Plan.

Viability was considered at some length at the Local Plan Examination hearings and whilst a number of concerns were raised by developers, the methodology and assumptions were not challenged. Based in the inspector's report it was assumed that the 2015 Viability Study was a sound basis for taking CIL forward. Through the plan-making process a number of policy changes were made (such as to the affordable housing target) so it was necessary to update the evidence to ensure that it was in line with the Local Plan.

As part of the 2017 CIL Update the cost and value assumptions were reviewed and updated. By way of example the market housing assumptions were updated from:

Table 4.1 2015 Price Assumptions £/m²		
	Flats	Housing
Large Greenfield		£3,150
Smaller Infill	£3,000	£2,550
Town Centre	£2,500	

Source: Table 4.11 SBC Whole Plan Viability Study, September 2015

To the following:

Table 4.7 2017 Updated Price Assumptions £/m²		
	Flats	Housing
Large Greenfield		£3,750
Smaller Infill	£3,700	£3,100
Town Centre	£3,700	

Source: July 2017

Likewise, the build costs were revisited and the cost figure for 'Estate Housing – Generally' was £995/m² at the time of the 2015 Viability Study and this had increased by 8.7% to £1,082/m² at the time of the 2017 CIL Update.

The Council was ready to adopt the Local Plan in November 2017 but was subject to a 'Holding Direction' from the Secretary of State. This had a direct impact on setting CIL as CIL was being set relative to the new Local Plan. After a period of delay, the Council ran a consultation on the PDCS from September 2018. This was less than a year since the 2017 CIL Update so the Council did not feel that it was necessary (or proportionate) to update the evidence base. This decision was in line with paragraph 10-005-20140306 of the PPG that said:

Evidence should be proportionate to ensure plans are underpinned by a broad understanding of viability. Greater detail may be necessary in areas of known marginal viability or where the evidence suggests that viability might be an issue – for example in relation to policies for strategic sites which require high infrastructure investment.

This was also in line with the CIL Guidance in the PPG that said 25-019-20140612:

A charging authority must use 'appropriate available evidence' (as defined in the section 211(7A) of the Planning Act 2008) to inform their draft charging schedule. The government recognises that the available data is unlikely to be fully comprehensive. Charging authorities need to demonstrate that their proposed levy rate or rates are informed by 'appropriate available' evidence and consistent with that evidence across their area as a whole.

A charging authority should draw on existing data wherever it is available. They may consider a range of data, including values of land in both existing and planned uses, and property prices – for example, house price indices and rateable values for commercial property. They may also want to build on work undertaken to inform their assessments of land availability.

It is also in line with the updated CIL Guidance that now says at 25-019-20190901:

..... Viability assessments should be proportionate, simple, transparent and publicly available in accordance with the viability guidance. Viability assessments can be prepared jointly for the purposes of both plan making and preparing charging schedules. This evidence should be presented in a document (separate from the charging schedule) that shows the potential effects of the proposed levy rate or rates on the viability of development across the authority's area. Where the levy is introduced after a plan has been made, it may be appropriate for a local authority to supplement plan viability evidence with assessments of recent economic and development trends, and through working with developers (e.g. through local developer forums), rather than by procuring new evidence.

Following the PDCS consultation, the *Post Consultation Viability Note* (HDH, January 2019) was prepared. This picked up on the site-specific infrastructure and mitigation (i.e. s106) costs which had changed.

The Holding Direction was lifted in April 2019 and the Council immediately went out the consultation on the DCS. It would not have been proportionate, necessary or appropriate to update the evidence again at that stage (it was still up to date). Following the DCS consultation the Council submitted the DCS for independent examination.

There is no doubt that build costs will have changed since the 2017 CIL Update. Likewise, there is no doubt that values will have changed as well. These changes were set out in the *Post Hearing Viability Note 2019*.

It is the Council's firm view that it would not be appropriate or necessary to update the viability evidence further now. If an update was carried out it would be quite wrong to update just part of the appraisals, for example just the cost side of the equation inputs. It would also be necessary to update the values and the costs (viability is a factor of costs and values) and apply both these changes to the appraisals.

In the 2019 Post Hearing Viability Note it was set out that different types of residential construction had changed by different amounts since the 2017 CIL Update. It was also set out that values have changed. By way of example, page 6 of the 2019 Post Hearing Note shows that a value of £3,700/m² was used for flatted development in the 2017 CIL Update. The September 2019 average was £4,435/m² which is 20% higher than the £3,700/m² used (£4,435-£3,700=£735. £735/£3,700=19.89%).

In this regard, the updates PPG specifically says that it is appropriate to look at average values in paragraph 10-011-20180724 that says for '*... broad area-wide or site typology assessment at the plan making stage, average figures can be used ...*'.

This data shows that the values of flats has increased by just under 20% and the costs of construction of the higher format (6+ storeys) flats by just over 14% since the *CIL Viability Update* (Dec 2017). The cost of construction of flats more generally has risen by a lesser amount to values over the same period. On this basis it is clear that there has been an improvement in viability for the construction of flatted development since the *CIL Viability Update* (December 2017). On this basis the Council maintains its position that it is not proportionate or necessary to rerun the appraisals.

In summary, if the appraisals had been re-run then it would show that viability has improved.

2. The Council's position on how it considers that these recognised build cost increases should be assessed in the light of its CIL evidence base.

The increase in build costs have been treated appropriately – that is to say they have been noted.

Likewise the increases in values have been treated appropriately – again they have been noted (with the full supporting evidence supplied).

If the build costs were to be updated in the appraisals it would also be necessary to update the values. As the data shows that the values of flats have increased by just under 20% and the costs of construction of the higher format (6+ storeys) flats by just over 14% since the *CIL Viability Update* (Dec 2017). The cost of construction of flats more generally has risen less than values over the same period.

On this basis it is clear that there has been an improvement in viability for the construction of flatted development since the *CIL Viability Update* (December 2017). On this basis the Council maintains its position that it is not proportionate or necessary to rerun the appraisals.