

## Community Infrastructure Levy - Draft Charging Schedule Consultation (1 April to 16 May 2016)

### Response Form

Please return by **5:00pm on Monday 16<sup>th</sup> May 2016** to:

**Post:** South Worcestershire Development Plan Team  
 Civic Centre  
 Queen Elizabeth Drive  
 Pershore  
 Worcestershire  
 WR10 1PT  
**Email:** [contact@swdevelopmentplan.org](mailto:contact@swdevelopmentplan.org)

**Ref:**

(For official use only)

#### How we will use your details

The personal information you provide on this form will be held and processed in accordance with the requirements of the Data Protection Act 1998.

Please note that your name, postal address and comments may be made publicly available when displaying and reporting the outcome of this consultation and cannot be treated as confidential. Any other details, including signatures, private telephone numbers and email addresses will not be published on the Council's website, but the original representations with personal details redacted will be available in full for inspection on request.

1. Personal details	2. Agent's details (if applicable)
Title	MR
Full name	MATTHEW FOX
Job title (if applicable)	ASSOCIATE
Organisation (if applicable)	BILFINGER GVA
Address	<div style="background-color: black; width: 100%; height: 100%; min-height: 100px;"></div>
Postcode	<div style="background-color: black; width: 100%; height: 100%; min-height: 30px;"></div>
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In parallel with the South Worcestershire Development Plan (SWDP), the South Worcestershire Councils (Worcester City, Malvern Hills and Wychavon District Councils) are synchronising the process of preparing a Community Infrastructure Levy (CIL). Following consultation on the Preliminary Draft Charging Schedule (PDCS) in February/March 2015, work to update CIL has been carried out and each authority now intends to submit a **Draft Charging Schedule (DCS)** in 2016 for Examination. The updated timetable changes are reflective of the latest Local Development Scheme timetable, which came into force on 1 October 2015.

The South Worcestershire Councils are therefore now inviting representations on the DCS, prior to submission.

Please submit your representation by using this form and answering the questions below. If you need to continue on separate sheet, please remember to state which question you are responding to.

**Question 1: Do the South Worcestershire Council’s Draft Charging Schedules strike an appropriate balance between the desirability of funding infrastructure from the Levy and the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across the area?**

<b>Yes</b>	
<b>No</b>	✓

**Comment:**

The view is taken that the Draft Charging Schedule does not strike an appropriate balance between the desirability of funding infrastructure and the potential effects on economic viability specifically in relation to the site-specific charge (£40/sq m) proposed for the strategic allocation at QinetiQ Malvern (SWDP53) (“Malvern Technology Centre” (MTC)).

The detailed justification for this is set out in response to Question 4, but there is a fundamental error in the viability appraisal for this site as an incorrect gross land area has been recorded which has resulted in an incorrect residual land value (upon which CIL viability has been assessed). The evidence base is therefore unsound and the CIL charge is unjustified.

**Question 2: Does the Regulation 123 list clearly and effectively set out the types of infrastructure that the South Worcestershire Councils intends will be, or may be, wholly or partly funded by CIL (or S106 agreements)?**

<b>Yes</b>	
<b>No</b>	✓

**Comment:**

The Regulation 123 List provides a breakdown of infrastructure to be delivered through either CIL or planning obligations. This approach is welcomed as it provides clarity between the two mechanisms to avoid potential “double-dipping”. However, the List provides clear evidence that the CIL is being applied on an inconsistent basis for MTC as the only strategic brownfield site in the sub-region and the only site within Great Malvern, which would be liable for CIL.

As it stands, the MTC development would be the only site within the Town, and one of only two strategic site allocations, contributing to the following strategic items of infrastructure:

- Education;
- Sustainable transport improvements;
- Open space/green infrastructure;
- Leisure/sports facilities;
- Flood defences/mitigation;
- Flood Warning Service Provision;
- Community/cultural facilities;
- Emergency services; and
- Health facilities.

The above is considered to be inconsistent and unfair when considering that MTC is the District's only strategic brownfield site which is delivering one of the Local Economic Partnership's (LEP) "Game-changer" employment sites. The Draft Charging Schedule would also apply to new employment floorspace at MTC which we assume must be an error/oversight given that it has previously been assessed as unviable and when considering that other industrial/office development is not proposed to be charged.

The above is considered in more detail in our response to Question 4, but we have discovered that the proposed application of CIL to MTC stems from a fundamental error in the CIL Viability Update (January 2016) appraisal for the site, which has relied upon an incorrect figure for gross land area.

**Question 3: Do you agree with the proposed CIL rates for each of the South Worcestershire Councils?**

<b>Yes</b>	
<b>No</b>	✓

**Comment:**

Refer to response to Question 4.

**Question 4: Do you agree with the proposed CIL rates for the specific strategic site areas?**

<b>Yes</b>	
<b>No</b>	✓

**Comment:**

QinetiQ strongly objects to the proposed CIL charge for the MTC strategic site allocation (SWDP53) on the following grounds:

**1. The charge will be levied upon employment development at MTC and this is unjustified**

The Draft Charging Schedule applies a blanket charge to the whole of the MTC as identified under Policy SWDP53. This includes QinetiQ's retained site as well as the proposed "Disposal Area". The Draft Schedule does not distinguish between residential and employment (B1(b)) floorspace and the "CIL Residential – Main Urban Area" Plan clearly identifies the whole of the MTC as a strategic site. Therefore, new employment development at the site will be liable for CIL if the Schedule is adopted in its current form.

SWDP53 allocates at least 4.5ha of land at MTC for B1(b) employment development, essentially representing an extension to the Malvern Hills Science Park (MHSP) to the north. This development and the MHSP are defined as one of the County's four "Game-changer" employment sites by the LEP in their Strategic Economic Plan, providing "*...major opportunities to lever market-led investment and deliver growth and jobs ... four initial sites have been selected because of their scale, economic impact potential and deliverability*".

The Draft Charging Schedule does not propose a charge for "Industrial and Office" development because "*...these development uses were all previously considered unable to bear a CIL charge*" (para. 3.14 of Justifying the Levy Background Document, April 2016). B1(b) developments comprise research and development and high-tech uses which are normally accommodated on science parks. These uses are normally unviable and have to be subsidised using public funds (as has occurred at MHSP). Indeed, Table 11.4 of the Local Plan Viability Update (September 2014) revealed that the B1(b) development at MTC was unviable in isolation (-£3.8m).

Any CIL charge levied at any new employment development at MTC – whether that be new QinetiQ facilities or new development on the Disposal Area – will undoubtedly render such development unviable, having major implications for the delivery of a "Game-changer" site. We can only conclude that the application of CIL to the employment land is an error/oversight.

## **2. The charge levied upon residential development at MTC has arisen from a flawed appraisal – including a fundamental error – and is unjustified**

QinetiQ were very surprised to discover that the Draft Charging Schedule was proposing a CIL charge of £40 per sq m at MTC, when the Preliminary Draft Charging Schedule proposed no charge (on the basis that this would render the development unviable). As outlined above, we assume that this proposed charge is intended to be limited to the new residential development allocated under SWDP53 (and not the employment development) but, nevertheless, the residential charge is also totally unjustified for the following reasons:

### ***Inconsistent Approach***

Before examining the assumptions applied in the CIL Viability Update (January 2016), the application of CIL at MTC appears wholly inconsistent with the approach adopted across the sub-region:

- MTC is the only site within the “*Main Urban Areas*” of Malvern, Upton and Tenbury Wells upon which a CIL charge is proposed. All other residential development in the towns would be zero rated.
- MTC is one of only two strategic sites where a CIL charge is proposed. This seems odd when it comprises the only brownfield strategic allocation and has the third highest infrastructure costs per dwelling as assessed by HDH (the only other brownfield strategic site is Crown Packaging but this has a zero charge “*as for Worcester City Residential Rate*”). Indeed, it appears likely that MTC would be the only strategic brownfield site within the sub-region which would be liable for CIL which, again, seems odd when considering that brownfield sites normally have greater costs to remediate, clear/demolish and service land.
- MTC is the only site proposed to be liable for CIL which will deliver one of the LEP’s “*Game-changer*” employment sites. Again, it seems very odd that additional costs in the form of CIL would be proposed at a brownfield development which is enabling the delivery of a sub-regionally significant employment site.

The above reveals clear inconsistencies in the Draft Charging Schedule which has led to serious concerns that the proposed CIL charge will threaten the viability of the whole SWDP53 allocation. Table 2 of the Justifying the Levy Background Document indicates that large brownfield redevelopment sites in Malvern are unviable with a £40/sq m CIL charge (-£471k/ha) and it is difficult to understand why MTC is an exception to this. These inconsistencies and concerns led BGVA to undertake a detailed review of the CIL Viability Update (January 2016) which has revealed a fundamental error in the appraisal. The deficiencies in the HDH appraisal for MTC are outlined overleaf.

### ***The HDH appraisal of MTC in the CIL Viability Update is flawed***

The CIL Viability Update (January 2016) provides the evidence base underpinning the Draft Charging Schedule. We have reviewed the HDH Appraisal for MTC contained within this document which has revealed a major error and other flaws as explained below:

- i. There is a fundamental error in the appraisal for MTC** – Our review of HDH’s appraisal for MTC has revealed a fundamental error; **the appraisal assumes a gross site area of 3.1ha**, against a net site area of 8.6ha. Clearly, the gross site area must be greater than the net site area.

The Disposal Area at MTC comprises 15.4ha of land (gross) and SWDP53 seeks at least 4.5ha of this to be used for B1(b) employment development, leaving a balance of **10.9ha (gross)** for the development of around 300 dwellings. This gross area for the residential development is broadly consistent with the September 2014 Local Plan Viability Update **which recorded a gross area of 10.3ha**. The net site area assumed in the HDH appraisal of 8.6ha appears to be broadly reasonable but the gross area of 3.1ha is clearly an error.

The 3.1ha gross area figure can be seen throughout the spreadsheets within the “Strat Base Cover” (Appendix 5) of the CIL Viability Update (January 2016). This error has a major impact on the overall appraisal because the calculation of residual value per gross hectare for each of the strategic sites forms the basis of the HDH/Council’s assessment of whether or not CIL can be levied. **The HDH appraisal divides the total residual land value for the residential development at MTC by a gross area of 3.1ha for MTC, rather than 10.9ha, which completely distorts the results.** We have illustrated this in the table below:

	HDH Residual Value for Whole Resi Site	Per Ha NET	Per Ha GROSS
Residual Land Value for HDH Appraisal	£4,364,022	£507,444 (8.6ha)	<b>£1,407,749 (3.1ha)</b>
Residual Land Value for 10.9ha (correct gross area)			<b>£400,369 (10.9ha)</b>
Difference	N/A	N/A	<b>+£1,007,380</b>

The above clearly shows the huge error in the HDH appraisal with the residual land value per gross hectare at MTC being over £1m in excess of what it should be (c.£400k) when HDH’s own assumptions are applied to the correct gross land area. This incorrect figure (£1,407,749) has been relied upon by HDH (and the Councils) in Table 6.1b in assessing the residual land value with differing CIL rates applied, and which incorrectly suggests that the development would be viable even with a CIL charge of £100 per sq m.

The appraisal spreadsheet included within Appendix 5 of the 2016 CIL Viability Update states a viability threshold of £1,116,000, which has been calculated by deducting the alternative use value (plus 20% uplift) from the

gross residual land value. However, the alternative use value has been calculated based upon an incorrectly assumed 3.1ha gross land area. The “viability threshold” (existing use value with 20% uplift) for the 10.9ha gross site area should actually have been £3.92m.

It is very surprising that this significant error has not been spotted by HDH or the Councils. A high-level sense check of the summary tables (6.1a and 6.1b) reveals that:

- The residual value for MTC is massively in excess of any other strategic site. This simply cannot be right when considering it is brownfield and the others are greenfield (save for Crown Packaging). The next highest land value after MTC is £865k per gross ha for Cheltenham Road, which is still c.£500k per gross ha less than MTC.
- The Crown Packaging site is the only other strategic brownfield site and this is broadly of comparable size to the residential development at MTC (c.8ha gross and c.190 dwellings). The residual value of this site in Table 6.1b is recorded as £253k per gross hectare; £1.16m less than MTC per gross hectare. However, the residual values per net hectare are broadly comparable for both sites; £674k for Crown and £507k for MTC. This clearly shows that the gross figure for MTC is completely wrong.
- The modelled brownfield scenarios for Malvern Hills (Table 6.1a) all have residual land values of less than £200k per gross hectare, meaning they are unviable with any CIL charge. There is, therefore, a huge disparity in the results even though MTC is a brownfield site within Great Malvern.

Furthermore, **the 2014 Viability Update indicated a residual value for MTC of £390,270 per gross ha** (Tables 10.7 and 10.8) so alarm bells should have been ringing when the 2016 Update revealed a new figure of £1.4m.

Table 6.1b of the 2016 Update states a viability threshold of £360k per gross ha for MTC although Table 2 from the “Justifying the Levy Background Document” (April 2016) increases this to £420k (as a brownfield site). It is evident that the correct residual land value for the site (when applying the same assumptions as HDH save for the gross land area) is £400k per gross ha, **which clearly shows that the development would be unviable with any level of CIL charge** (and is actually just below the HDH viability threshold without any form of CIL). In these circumstances, it is abundantly clear that CIL should not be levied at MTC (as proposed in the Preliminary Draft Charging Schedule) otherwise the development will be rendered unviable.

- ii. **The Appraisal for MTC should relate to the Whole Site** – As outlined above, Policy SWDP53 includes a mixed-use allocation on a brownfield site, delivering around 300 dwellings and at least 4.5ha of high-tech employment land. The land is likely to be sold in one lot and SWDP53 requires a comprehensive development. As a result, the residential development will help to economically enable delivery of the “Game-changer” employment site as it will, in reality, be funding any required local road junction improvements



and internal access roads (thereby servicing the employment plots).

On this basis, the 2016 Viability Update is flawed in appraising the residential land at MTC in isolation. The whole development must be appraised together. This was the approach adopted in the 2014 Viability Update, which revealed that the development as a whole had a total residual value of £240,700 and which recognised that the employment development “...is a cost to the project” (para. 12.29). The 2016 HDH appraisal is therefore fundamentally flawed in appraising the residential land at MTC in isolation.

**iii. The site-specific assumptions for MTC are flawed** – we have concerns with several of the assumptions applied in the HDH appraisal for MTC:

- HDH assume 30% affordable housing when SWDP53 seeks up to 40% provision.
- HDH assume c.£710k for transport costs. It is unclear where this figure has been sourced but in our view it is conservative. Previous highways assessment work has identified the potential need to upgrade several off-site junctions (which could potentially require third party land). It also appears conservative when compared to the costs assumed for the other strategic allocations, and it is unclear if it factors in the transport needs of the new employment development at MTC.
- HDH assume £1.25m for site clearance and land remediation (£1m less than the 2014 Viability Update). Again, the justification for this reduced assumption is unclear but is very conservative in our opinion bearing in mind that the Disposal Area amounts to 15.4ha of brownfield land formerly used for MoD activities and accommodating a large number of post-war buildings many of which are constructed from reinforced concrete (with significant foundations). Several buildings contain asbestos and there may be areas of contamination which require a high standard of remediation to accommodate residential use. In addition, there will need to be service diversions.
- The floorspace sales rates assumed for MTC are considerably higher than the rates applied to the modelled brownfield sites in Malvern Hills; £2,540 per sq m for market housing at MTC but only £2,140 per sq m for “brownfield industrial large”. MTC has been applied the same sales rates as for NE Malvern (a greenfield site in a more accessible location) and as for the modelled greenfield sites in Malvern. There is no explanation for why the higher rates have been applied to MTC and we have a concern that they are artificially increasing the residual land value for MTC.

### **Conclusions on Proposed CIL Charge for MTC**

To conclude, QinetiQ strongly object to any level of CIL charge at MTC for the following reasons:

- 1. The Draft Charging Levy applies CIL to employment development at MTC which must be considered an error/oversight** given that HDH have previously assessed this development as unviable, and when considering that

the Schedule proposes a zero rate for industrial/office development. Simply put, applying CIL will render the “game-changer” employment as unviable, and is totally unjustified.

2. **The proposed CIL charge to be levied upon residential development at MTC has arisen from a flawed viability appraisal.** Firstly, there is a fundamental error in the recorded gross land area for MTC which has completely distorted the land’s residual value to make it appear that the development would be viable even when CIL is applied. This error becomes apparent when compared with the massive differences in residual values recorded for the other strategic sites and the modelled brownfield sites in Malvern. When the correct gross land area is applied the residual land value reduces (from £1.4m per gross ha) to £400k per gross hectare. **The latter and correct figure means that the residual development at MTC is not viable when any level of CIL is applied.**

This error is reflected in the clear inconsistency in the Draft Charging Schedule with MTC being the only strategic brownfield site and the only site in Great Malvern against which CIL is proposed to be levied. This approach is clearly flawed when considering that it is the only site which will deliver one of the LEP’s “Game-changer” employment sites; any appraisal for MTC must relate to the whole site (consistent with the 2014 Viability Update) given that it involves a comprehensive mixed-use development delivering important B1(b) land.

Finally, several of the site-specific assumptions applied in the HDH appraisal are unjustified (level of affordable housing provision, transport costs, clearance/remediation and sales rates) which means that the output results are unreliable (regardless of the error in gross land area).

In light of all the above, the proposed CIL charge for MTC is unjustified and unsound. **The Draft Charging Schedule should be amended before it is submitted for Examination so that no CIL charge is levied against any future development on this site** (consistent with the Preliminary Draft Charging Schedule).

**Question 5: Do you have any views on the proposed Instalments policy?**

**Comment:**

The CIL charge proposed for MTC is unjustified (refer to response to Question 4) so the Instalments Policy should be irrelevant to this site. However, the view is taken that any Instalments Policy should not be overly “front-loaded”, particularly for brownfield and strategic sites. The Draft Instalments Policy would require all, or most (75%) of, the CIL charge to be paid within 9 months of the commencement of development, even though larger sites may not have generated any revenue within 9 months (or even beyond) due to site clearance and preparation work. This could threaten the viability of both greenfield and brownfield sites, especially where there are considerable up-front abnormal infrastructure costs.

By way of example, the HDH appraisal for MTC in the 2016 Viability Update indicates costs of c.£5m in the first year (in addition to the cost of land) but no revenue is generated until year 2. Clearly, if the total CIL charge were to be applied in the first year this would only add to the burden of upfront costs and therefore threaten viability. As CIL will be funding infrastructure to meet strategic development needs it seems only fair and reasonable for this to be paid when actual buildings commence and not during site clearance/groundworks.

On this basis, we would suggest that the Draft Instalments Policy should be phased over a longer term with payments over, say, two years, particularly for strategic developments where payments are in excess of £250k. This would better reflect the phasing of strategic development and the timing of revenue generation.

**Question 6: Do you have any further comments to make? If so, please make your comments below, as clearly and concisely as possible. If you are referring to any particular text in the CIL DCS, please state the relevant paragraph number.**

**Comment:**

The Draft Charging Schedule should include a definition for “Industrial and Office” use including relevant Use Classes to avoid any ambiguity and future confusion. For example, this should include B1, B2 and B8 Use Classes.

Comments received will be acknowledged and registered and will then be carefully considered in preparing the final documents to go forward for Examination, prior to eventual adoption and implementation by the South Worcestershire Councils.

**Signature**

A rectangular box containing a solid black rectangle, indicating that the signature has been redacted.

**Date**

16 May 2016

Responses to this consultation should be sent to the e-mail contact address and/or postal address shown at the top of this form. Please ensure all responses are marked for the attention of the South Worcestershire Development Plan Team.

**Representations must be received by 5:00pm on 16 May 2016. Any representations made after that date and time will be considered “Not Duly Made” and will not be taken into account.**

Thank you for completing the form.