EBD.6

Community Infrastructure Levy

Submission Charging Schedule

Summary of Consultation Responses - addendum

Stratford-on-Avon District Council

December 2015

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1 Introduction

The Council produced the Community Infrastructure Levy Submission Charging Schedule (SCS) for consultation in October and November 2015. The schedule and supporting evidence can be viewed on the website at: www.stratford.gov.uk/CIL2015

A rate of £150 per square metre (for sites of 11 units and over) and £75 per square metre (for sites of 10 units and under) has been proposed for residential development in all locations across the districts apart from three strategic sites where the proposed rates are £110 per square metre (at Gaydon/Lighthorne Heath), £75 per square metre (at Long Marston Airfield) and £85 per square metre (at Stratford-upon-Avon's Canal Quarter Regeneration Zone).

A rate of £120 per square metre was also proposed on retail development outside identified centres, with a rate of £10 per square metre proposed for the retail centres at the new settlements at Gaydon/Lighthorne Heath and Long Marston Airfield.

The viability evidence behind these rates was presented in a study by Peter Brett Associates, CIL Economic Viability Study: Submission Charging Schedule, September 2015

This document has been produced as an addendum to the Stratford on Avon District Council CIL Statement of Consultation. The addendum includes three representations that were not included in the summary of consultation responses. These comments have been briefly summarised and initial comments on how the issues might be addressed have been included in the table below.

2 Summary of Individual Responses

A summary of the three responses is shown in the table that follows.

Topic	Respondent	Summary of Consultation Response	Council response
CIL Comment	Savills (on behalf of a national house builders consortium)	The Consortium is concerned that SoA's Draft Infrastructure Delivery Plan (IDP) has not been updated since June 2014 which underestimates the level of infrastructure required for the revised planned growth of 14,485 new dwellings. The Consortium consider this should be updated ahead of the Examination to provide increased clarity on how infrastructure delivery is planned for the District. In absence of an up to date IDP, SOA has produced a Regulation 123 List. Some items on this list are unclear on the exact requirements of funding through either Section 106 or CIL The impact of the 2015 Budget announcements on the affordable housing sector will need to be considered and reflected in the economic viability evidence due to the impact on land values. The impact will vary depending on the tenure split prescribed by the Local Planning Authority, as only social and affordable rental products are affected; however, we are aware of offers being reduced by £10,000 - £30,000 per plot. For the purpose of viability appraisals these policy requirements will clearly result in a reduction in affordable revenues for developers. In light of this, we would strongly advocate PBA and the Council undertaking additional viability testing to take account of these changes.	It is confirmed that the IDP has now been updated to address the new development strategy and increase in the overall housing number. This revised draft will be available for scrutiny via the examination process. If upon further reflection a further clarification report is required to ensure there is no misunderstanding in relation to assumptions and variables used in the viability modelling, this will be actioned in advance of the examination. The development of the SCS including the consultation stage was prior to the budget announcement and therefore couldn't reflect any impact from this. The existing Affordable Housing evidence used for the viability assessment is reflective of what has previously been delivered in the authority and what the authority's policy aspirations are going forward.

		In addition, we note the method that has been adopted by PBA applies a crude discount to market value, which given the quantum of affordable housing on larger sites is neither accurate nor sufficiently robust. We would either suggest that the RICS guidance note on the ‘‘valuation of Land for Affordable Housing" is used or that PBA approaches a selection of local RPS to offer a more informed view.	
		The Consortium welcomes the increase between the previous Economic Viability Study and the September 2015 update, whereby build cost assumptions have increased by 9% for flats, 8% for small housing, and 7.5% for estate housing. However we feel the revised costs are still below the prevailing average build costs.	Build costs have been rebased to the location and have been adjusted according to the most up to date quarter at the time.
		Within PBA’s updated Viability Study, when discussing sustainability and building standards, the study states “For Authorities wishing to incorporate this into planning policy, such as Stratford-on-Avon, this will have cost implications that will need to be considered” (paragraph 5.3.21). There is no allowance in the viability assessments for the increased costs. Therefore, in light of this, the Consortium and Savills strongly recommend these costs are re-assessed and a justifiable amount is included.	The viability evidence clearly accounts for Part L, 2013 Building regulations which require emission reductions of 6% from 2010 standards. This cost has been built into the viability assessment.
		In addition, the introduction of a Zero Carbon Standard, to be introduced through amendments to the Building Regulations energy performance requirements, is anticipated in 2016. For the purpose of the viability appraisals, this policy requirement will result in an additional cost for	Any further policy or central government intervention cost implication regarding sustainable buildings/construction will be accounted for in further revisions to CIL rate revisions as and when it is necessary to do so.

		developers and should subsequently be included in the viability appraisals. The Consortium are extremely concerned to see no allowance has been made in the Viability Study to allow for Section 106 and Section 278 costs for all typologies, except the three strategic sites for Gaydon/Lighthorne Heath, Long Marston Airfield and the Canal Quarter. The identification of the three strategic sites listed in contrary to the Core Strategy Proposed Modifications (August 2015) which identifies a further seven strategic sites. It is the Consortium's view that all strategic sites should be assessed with consistency due to the reliance on each of these for the overall delivery of the Core Strategy's objectives. From Savills' experience of reviewing Viability Studies nationally, we can confirm that almost all other consultants include a provision in the appraisals for Section 106 and Section 278 costs. In addition, the items not included on the Regulation 123 List can be sought through Section 106. This is of particular relevance to the following infrastructure requirement which will be sought through planning obligations (Section 106); - Site specific access and traffic calming measures; - Site specific public transport, pedestrian and cycle links; - On site drainage and flooding solutions; - On site sustainable energy requirements. We strongly recommend the appraisals are re-produced including provision for Section 106 and Section 278 costs for all site typologies, but particularly for site of 350 units above including a	 It has been envisaged that the majority of the districts s106 cost will be borne out from the three strategic sites. If upon further reflection a further clarification report is required to ensure there is no misunderstanding in relation to assumptions, variables and further justification used in the viability modelling, this will be actioned in advance of the examination. The 'Buffer' headroom or financial residual balance which has been devised using the costs and value assumptions in the viability analysis is assumed to assist with any s106 contribution requirement.

		provision for £10,000 per plot. In summary, to ensure consistency with the NPPF and to provide the landowner with a competitive return, we consider that the BLVs must be uplifted by a minimum 25% - 30%. In some cases, this will still not represent a sufficient return to the landowner to incentivise the release of an asset which, in some instances, will have been within the ownership of the family for many generations. For sites of the scale (500 units plus), there will be considerable costs associated with servicing and on-site physical infrastructure required to deliver serviced land parcels. This is a separate cost to community or social infrastructure and relates to the provision of services, highways infrastructure, drainage etc. The Consortium note an allowance of £5,000 per unit for site of less than 200 units, £10,000 per unit for 201 to 500 units, and Greenfield sites of more than 500 units £18,000 per unit for major on-site infrastructure and associated costs. The Consortium consider this assumption, included without any evidence or justification is to be low and not reflective of the requirements to bring forward sites at the early planning stages. As a rule of thumb, the Harman Guidance indicates that the cost of strategic infrastructure is typically in the order of £17,000 - £23,000 per plot for larger scale schemes". We would expect smaller 400 unit schemes to have costs included in the region of the bottom end of the Harman Report guidance (£17,000 per plot), and larger sites above 400 units at the top of the range (£23,000 per plot).	The 'Harman' guidance on Threshold Land Value has been used which stipulates that 'a 25% reduction in benchmark values as the maximum that should be used in calculating threshold land values'. Previous economic viability assessment such as the Canal Quarter Economic Viability Study has assisted with setting the opening up costs assumed for the CIL viability evidence. If upon further reflection a further clarification report is required to ensure there is no misunderstanding in relation to assumptions, variables and further justification used in the viability modelling, this will be actioned in advance of the examination.

		The Consortium's clear preference is for all strategic sites to be delivered through planning obligations rather than CIL for without this, the burden of CIL may fail to bring forward these sites, or inadequately deliver vital infrastructure, and therefore threaten the Development Plan objectives. The key strategic objective of delivering a substantial contribution of affordable housing through these sites would also be put at risk. The approach of providing a zero CIL rate for strategic sites recognises the costs of delivery of these sites and enables greater flexibility to address necessary infrastructure requirements through a bespoke Section 106 agreement which balances the costs and timing of infrastructure delivery. In addition, delivery of large sites is complex and thus control over infrastructure is imperative to ensure comprehensive planned development is achieved for to create balanced, desirable new settlements and neighbourhoods. We therefore suggest implementing a rate of £0 per sq m for strategic sites of 400 dwellings or above in scale. This would allow developers to control the delivery and implication of vital infrastructure to ensure prosperous new communities are created, whilst not burdening the existing resident population and infrastructure.	The average CIL liable headroom for the three strategic sites illustrate that s106 and affordable housing set at policy compliant levels can still be accommodated viably as part of the site delivery. Although the majority of the infrastructure requirement to serve the strategic sites will be provided through the s106/s278 process by setting a rate for the strategic sites periodic reviews of the reg 123 list can take place and amendments made if other mechanisms for delivering site specific infrastructure break down.
CIL Comment	CALA Homes	CALA understands that the Infrastructure Delivery Plan is being updated to include details on the LMA scheme. On this basis CALA withholds judgement and will seek to comment on this document when it is published which we trust will be in reasonable time in advance of the Examination of the Charging Schedule.	It is confirmed that the IDP has now been updated to address the new development strategy and increase in the overall housing number. This revised draft will be available for scrutiny via the examination process.

		By way of example, clarification is sought on which elements of the LMA scheme would be delivered under CIL or s106, s278 and other mechanisms. This is of particular importance in ensuring that there is no potential for "double counting" in relation to what is sought through CIL receipts and what is sought through s106 in relation to the LMA site. In particular, what is intended to be provided under ''Public transport investments, pedestrian and cycle links where not part of a site specific development/mitigation package" for CIL in respect of LMA (or if for LMA all are assumed 'site specific'). Examples of this could potentially include works to the Stratford Greenway and any Bus Contributions, which, if assumed as coming via CIL within the viability evidence, will lead to a different level of viability than if assumed as being achieved through s106.	The purpose of the Reg 123 list is to ensure CIL liable development contributes towards a generic pot of infrastructure subsidy and where appropriate that strategic/large sites contribute towards site specific mitigation. It distinguishes between infrastructure required as a result of the cumulative impact of smaller scale development and that required directly as a result of strategic scale development. Specific schemes for each infrastructure typology have not been identified at this point but will be required to inform future stages.
		A Regulation 123 List was not published with the Preliminary Draft stage of consultation. It is not clear whether the now higher proposed CIL rate would in actuality result in the delivery of greater levels of infrastructure on this list than that assumed in October 2013. Notwithstanding, the actual delivery of infrastructure required to support LMA has remained largely the same over this period.	The reg 123 list was not a requirement for the initial Preliminary Draft Charging Schedule (PDCS) consultation therefore, has been produced as a result of the PDCS consultation and Draft Charging Schedule Consultation (DCS). It reflects the two previous economic viability assessments that have informed the CIL rate process.
		Given the estimated cost of the Stratford Transport Package amounts to c.£11m and costs associated with the other items either may be "double counted" with s106/s278 for LMA or be otherwise modest, it would appear that LMA would pay a disproportionate amount to fund these	It is possible to have generic infrastructure typology provision set within the reg 123 list and still have a CIL reg 122 compliant s106 contribution towards a specific scheme. In the case of the LMA and the Stratford Transport Package – site specific access and traffic calming schemes will be funded through s106 and

		items, which means that in combination with CIL from other developments across the District, these items would be "overfunded' (i.e. the LMA rate would lead to infrastructure delivery over specified for the purposes of just supporting the LMA strategic site). Again the publication of an IDP for LMA may have made such matters clearer. It is considered that the proposed CIL rate provides undue risk on the viability of the LMA scheme, particularly if CIL is not being used to fund public transport, pedestrian and cycling improvements for LMA (which will instead also come through s106/s278). In advance of seeing the IDP, CALA consider that a lower rate would more be appropriate for LMA, set within the range of £65-70 per sq m. This would ensure that the viability of development proposals will not be undermined, CIL will be collected and housing infrastructure provided. The associated Infrastructure Delivery Plan for LMA has not been published alongside this consultation. Therefore CALA has been wholly unable to understand which items of infrastructure related to the LMA site are to be funded via CIL and to ensure there is no double counting; this evidence necessary to support the rate is simply not currently available; No rationale has been given as to why between the preliminary draft charging schedule in October 2013 and the current proposed charging schedule has increased the rate applicable to LMA from £60 to £75 per sq m. The infrastructure requirements from LMA have not substantially changed in this	effectively all other improvement schemes within the STP will be funded through CIL These comments are understood, but the evidence shows that the development remains viable with CIL at the proposed level. The concerns can be discussed via the examination process. The Reg 123 list excludes the strategic sites from contributing towards CIL for items of on-site infrastructure that will be directly funded. As and when other specific schemes are identified the list can be revisited.

		period; The Economic Viability Study indicates the "Council may wish to be more cautious" than the concluded £75 rate, albeit the Council has not shown or explained why £75 is appropriate in light of the recommendations within this report.	
CIL Comment	Chesterton & Kingston Parish Council	The Strategic Sites Assumed s106 Costs for GLH only refers to £3.7m off-site highways junction improvements and £1 m M40 junction slip lane in viability evidence. During the CS examination a contribution of £5m was mentioned for M40 hard shoulder running. P54 of the CW SEP refers to the Highways England, investigating hard shoulder running between junctions 12-15, which will costs millions. This is not mentioned at all in the CIL PBA report.	The £5m for hard shoulder running on the M40 has been accounted for in the latest version of the IDP however, it is not being promoted as part of the GLH development and therefore associated costs towards this scheme cannot be attributed to GLH.

3 Overview Summary

This report identifies and acknowledges three additional key issues raised within the submitted representations. It has arranged these issues under key theme/topic areas. Where appropriate the report also identifies how these issues will be addressed.

The main concerns respondents raised were in relation to the ambiguity of the reg 123 and potential 'double counting', the CIL rates being too high especially for LMA and the validity of the viability evidence.

The Economic Viability report can clearly demonstrate sufficient 'financial headroom' to accommodate s106 and affordable housing requirements and still support the proposed CIL rates in the schedule. As previously acknowledged, there has been no substantive change in approach since the proposed viability assumptions and methodology were tested at a development industry workshop held in February 2014. The workshop was well attended and representatives of the local house building industry, registered providers, architects, surveyors, land owners, agents and promoters all contributed. This workshop produced a consensus about the CIL viability modelling assumptions that should be used to take forward a schedule of charges.

The Council retains the view that on the whole the assumptions made in the CIL Economic Viability Study: Submission Charging Schedule report (Peter Brett Associates, September 2015) are valid and should inform the introduction of a CIL. The overall evidence base, which includes a number of previous reports, is considered robust. The Council will seek to justify the approach taken via the CIL examination process.

It should be noted that this is a high level analysis prepared to inform the Council's decision making process. It has not sought to set out in full detail the content of the representations made or to respond in full detail to the comments made. The representations in their entirety have been made available on the Council's website.

4 Next Steps

This report is presented as an addendum to the 'Summary of Responses' to the Submission Charging Schedule which has been recommended for independent examination in 2016.

The Council is in the process of appointing a Program me Officer and Independent Examiner to examine the proposed Charging Schedule and the associated evidence base. Following examination, the Council will consider adopting the Charging Schedule.

Beyond that, the Council will regularly review whether there have been any changes in market conditions or the costs of development that justify considering a change to the charging schedule. The need for infrastructure funding will also be kept under review to monitor whether CIL charging continues to be required. Any changes made to identify infrastructure projects will be assessed to determine whether they have implications for viability that would justify a review of the CIL charging schedule.