

EAST HERTS COUNCIL

DISTRICT PLANNING EXECUTIVE PANEL – 21 FEBRUARY 2013
EXECUTIVE – 5 MARCH 2013

REPORT BY EXECUTIVE MEMBER FOR
STRATEGIC PLANNING AND TRANSPORT

FINANCIAL VIABILITY UPDATE AND STAGE 1 RESULTS

WARD(S) AFFECTED: ALL

Purpose/Summary of Report

- This report explains that assessment of financial viability and costs is an important part of plan-making. The report presents the Executive Summaries of two important studies on the subject of financial viability. It is explained that a stepped approach to financial viability and infrastructure planning is necessary.

RECOMMENDATIONS FOR DISTRICT PLANNING EXECUTIVE PANEL AND EXECUTIVE: That:

(A)	the Stage 1 Financial Viability technical work, be supported as part of the evidence base for a Community Infrastructure Levy (CIL) and for the District Plan Part 1 - Strategy;
(B)	the stepped approach to infrastructure planning outlined in this report, including a separate consultation on matters relating to financial viability, be supported.

RECOMMENDATIONS FOR COUNCIL: That:

(A)	the Stage 1 Financial Viability technical work, be agreed as part of the evidence base for a Community Infrastructure Levy (CIL) and for the District Plan Part 1 - Strategy;
(B)	the stepped approach to infrastructure planning outlined in this report, including a separate consultation on matters relating to financial viability, be agreed.

1.0 Background

- 1.1 National policy requires that careful attention is paid to financial viability and costs in plan-making. This requires consideration of the whole 'basket' of costs, including:
- Affordable housing
 - Community Infrastructure Levy (CIL)
 - Infrastructure contributions
 - Local standards and policies
- 1.2 A report to the LDF Executive Panel on 7th July 2011 recommended that "a preliminary Draft Community Infrastructure Levy Charging Schedule be published for consultation alongside the Core Strategy Preferred Options" (see Background Papers).
- 1.3 The Council intends to draw up its CIL charging schedule alongside the District Plan Part 1. However, it has recently become clear that it will not be possible to consult on a CIL Charging Schedule at the same time as the Preferred Options consultation.
- 1.4 New Guidance on the Community Infrastructure Levy (December 2012 - see Background Papers) requires a much closer link between infrastructure costs, CIL levels, and plan delivery, which must be addressed by striking an 'appropriate balance'.
- 1.5 It is only once the Council has agreed to consult on the Preferred Strategy that it will be possible to identify in sufficient detail the necessary costs arising from site-specific infrastructure. The reasons for this were set out in a presentation to East Herts Members at a workshop on 17th December 2013, which is presented at **Essential Reference Paper 'B'**.
- 1.6 Testing and gradual refinement is part of the stepped approach used in preparation of the District Plan Supporting Document. A similar approach is required in order to resolve the 'chicken and egg' conundrum of infrastructure planning and viability testing.

2.0 Report

- 2.1 Assessment of viability is undertaken in two steps or stages.
- 2.2 **Stage 1** assesses local land values and establishes the broad parameters for generic consideration of costs on development. This is typically undertaken by means of a number of 'typologies', which provide benchmark figures against which a range of types of development can be assessed. This stage can be undertaken before the locations of development, and hence infrastructure costs, are finalised.
- 2.3 **Stage 2** can only be completed once the locations of development, and hence infrastructure costs, are known. This requires more detailed investigation of specific infrastructure requirements on specific sites, to enable assessment of whether, when combined with other costs, these costs could render development undeliverable.

Completion of Stage 1 Viability Work

- 2.4 Two significant pieces of technical work have been undertaken, which together constitute a Stage 1 Viability Assessment for East Herts.
- 2.5 The first piece of work was undertaken by Lambert Smith Hampton (LSH) on behalf of 8 out of the 10 Hertfordshire planning authorities. The remit of this work was to provide a high-level assessment of viability across the districts, with a particular view to production of a CIL. The Executive Summary of the CIL Viability Study is presented at **Essential Reference Paper 'C'**.
- 2.6 Secondly, East Herts Council commissioned a second piece of technical work by consultants Levvel and Aitchison Raffety to support the initial work by LSH. The Executive Summary of the 'East Herts Strategic Assessment of Development Viability' is provided in **Essential Reference Paper 'D'**. This second study is necessary for a number of reasons:
- To cross-check the residential and non-residential conclusions of the LSH study;
 - To provide a finer grain of detail, acknowledging that East Herts is the largest of the Hertfordshire districts, with potential for significant variation in land values across the district;

- To achieve better understanding of the relationship between affordable housing and CIL, given that Levvels produced an earlier study on affordable housing viability for a group of local authorities including East Herts;

2.7 Since both are Stage 1 studies, neither the work for LSH nor Levvels provides an answer to what constitutes a viable CIL level. For that a Stage 2 study will be necessary, and that can only be undertaken once an Infrastructure Delivery Plan (IDP) is in place.

Stage 2 Viability Work and Consultation

2.8 The IDP will supply critical information to the Stage 2 viability study, as it will enable specific infrastructure costs to be taken into account. It will also demonstrate whether or not there is a funding gap, which will provide the justification needed to introduce a CIL charge.

2.9 Reflecting the need to understand costs together as a whole, it is proposed that following completion of the Stage 2 Viability assessment, there should be a separate consultation on costs and financial viability matters, on the following:

- Affordable housing levels
- Local policy standards
- CIL
- Infrastructure costs
- other planning-related costs

2.10 This information can then be used to adjust the policies contained within the draft District Plan, prior to submission of the District Plan and the Community Infrastructure Levy Charging Schedule for examination.

Monitoring Framework

2.11 Uncertainty is inherent in long-term infrastructure planning. For the later stages of the plan, information relating to funding sources may not be readily available because public and private funding sources and government priorities change, and most infrastructure and service providers do not plan more than 5 years ahead. To some extent the plan will influence funding decisions, albeit the plan will need to be reviewed if circumstances change significantly.

2.12 For this reason it is proposed that the IDP should become an integral part of the plan-monitor-manage process which sits behind the District Plan, and will be updated at regular intervals over time as development comes forward and as new information comes forward. This will enable the Council to make an informed decision as to whether the current plan requires review.

3.0 Implications/Consultations

3.1 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper 'A'**.

Background Papers

These background papers are available on the Council's website at www.eastherts.gov.uk/technicalstudies

- CIL Viability Study (Lambert Smith Hampton, December 2012)
- East Herts Strategic Assessment of Development Viability: Paper One - Residential (Levvells, December 2012)
- East Herts Strategic Assessment of Development Viability: Paper Two - Commercial (Aitchison Raffety, December 2012)

The Government's recently published guidance on CIL may be found at <https://www.gov.uk/government/publications/community-infrastructure-levy-guidance-charges>

- Community Infrastructure Levy Guidance (CLG, December 2012)

Report to the LDF Executive Panel:

- The New Homes Bonus and the Community Infrastructure Levy – 7th July 2011

<http://online.eastherts.gov.uk/moderngov/ieListDocuments.aspx?CId=151&MId=1708&Ver=4>

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