22 August 2016

South Worcestershire Development Plan
C/O Wychavon Civic Centre
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Pershore
Worcestershire
WR10 1PT

Paul William
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Dear Sir / Madam,

Representations on the SWDP Community Infrastructure Levy – Statement of Modifications (2016)

Savills is instructed by a Consortium of Housebuilders to make representations on the above. Accordingly, I attach (via email) the Consultation form and a resubmit our supporting statement.

The representations are made on behalf of Bloor Homes Western and Barratt Developments Ltd.

Whilst we are supporting changes to be made to the Charging Schedule we are concerned that there are further changes necessary in order to ensure that the CIL proposed does not prevent key sites coming forward or put the plan at risk.

We request that further consideration is given to our testing of the viability assumptions which concludes that the CIL rates would render many sites unviable (in particular the Cheltenham Road site, Evesham) if CIL were brought in as proposed.

We therefore wish to retain our right to be heard at the examination. We are willing to engage further to explore any possible common ground in advance of the examination.

Yours faithfully

[redacted]

Paul Williams
Associate Director

WYCHAVON DISTRICT COUNCIL good services, good value	Worcester CITY COUNCIL	Malvern Hills District Council www.malvernhills.gov.uk

Community Infrastructure Levy - Draft Charging Schedule Statement of Modifications Consultation (25 July to 22 August 2016)

Response Form

Please return by **5:00pm on Monday 22nd August 2016 to**:

Post: South Worcestershire Development Plan Team
Civic Centre
Queen Elizabeth Drive
Pershore
Worcestershire
WR10 1PT
Email: 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 Any other details, including signatures, private telephone numbers and email addresses will not be published on the Council's website, but the original representations with personal details redacted will be available in full for inspection on request.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		Paul Williams
Job title (if applicable)		Associate Director
Organisation (if applicable)	Housebuilder Consortium – Bloor Homes Western and Barratt Developments Ltd	Savills
Address		12 Windsor Place Cardiff
Postcode		CF10 3BY

Telephone number		[redacted]
E-mail address		[redacted]

Following consultation on the Draft Charging Schedule (DCS) in April/May 2016, a statement of modifications schedule has been produced to accompany the CIL examination submission material. The statement of modifications lists the proposed changes the SWC are seeking to make to the CIL charging schedule as a result of representations received during the DCS consultation period (schedule 1), and any other minor amendments that the SWC have identified in reviewing the draft documentation prior to submission (schedule 2).

The South Worcestershire Councils are therefore now inviting representations on the statement of modifications, prior to undertaking the CIL examination hearing sessions.

Please submit your representation by using this form and answering the questions below.

<u>Proposed Modification Number: PM 9</u>

(The PM reference numbers are located on the statement of modifications schedules)

<u>Question 1:</u> Do you agree with the proposed modification? Please continue on a separate sheet if you require further pages.

Yes	X
No	

Comment:

We agree with the change to reduce the CIL contribution to Zero on SWDP 53 but also request that the evidence submitted within our original representations is considered further, as this demonstrates that sites of over 200 units within Wychavon should all be reduced to £0, as should the rates relating to the Cheltenham Road, Evesham site.

The revision to the CIL rate for SWDP 53 is based upon acknowledged discrepancies within the HDH appraisal. Savills has pointed out a number of similar discrepancies which have a significant upon the results of the appraisals relating to the above typology/site.

The original evidence is attached for convenience and we believe, in the light of the decision to reduce the CIL rate on SWDP 53, that this should be given further consideration. We would be grateful for an opportunity to discuss this further in advance of the examination in order to establish if there is common ground that can be presented to the Inspector.

<u>Right to be heard</u>

Do you wish to appear at the CIL examination?

Yes	X
No	

Signature	PJ Williams	**Date**	22/8/16

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.

<u>Representations must be received by 5:00pm on 22 August 2016. Any representations made after that date and time will be considered "Not Duly Made" and will not be taken into account.</u>

Thank you for completing the form.

South Worcestershire Councils Community Infrastructure Levy Draft Charging Schedule

Consultation response on behalf of a Housebuilder Consortium

Contents

1. Executive Summary

1.1. This representation has been prepared by Savills (UK) Limited (hereafter "Savills") on behalf of a Housebuilder Consortium (hereafter "the Consortium"). It is made in respect of South Worcestershire Councils (SWC) Draft Charging Schedule (PDCS) for the Community Infrastructure Levy (CIL). The Consortium represents significant interests in the District.

1.2. This statement accompanies the Response Form and expands upon the answers provided within it.

1.3. Whilst more general commentary is provided on the policy requirements, guidance and process, this statement focuses upon, and tests, the viability evidence that supports the Draft Charging Schedule (DCS).

1.4. The Consortium has fundamental concerns with the evidence and methodology used in assessing viability. The key areas of concern include:

Methodology and Benchmark Land Values - We disagree with the Benchmark Land Values (BLV's) adopted by HDH. Savills feel the viability threshold for larger and strategic sites is too low. In addition, no evidence has been provided to support the BLV's adopted by HDH. In the absence of supporting comparable evidence, we recommend that HDH adopt a BLV reflecting a minimum of £432,000 per gross hectare (£175,000 per gross acre) for the larger Greenfield and strategic sites, in addition to a viability buffer.

Viability Buffer - It is important that when setting rates that the Councils apply an appropriate viability 'buffer'. Our review of the viability appraisals provided as Appendices to the HDH Updated Viability Appraisal indicate that no allowance for a viability buffer has been made within modelling. We seek clarity on this point. We recommend that a minimum 30% buffer is applied to the BLV adopted across all typologies.

Gross to Net Land Take Assumptions – Cheltenham Road Evesham - Discrepancies have been noted within HDH's calculation of the BLV's for Cheltenham Road Evesham. These discrepancies will have a fundamental impact on surplus afforded to CIL.

Open Market Sales Revenue – Wychavon - The Consortium have a number of concerns about assumptions made. These assumptions have a fundamental impact on the apparent viability of a site. We set out reasoning as to why we advocate that a lower sales value on larger and strategic sites in Wychavon is adopted.

Affordable Housing Revenue - Affordable housing is a key component of the CIL viability testing. We raise concerns over the assumptions and lack of allowances which will decrease values for affordable houses and suggest that further adjustments or consultation work is required to inform values.

Dwelling Sizes - We have noted a discrepancy between the GIA adopted within the viability model for Cheltenham Road, Evesham and the floor areas that are stated to be adopted. Clarification is required.

Garages - We have raised concerns over the apparent lack of consideration of garages which could subsequently result in an over-estimation of the capacity to support a CIL rate.

Development Costs - To ensure that viability modelling accurately reflects current base line build costs, we strongly urge that HDH Planning and Development revise their build costs assumptions across all typologies in line with the most up to date BCIS data.

Abnormal Costs - We disagree with the argument put forward by HDH that it is not relevant to model abnormal costs within a high level study. We urge that an allowance of 5 – 10% of BCIS base line build costs is modelled across all Greenfield typologies to ensure that these additional development costs that are frequently required on Greenfield sites are accounted for.

Infrastructure Costs - Our concern is that the figure adopted for infrastructure costs by HDH is too low.

External Works - Given our industry experience, we would expect an allowance of approximately 10% to BCIS baseline build costs within modelling.

Alternative Viability Modelling

Given the concerns set out Savills have created a base appraisal to mirror the inputs made by HDH for Cheltenham Road, Evesham (Strategic Site 5 - 500 dwellings) and the 200 dwelling typology in Wychavon (Greenfield 2).

We highlight that our base appraisals have been created for the purposes of general testing only. We have adopted the same methodology as HDH and have deducted the development costs from the development value. The Residual Land Value is then compared with the Benchmark Land Value. The remaining margin is theoretically the maximum levy of CIL chargeable, without a viability buffer.

Conclusion - 200 Dwelling Typology Wychavon

When all of the alternative assumptions are combined, the cumulative impact is significant and illustrates a deficit afforded to CIL on the 200 dwelling typology in Wychavon. It is therefore of great concern that a rate of £40 per sq m is proposed. A levy at this rate will render such sites unviable and will stall the delivery of larger sites within the Charging Area of Wychavon.

Based on our analysis above, we strongly recommend that a rate of £0 per sq m is applied to typologies in excess of 200 dwellings in Wychavon. The inappropriate assumptions made by HDH carry through to other typology sizes within Wychavon. Therefore, we would urge that the sales values and baseline construction costs across all typologies in Wychavon are revisited by HDH.

Conclusion - Cheltenham Road, Evesham

Given the size and scale of Cheltenham Road, Evesham, any variation to inputs will have a significant impact to the land value and the surplus afforded to CIL. Assuming a 30% viability buffer is allowed to ensure that the levy is not set at the margins of viability, the assessment demonstrates that the proposed levy at £40 per sq m would render the Cheltenham Road site unviable.

When all of the alternative assumptions are combined the cumulative impact is significant and illustrates a deficit afforded to CIL. It is therefore of great concern that a rate of £40 per sq m is proposed. Based on our analysis above, we strongly recommend that a rate of £0 per sq m is applied to Cheltenham Road, Evesham.

1.5. For the reasons outlined in the representation, the Consortium strongly urge SWCs to revisit the evidence and approach to infrastructure funding and delivery.

2. Introduction

Overview

2.1. This representation has been prepared by Savills on behalf of a Housebuilder Consortium (hereafter known as the 'Consortium') comprising Barratt Developments Ltd and Bloor Homes Western.

2.2. This representation has been submitted in response to the SWC CIL DCS published for public consultation in the period to 26th May 2016.

Land Holdings

2.3. The Consortium members have a variety of land interests in the Districts at a variety of site across the whole District, including potential development opportunity in all three of the proposed zones. Bloor Homes Western have a specific interest in a site at Cheltenham Road, Evesham in Wychavon DC (SWDP 51/1) and a have live outline planning application running for up to 460 dwellings (LPA Reference: W/15/02761).

Key Issues

2.4. The two key issues with the rates as currently proposed are as follows:

- It is of great concern that a rate of £40 per sq m is proposed for the Cheltenham Road, Evesham site. Based on our analysis within section 5, we conclude that a rate of £0 per sq m is necessary in order to bring the site forward.

- The Consortium are concerned that a rate of £40 per sq m is proposed in all 'other areas' in Wychavon for residential development . A levy at this rate will render such sites unviable and will stall the delivery of larger sites within the Charging Area of Wychavon. Based on our analysis within section 5, we strongly recommend that a rate of £0 per sq m is applied to typologies in excess of 200 dwellings in Wychavon. The inappropriate assumptions made by HDH carry through to other typology sizes within Wychavon. Therefore, we would urge that the sales values and baseline construction costs across all typologies in Wychavon are revisited by HDH.

Point of Clarification

2.1. Paragraph 6.4 of the Consultation Document states that "Only applications submitted after the adoption of CIL can be required to pay the Levy." This is not the case. The CIL Regulations require that calculations are made on the date that planning permission first permits the chargeable development, there are no exemptions for applications submitted prior to the charging schedule being put in place.

2.2. This reference does not appear to have any material impact on the viability assumptions, however, it is a point that we feel should be highlighted and corrected.

Structure of this Representation

2.3. This representation is structured as follows:

- **Section 3** - planning and legal background.
- **Section 4** - outlines specific points about applying the guidance
- **Section 5** - provides scrutiny of the viability assessment study
- **Section 6** - outlines the position of the Consortium in respect of the effective operation of CIL and teh instalments policy
- **Section 7** - conclusions.

2.4. Where relevant this representation provides comment on the supporting evidence/existing guidance and also makes reference to policy documents.

3. Summary of National Policy and Legal Context

Introduction

3.1. In respect of the preparation of Charging Schedules and supporting documentation, it is important to have regard to the Government policy, guidance and law. This includes:

- Part 11 of the Planning Act 2008; Community Infrastructure Levy Regulations 2010 (as amended)
- National Planning Policy Framework (NPPF)
- Planning Practice Guidance (PPG) CIL Guidance 2014 (as amended)
- Non-statutory Guidance

Planning Act 2008 (as amended)

3.2. Section 205 (2) of Part 11 of the 2008 Act (as amended by the Localism Act 2011) states that:

"In making the regulations the Secretary of State shall aim to ensure that the overall purpose of CIL is to ensure that costs incurred in supporting the development of an area can be funded wholly or partly by owners or developers of land in a way that does not make development of the area economically unviable."

3.3. Section 212 of the Planning Act requires the examiner to consider whether the "*drafting requirements*" have been complied with and, if not, whether the non-compliance can be remedied by the making of modifications to the DCS. The "*drafting requirements*" mean the legal requirements in Part 11 of the Planning Act and the CIL Regulations so far as relevant to the drafting of the charging schedule. In considering the "*drafting requirements*", examiners are required in particular to have regard to the matters listed in Section 211(2) and 211(4). This requires examiners to consider whether the relevant charging authority has had regard to the following matters:

- Actual and expected costs of infrastructure;
- Matters specific by the CIL Regulations relating to the economic viability of development;
- Other actual and expected sources of funding for infrastructure; and
- Actual or expected administrative expenses in connection with CIL.

3.4. Regulation 14 of the CIL Regulations (as amended) expands on these requirements, explaining that charging authorities must, when striking an appropriate balance, have regard to:

- The desirability of funding from CIL (in whole or in part), the actual and expected estimated total cost of infrastructure required to support the development of its area, taking into account other actual and expected sources of funding; and

- The potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area.

3.5. The Examiner will need to determine whether appropriate evidence on infrastructure needs and development viability has been presented by the Council.

National Planning Policy Framework

3.6. It is important that the preparation of CIL is in the spirit of the NPPF, notably that it is delivery-focused and "*positively prepared*"[1].

3.7. The NPPF outlines 12 principles for both plan making and decision taking, notably that planning should "*proactively drive and support sustainable economic growth*"[2]. Plan making should *"take account of market signals such as land prices and housing affordability"* and that "*the Government is committed to ensuring that the planning system does everything it can to support sustainable economic growth"*[3].

3.8. Furthermore, the NPPF refers to the ***"cumulative impacts"***[4] of standards and policies relating to the economic impact of these policies (such as affordable housing) and that these should not put the implementation of the Plan at serious risk. Existing policy requirements should therefore be considered when assessing the impact of CIL on development viability.

3.9. The NPPF calls for local authorities to boost significantly the supply of housing[5]. It requires local authorities to:
- Meet the full, objectively assessed needs for housing, including identifying key sites;
- Identify deliverable sites to provide five years worth of supply and developable sites further ahead;
- Provide a housing trajectory for the plan period describing how the five year supply is to be maintained.

3.10. The NPPF expressly states that CIL ***"should be worked up and tested alongside the Local Plan"*** and ***"should support and incentivise new development"***[6]. To comply with this policy, CIL Charging Schedules must be demonstrated to have positive effects on development and have regard to an up-to-date Local Plan.

[1] Paragraph 182, National Planning Policy Framework, March 2012
[2] Ibid, Criterion 3, March 2012
[3] Ibid, Paragraph 19, March 2012
[4] Ibid, Paragraph 174, March 2012
[5] Ibid, Paragraph 47, March 2012
[6] Ibid, Paragraph 175, March 2012

The absence of adverse effects on the economic viability of development, whether serious or otherwise is not enough to justify CIL proposals. Charging Authorities have a positive duty when it comes to setting CIL rates and formulating their approach on the application of CIL.

3.11. CIL Examiners' reports, such as those for Mid Devon (February 2013) and Winchester City Council (October 2013), have set a clear precedent for CIL to be considered in the round, including the testing of policy-compliant levels of affordable housing and other policy costs.

3.12. In the case of Mid Devon, the Inspector concluded the use of a reduced affordable housing figure by the Council would put the provision of affordable housing at serious risk.[7] The Inspector outlined:

"*If the Council wishes to reduce the percentage of affordable housing to be provided (assuming such an approach could be justified, bearing in mind the advice in the NPPF that in principle the full objectively assessed needs for market and affordable housing should be met) then this should be achieved through a review of the adopted policies*".[8]

Planning Practice Guidance (PPG)

3.13. In 2014 the Government published an online resource of Planning Practice Guidance (PPG) which provided technical guidance on a series of planning related topics. Relevant to CIL, the PPG (2014) states:

- Charging schedules should be consistent with, and support the implementation of, up-to-date relevant Plans[9].
- The need for balance (as per Regulation 14[10]).
- The need for "*appropriate available evidence to inform the Draft Charging Schedule*" (as per Schedule 211(7) (a) of the 2008 Act[11].

3.14. The PPG re-affirms the requirement of paragraph 175 of the NPPF which states that, where practical, charging schedules should be worked up and tested alongside the Local Plan. It also states that *"a charging authority may use a draft plan if they are proposing a joint examination of their relevant Plan and their levy charging schedule"*[12].

3.15. The policy direction from central government is very much towards facilitating development. This policy imperative should have a major material bearing on the CIL rates. This applies to the evidence to support the

[7] Paragraph 14, Mid Devon Council Draft CIL Charging Schedule, Examiners Report, February 2013
[8] Ibid., paragraph 14
[9] Paragraph 10, Reference ID: 25-010-20140612, Planning Practice Guidance, revision date 12 June 2014
[10] CIL Regulations 2010 (as amended)
[11] Paragraph 19, Reference ID: 25-019-20140612, Planning Practice Guidance, revision date 12 June 2014
[12] Paragraph 11, Reference ID: 25-011-20140612, Planning Practice Guidance, revision date 12 June 2014

balance reached between the desirability of funding infrastructure through CIL and the potential effects on economic viability of development across that area.

3.16. The Guidance states that it is up to charging authorities to decide how much potential development they are willing to put at risk through CIL (the "appropriate balance"). Clearly this judgement needs to consider the wider planning priorities. Furthermore, the CIL Guidance outlines that CIL receipts are not expected to pay for all infrastructure but a "significant contribution"[13]. The overall approach and rate of CIL will have to pay attention to the development plan and intended delivery.

3.17. The Guidance also states that charging authorities may adopt differential rates in relation to:

- Geographical zones within the charging authority's boundary
- Types of development; and/or
- Scales of development[14]

3.18. It explains that where a particular type or scale of development has low, very low or zero viability, the charging authority should consider setting low or zero rates for that type of development. The opportunity to define a CIL rate by development scale is important in this instance.

Non-Statutory Guidance

3.19. In addition to the regulations and statutory guidance, two specific non-statutory guidance documents have been published which are directly relevant to the CIL rate setting process. These two guidance documents have been recognised by Inspectors elsewhere as valuable sources of advice regarding the approach to, and assumptions to be used in, the setting of CIL levy rates for residential development. The two documents are:

- Financial Viability in Planning, RICS (August 2012) and
- Viability Testing Local Plans, Local Housing Delivery Group (June 2012) ('Harman Report')

3.20. Reference is made to these guidance documents where relevant throughout this representation.

[13] Paragraph 95, Reference ID 25-095-20140612, Planning Practice Guidance, revision date 12 June 2014

[14] Paragraph 21, Reference ID 25-021-20140612, Planning Practice Guidance, revision date 12 June 2014

4. Applying the Guidance

Applying the Guidance

4.1. The PPG CIL Guidance[15] must be followed in the preparation of a charging schedule. The Consortium wishes to outline a number of observations against relevant aspects of the Guidance.

Table 4.3: CIL PPG Extracts and Implications for Cherwell District

Paragraph and Reference ID	Topic	Guidance	Implications for SWCs
Paragraph 008, Reference ID: 25-008-20140612, CIL Guidance (revision date 12 June 2014)	Rate setting	*"Charging authorities should set a rate which does not threaten the ability to develop viably the sites and scale of development identified in the relevant Plan."*	It is imperative that a CIL rate is not set which could have a negative impact on housing delivery.
Paragraph 009, Reference ID: 25-009-20140612, CIL Guidance (revision date 12 June 2014)	Positive duty	*"The levy is expected to have a positive economic effect on development across a local plan area."*	To be a success, CIL must facilitate development and enable infrastructure delivery required to support development.
Paragraph 010, Reference ID: 25-010-20140612, CIL Guidance (revision date 12th June 2014)	Positive duty	*"Charging authorities should be able to show and explain how their proposed levy rate (or rates) will contribute towards the implementation of their relevant plan and support development across their area."*	Reliance must therefore be had on infrastructure evidence and viability evidence, with reasoned consideration of the views of the key stakeholders and delivery agents.
Paragraph 010, Reference ID: 25-010-20140612, CIL Guidance (revision date 12 June 2014)	Positive duty	*"Charging schedules should be consistent with, and support the implementation of, up-to-date relevant Plans."*	The approach to viability testing must be grounded on the viability of strategic sites and other developments needed to support the delivery of the housing requirement.
Paragraph 011, Reference ID: 25-011-20140612, CIL Guidance (revision date 12 June 2014)	Spending	*"Charging authorities should think strategically in their use of the levy to ensure that key infrastructure priorities are delivered to facilitate growth and economic benefit of the wider area."*	A difference must be distinguished between "scheme mitigation" infrastructure and "strategic infrastructure" required to address the delivery of the whole plan (i.e. to address cumulative impacts).
Paragraph 019, Reference ID: 25-019-20140612, CIL Guidance (revision date 12 June 2014)	Viability assessment	*"…A charging authority should directly sample an appropriate range of types of sites across its area....The exercise should focus on strategic sites on which the relevant Plan relies, and those sites where the impact of the*	As above, the Viability Assessment evidence should test strategic sites in the Local Plan. The viability inputs and assumptions in the testing of the generic site typologies must though be realistic

[15] PPG CIL Guidance, 2014 (as amended)

Paragraph and Reference ID	Topic	Guidance	Implications for SWCs
		levy on economic viability is likely to be most significant."	and reasonable. We do not consider this to be the case for all of those assumptions used in the Viability Assessment.
Paragraph 020, Reference ID: 25-020-20140612, CIL Guidance (revision date 12 June 2014)	Viability assessment	*"A charging authority should take development costs into account when setting its levy rate or rates, particularly those likely to be incurred on strategic sites or Brownfield land. A realistic understanding of costs is essential to the proper assessment of viability in an area."*	Reliance must therefore be placed on infrastructure and viability evidence, with reasoned consideration of the views of the key stakeholders and delivery agents. The additional costs of strategic development must be recognised.
Paragraph 021, Reference ID: 25-021-20140612, CIL Guidance (revision date 12th June 2014)	Differential rates	*"If the evidence shows that the area includes a zone, which could be a strategic site, which has low, very low or zero viability, the charging authority should consider setting a low or zero levy rate in that area."*	We object to the principle of CIL on Strategic Allocations as outlined in Section 3 of this representation.
Paragraph 028, Reference ID: 25-028-20140612, CIL Guidance (revision date 12 June 2014)	Infrastructure list	*"It is good practice for charging authorities to also publish their draft infrastructure lists and proposed policy for the associated scaling back of section 106 agreements at this stage* [Preliminary Draft Charging Schedule] *in order to provide clarity about the extent of the financial burden that developments will be expected to bear so that viability can be robustly assessed."*	Infrastructure evidence on the onward use of Section 106 contributions should be published. It is clear that Section 106, whilst potentially scaled back in some cases, will continue to play an important role in relation to infrastructure delivery. The updated Guidance is clear that the sharing of infrastructure evidence should be earlier in the process.
Paragraph 038, Reference ID: 25-038-20140612, CIL Guidance (revision date 12 June 2014)	Examination	*"The examiner 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 the proposed rate or rates would not threaten delivery of the relevant Plan as a whole."*	"Appropriate available evidence" must be published by the District Council. This requires the full detail of the viability appraisals to be made available. A relevant input to the evidence of economic viability is the likely use of "scheme mitigation" Section 106.
Paragraph 061, Reference ID: 25-061-20140612, CIL Guidance (revision date 12 June 2014)	Payment in kind	*"…where an authority has already planned to invest levy receipts in a project there may be time, cost and efficiency benefits in accepting completed infrastructure from the party liable for payment of the levy. Payment in kind can also enable developers, users and authorities to have more certainty about the timescale over which certain infrastructure items will be delivered."*	The operation of Payment in Kind needs to consider the implications of the 2014 Regulations, which make clear that reductions in the CIL rate are not possible for infrastructure which is provided to mitigate the impacts of development (and hence typically "site specific").

Paragraph and Reference ID	Topic	Guidance	Implications for SWCs
Paragraph 062, Reference ID: 25-062-20140612, CIL Guidance (revision date 12 June 2014)	Payment in kind	*"This document* [the Infrastructure Payments Policy Statement] *should confirm that the authority will accept infrastructure payments and set out the infrastructure projects, or type of infrastructure, they will consider accepting as payment (this list may be the same list provided for the purposes of Regulation 123)."*	Comments are made in Section 6 on the instalments policy proposed.
Paragraph 083, Reference ID: 25-083-20140612, CIL Guidance (revision date 12 June 2014)	Borrowing	*"Charging authorities are not currently allowed to borrow against future levy income. However, the levy can be used to repay expenditure on income that has already been incurred. Charging authorities may not use the levy to pay interest on money they raise through loans."*	The use of wider funding sources to enable infrastructure delivery should be considered.
Paragraph 093, Reference ID: 25-093-20140612, CIL Guidance (revision date 12 June 2014)	Planning obligations	*"…Charging authorities should work proactively with developers to ensure they are clear about the authorities' infrastructure needs and what developers will be expected to pay for through which route. There should be no actual or perceived 'double dipping' with developers paying twice for the same item of infrastructure."*	This is an important principle that SWCs should be aware of.
Paragraph 094, Reference ID: 25-094-20140612, CIL Guidance (revision date 12 June 2014)	Planning obligations	*"The levy is intended to provide infrastructure to support the development of an area, rather than making individual planning applications acceptable in planning terms. As a result, some site specific impact mitigation may still be necessary in order for a development to be granted planning permission. Some of these needs may be provided for through the levy but others may not, particularly if they are very local in their impact. Therefore, the Government considers there is still a legitimate role for development specific planning obligations to enable a local planning authority to be confident that the specific consequences of a particular development can be mitigated."*	This is a key point, and distinguishes between the strategic infrastructure used to address cumulative impacts, which are required to deliver the plan as a whole and the scheme mitigation infrastructure used to mitigate the impact of the sites.
Paragraph 106, Reference ID: 25-106-20140612, CIL Guidance (revision date 12 June 2014)	Grampian conditions	*"In England, the National Planning Policy Framework sets out that planning conditions (including Grampian conditions) should only be imposed where they are necessary, relevant to planning and to the development to be permitted, enforceable, precise and reasonable in all other respects. When setting conditions, local planning authorities should consider the combined impact of those conditions and any Community Infrastructure*	Grampian conditions must be used sparingly. Cherwell should publish a policy on the use of Grampian conditions.

Paragraph and Reference ID	Topic	Guidance	Implications for SWCs
		Levy charges that the development will be liable for."	
Paragraph 107, Reference ID: 25-107-20140612, CIL Guidance (revision date 12 June 2014)	Highway agreements	*"Charging authorities should take care to ensure that their existing or forthcoming infrastructure list does not inadvertently rule out the use of section 278 agreements for highway schemes that are already planned or underway, or where there would be clear merit in retaining the ability for developers to contribute towards specific local highway works through s278 agreements."*	The cost of Section 278 infrastructure is a relevant consideration for the viability evidence.
Paragraph 107, Reference ID: 25-107-20140612, CIL Guidance (revision date 12 June 2014)	Highway agreements	*"Where section 278 agreements are used, there is no restriction on the number of contributions that can be pooled."*	Pooled Section 38/278 Agreements may represent a feasible alternative to pooled Section 106 contributions in relation to new/improved roads.

Regulation 123 List and Infrastructure Delivery

4.2. The Planning Act 2008 (as amended)[16] defines infrastructure as:

- *"(a) roads and other transport facilities,*
- *(b) flood defences,*
- *(c) schools and other educational facilities,*
- *(d) medical facilities,*
- *(e) sporting and recreational facilities, and*
- *(f) open space."*

4.3. There is a requirement within the CIL Regulations to provide a list of *"relevant infrastructure"*[17] to be wholly or partly funded by CIL. It is also lawful[18] for CIL to be used to reimburse expenditure already incurred on infrastructure, a tool which could have useful implications in respect of the forward funding obtained for major strategic infrastructure.

4.4. Our clients consider it <u>imperative</u> that the evidence supporting CIL:

- Clearly outlines the key infrastructure projects required to support development (this being a key test of the Regulations); and

[16] Section 216, Planning & Compulsory Purchase Act 2008 (as amended)
[17] Regulation 123, CIL Regulations 2010 (as amended)
[18] Regulation 60(1), CIL Regulations 2010 (as amended)

- Produces an up to date, consistent and well informed evidence base of economic viability in order to test various development typologies against CIL rates.

4.5. The sequencing of the delivery of infrastructure is also an important consideration.

5. Viability Appraisal

Introduction

5.1 Section 211 (7a) of the Planning Act (as amended), requires Councils to use "*appropriate available evidence*" to inform their Charging Schedules.

5.2 HDH Planning & Development Ltd (HDH) were commissioned by South Worcestershire Councils (Malvern Hills, Worcester and Wychavon Council) (herein termed "the Councils") to produce a CIL Viability Update19 herein termed 'the HDH Viability Appraisal" to consider and address the points raised by stakeholders following consultation on the the Preliminary Draft Charging Schedule (PDCS). The PDCS was published for consultation in February 2015.

5.3 The HDH Updated Viability Appraisal forms an update to previous studies undertaken by HDH, which include:

- Worcestershire CIL Viability Study, undertaken in 2012 and finalised in January 2013;
- South Worcestershire Development Plan Viability Study (November 2012);
- South Worcestershire Councils, Local Plan Viability Update (September 2014);
- South Worcestershire Councils, CIL Viability Update (December 2014).

5.4 The previous work provides greater detail on the methodology and assumptions made to inform the HDH Updated Viability Appraisal. We have assumed that the previous and current work undertaken by HDH was relied upon by the Councils when proposing the CIL rates in the Draft Charging Schedule (DCS). We refer to the previous studies as appropriate, however, this representation focuses on the conclusions within the HDH Updated Viability Appraisal. This representation will critically examine the assumptions made to determine if the Councils have sufficiently met the requirements of Section 211 (7a) in preparing their rates.

5.5 We summarise the rates proposed in the DSC below:

Table 5.1 South Worcestershire Councils Proposed Rate Draft Charging Schedule: District

Charging Authorities Proposed Levy Rate (per sq m)			
Use Type	**Malvern Hills**	**Worcester City**	**Wychavon**
Residential – Main Urban Areas	£0 (Malvern, Upton upon Severn and Tenbury Wells)	£0	£0 (Droitwich, Evesham and Pershore)
Residential – All Other Areas	£40	£0	£40
Student Accommodation	£100	£100	£100
Food Retail (Supermarkets)	£60	£60	£60
Retail Warehouses	£60	£60	£60
Shops	£0	£0	£0

[19] South Worcester Council CIL Viability Updated January 2016

Hotels	£0	£0	£0
Industrial and Office	£0	£0	£0
Education, Health, Community and all Other Uses	£0	£0	£0

Table 5.2 South Worcestershire Councils Proposed Rate Draft Charging Schedule: Strategic Sites

Site	Charging Authority	Proposed Rate
SWDP 45/1 Worcester South Urban Extension	Malvern Hills/ Wychavon/ Worcester City	£0
SWDP 45/2 Worcester West Urban Extension	Malvern Hills	£0
SWDP 45/4 Gwillam's Farm	Wychavon	£0
WO135 & WO136 Crown Packaging, Worcester	Worcester City	£0
SWDP 45/3 Kilbury Drive, Worcester	Wychavon	£0
SWDP 45/5 Swinesherd Way	Wychavon	£0
SWDP 48/1 Vines Lane, Droitwich	Wychavon	£0
SWDP 51/1 Cheltenham Road, Evesham	Wychavon	£40
SWDP 47/1 Pershore Urban Extension	Wychavon	£0
SWDP 53 QinetiQ, Malvern	Malvern Hills	£40
SWDP 56 North East Malvern Urban Extension	Malvern Hills	£0

5.6 The viability assessments undertaken by HDH are based on a series of residual valuation scenarios that model the gross development value achievable from different uses to which development costs and developer profit are discounted.

5.7 HDH have tested 16 hypothetical residential typologies ranging from 1 to 300 dwellings across the three Charging Areas. We set out the typologies tested below:

Table 5.3 Typologies Tested – District

Typology	Dwellings	Green / Brownfield	Use
1	300	Greenfield	Agricultural
2	200	Greenfield	Agricultural
3	100	Greenfield	Agricultural
4	50	Greenfield	Agricultural
5	30	Greenfield	Agricultural
6	100	Brownfield	Industrial
7	60	Brownfield	Industrial
8	30	Brownfield	Industrial
9	14	Brownfield	Industrial
10	20	Greenfield	Agricultural

11	12	Greenfield	Paddock
12	10 (flats)	Brownfield	Industrial
13	12	Brownfield	Garage
14	4	Greenfield	Paddock
15	3	Greenfield	Paddock
16	1	Greenfield	Paddock

5.8 In addition, 8 strategic sites have been modelled as set out in Table 5.4 below:

Table 5.4 Typologies Tested – Strategic

Site	Dwellings	Green / Brownfield	Use
SWDP 45/1 Worcester South Urban Extension	2,609	Greenfield	Agricultural
SWDP 45/2 Worcester West Urban Extension	2,150	Greenfield	Agricultural
WO135 & WO136 Crown Packaging, Worcester	230	Brownfield	Industrial
SWDP 45/5 Swinesherd Way	300	Greenfield	Agricultural
SWDP 48/1 Vines Lane, Droitwich	100	Greenfield	Agricultural
SWDP 51/1 Cheltenham Road, Evesham	500	Greenfield	Agricultural
SWDP 53 QinetiQ, Malvern	300	Brownfield	Industrial
SWDP 56 North East Malvern Urban Extension	800	Greenfield	Agricultural

5.9 In response to previous representations when the PDCS was published in February 2015, the following key changes have been made by HDH within the DCS:

- Revised modelling for strategic sites including amended and updated trajectory and phasing to seven sites;
- Strategic site; Swinesherd Way now included in viability testing;
- Strategic sites Gwillam's Farm, Kilbury Drive and the Pershore Urban extension not included within revised viability modelling as since the PDSC, planning has been granted;
- Strategic site; Cheltenham Road, Evesham has been amended from 'district rate at £40 per sq m' to £40 per sq m;
- Reduction from £2,500 per dwelling to £2,000 per dwelling towards Section 106 (excluding strategic sites);
- A reduction from £100 per sq m to £60 per sq m for food retail (including both large and small Supermarkets) and retail warehouses;
- Strategic site; Crown Packing, Worcester and Vine's Lane, Droitwich 'district rate at £40 per sq m' now reduced to £0 per sq m;

5.10 We have split our response in respect of the HDH Updated Viability Appraisal into three parts:

Part 1 - Summary of HDH Appraisal Inputs
Part 2 - Assessment of Appraisal Inputs
Part 3 - Alternative Viability Modelling and Conclusion

Part 1 – Summary of HDH Appraisal Inputs

5.11 Notwithstanding the impact the assumptions made by HDH will have to other areas of viability modelling, with regard to the Consortium's specific interest, this representation focuses on the assumptions made by HDH for the following two typologies:

- Cheltenham Road, Evesham - known as 'Strategic Site 5' within the HDH Updated Viability Appraisal. A levy of £40 per sq m is proposed.
- Typology of 200 units in Wychavon - known as 'Greenfield Site 2 for Wychavon' within the HDH Updated Viability Appraisal. A levy of £40 per sq m is proposed.

5.12 Both typologies fall within the Charging Area of Wychavon.

5.13 We summarise below HDH's viability assumptions and highlight the initial areas of concern. Further detail on the specific areas of disagreement or where clarification is required is set out in Part 2.

5.14 Our summary of the inputs adopted by HDH has been derived from Appendix 5 'Updated Residential Appraisals' of the HDH Updated Appraisal.

Table 5.5: Summary Table HDH's Assumptions and Consortium Opinion

Appraisal Input	HDH Assumption for Cheltenham Road, Evesham	HDH Assumption for 200 Dwelling Typology in Wychavon	Consortium Opinion
CIL Rate Proposed	£40 per sq m	£40 per sq m	Disagree – reference **Part 2** for further detail.
Methodology	EUV + 20% uplift + £250,000 per Ha for Greenfield sites	EUV + 20% uplift + £250,000 per Ha for Greenfield sites	Disagree – reference **Part 2** for further detail.
Viability Buffer	Unknown	Unknown	Clarification required – reference **Part 2** for further detail.
Values			
Benchmark Land Values	<u>Greenfield</u> Agricultural – £330,000 per gross hectare (£133,549 per gross acre)	<u>Greenfield</u> Agricultural – £330,000 per gross hectare (£133,549 per gross acre)	Disagree – reference **Part 2** for further detail.
Open Market Sales Values	Average of £2,620 per sq m (£243 per sq ft)	Average of £2,890 per sq m (£268 per sq ft)	Disagree — reference **Part 2** for further detail
Affordable Housing Values	Shared Ownership £1,703 per sq m (£158 per sq ft) Social Rent £1,336 per sq m (£124 per sq ft)	Shared Ownership £1,879 per sq m (£152 per sq ft) Social Rent £1,474 per sq m (£119 per sq ft)	Disagree – reference **Part 2** for further detail.

Densities			
Dwellings Per Hectare	43 / Ha	35 / Ha	Clarification required. Policy SWDP 13 stipulates that on allocations for more than 100 new dwellings in Droitwich Spa, Evesham and Malvern, development should achieve an average net density of 40 dwellings per Ha.
Dwelling Sizes			
Open Market Housing and Affordable Housing	Open Market Dwellings 2 Bed Houses – 65 - 85 sq m 3 Bed Houses – 75 – 110 sq m 4 Bed Houses – 135 sq m 5 Bed Houses – 150 sq m Affordable Dwellings 1 Bed Flat – 45 sq m 2 Bed Flat – 67 sq m 2 Bed House – 75 sq m 3 Bed House – 82 – 85 sq m	Open Market Dwellings 2 Bed Houses – 65 - 85 sq m 3 Bed Houses – 75 – 110 sq m 4 Bed Houses – 135 sq m 5 Bed Houses – 150 sq m Affordable Dwellings 1 Bed Flat – 45 sq m 2 Bed Flat – 67 sq m 2 Bed House – 75 sq m 3 Bed House – 82– 85 sq m	Discrepancy noted and clarification required – see **Part 2** for further details.
Net Developable Area			
Gross to Net	Gross 11.7 ha (28.9 acres) Net 11.5 ha (28.41 acres)	Gross 9.5 ha (23.47 acres) Net 5.7 ha (14.08 acres)	Disagree - reference **Part 2** for further detail.
Acquisition Costs			
Stamp Duty	Residential sliding scales for SDLT.	Residential sliding scales for SDLT.	Disagree – Commercial SDLT rates should apply. New rates will be site specific and should be calculated as such using correct value bands.
Legal Acquisition	1.5% of land value	1.5% of land value	Agent fee, legal and VAT on professional fess should equate to 1.8% of the land value in addition SDLT.
Planning Costs			
Planning Fees	£225,000 (average of £450 per dwelling)	£75,000 (average of £375 per dwelling)	Disagree- On sites that require promotion through the Local Plan (200 Dwelling Typology), the planning promotion costs will be considerable higher than £375 per dwelling.
Sales and Construction Timescale			
Construction	50 per annum	25 per annum	Agree in principle assuming the 50 dwellings per annum allowance at

			Cheltenham Road assumes multiple outlets constructing simultaneously.
Sales	50 per annum	25 per annum	Disagree. The sales period adopted should be based on market research and be reflective of current new build take in the relevant location. Larger typologies will see lower sales rates per annum consistent with a diluted market.
Construction Costs			
Build Costs	£969 per sq m (£90 per sq ft)	£969 per sq m (£90 per sq ft)	Disagree - reference **Part 2** for further detail
External Works	No allowance	No allowance	Disagree - reference **Part 2** for further detail.
Abnormals	No allowance	No allowance	Disagree - reference **Part 2** for further detail.
Contingency	2.5% of build cost	2.5% of build cost	Agree if based on revised baseline construction cost - reference **Part 2** for further detail.
Professional Fees	11% of build cost including contingency and Section 106 costs	10% of build cost including contingency and Section 106 costs	Agree if based on revised baseline construction cost - reference **Part 2** for further detail.
Infrastructure Costs	20% of baseline build costs (£194 per sq m).	20% of baseline build costs (£194 per sq m).	Disagree - reference **Part 2** for further detail.
Sustainability Enhancements	CfSH £15 per sq m + £20 per sq m for energy	CfSH £15 per sq m + £20 per sq m for energy	Clarification required - Code for Sustainable Homes now abolished. It is assumed that the combined allowance will cover energy policy requirements (SWDP 27) and enhanced building regulations.
Section 106			
Affordable Housing %	40% on Greenfield sites of 15 or more dwellings	40% on Greenfield sites of 15 or more dwellings	Agree in principle.
S106 Financial Contribution	£3,216,015	£2,000 per dwelling	Broadly agree, adjustments may be required on Cheltenham Road as likely S106 costs emerge through the live application process.
Profit			
Developer Profit	20% of GDV	20% of GDV	Agree in principle if based on revised GDV.
Finance			
Debit Rate	6% + £10,000 fee and £7,500	7% + £10,000 fee and £7,500	6% Disagree – clarification is required as to why a lower rate of finance has

	valuation.	valuation.	been adopted for Cheltenham Road. A rate of 7%, in addition fees and valuation cost, is more reflective of the current lending rates.
Marketing Fees			
Marketing Costs & Sales Fees	Agent fee 3% of GDV Legal fee 0.5 % of GDV £5,000 Miscellaneous	Agent fee 3% of GDV Legal fee 0.5 % of GDV £5,000 Miscellaneous	Agree in principle if based on revised GDV.

Part 2 – Assessment of Appraisal Inputs

5.15 As outlined in Table 5.5 above, there are a number of assumptions made by HDH that cause concern. In the following section we have explored a number of these points further and made reference to evidence where appropriate.

5.16 The key areas of concern include:

- Methodology and Benchmark Land Values
- Sales Values
- Dwelling Sizes
- Development Costs

Methodology and Benchmark Land Values

5.17 HDH have adopted the following Benchmark Land Values (BLV's):

Table 5.6 BLV adopted in HDH Updated Viability Appraisal

Area	£ per Gross Hectare	£ per Gross Acre
Greenfield - Agricultural	£330,000	£133,549
Greenfield - Paddock	£360,000	£145,690
Brownfield - Industrial	£420,000	£169,972

5.18 For both Cheltenham Road, Evesham and the 200 Greenfield Typology in Wychavon, a Greenfield agricultural value of £330,000 per gross hectare (£133,549 per gross acre) has been adopted.

5.19 We note that HDH establish BLV's for Greenfield sites by establishing the Existing Use Value, adding a 20% uplift and £250,000 per Ha to represent the premium above Existing Use Value which would need to be achieved to enable development. No comparable evidence has been provided to support the BLV's adopted by HDH, nor the Existing Use Values.

5.20 The NPPF is clear that in assessing viability, there must be a competitive return for the landowner as this is required to incentivise the release of land for development. This is applicable to both previously developed and Greenfield sites. We recognise that part of the rationale behind CIL is to capture a proportion of the increase in land value and that by its nature CIL will therefore have a bearing upon land values. However, it is imperative that realistic and reasonable BVL's are included within the HDH Updated Viability Appraisal which are based upon an understanding of the values at which land is currently traded.

5.21 For larger sites, it is necessary to account for the costs and planning risk associated with site promotion. In order to account for the this, we recommend an adjustment to the BVL. This approach is consistent with the Harman Report which states that:

5.22 "In such circumstances, the Threshold Land Value (at which a landowner will release land for development) is unlikely to represent the assessed value that will bring land forward for development. It will be necessary to take account of planning promotion costs and the return required by the promoters of such sites." (Financial Viability in Planning, Page 31).

5.23 Land promoters typically require 10% - 20% of the land value in order to reflect the risk that they may expend significant costs in the promotion of a site without ever seeing a return. Put another way, the land promoter requires 10% - 20% of the land value when the site is sold with planning permission to make it worth their resource and risk in promoting the site. The most accurate means of reflecting this in the Updated Viability Appraisal is to inflate the Greenfield benchmark land values for those sites where it is likely that promotion of the site will have occurred, i.e. all strategic modelling and large sites.

5.24 In summary, to ensure consistency with the NPPF and to provide the landowner with a competitive return, we consider that the Existing Use Value 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. Nevertheless, the additional uplift to the viability threshold will provide an incentive and help ensure that land supply does not reduce significantly.

5.25 Savills have researched a number of Option Agreements and the minimum price provisions set out within the wider area. Together, they provide a good benchmark for minimum land values for Greenfield land and provide a more robust evidence base than the assumptions used by HDH Planning and Development. Savills sets out this evidence below, specific details remain confidential:

- Option A, West Midlands – the land is likely to accommodate approximately 1,500 dwellings and the minimum purchase price is agreed at £432,000 per gross hectare (£175,000 per gross acre);

- Option B, West Midlands – approximately 1,500 dwellings. The minimum purchase price agreed is at £346,000 per gross hectare (£140,000 per gross acre).

5.26 From the evidence above, it can be seen that in comparable markets, minimum land values tend to be agreed within a range of £346,000 - £432,000 per gross hectare (£140,000 - £175,000 per gross acre).

5.27 On the basis of the evidence included above, Savills feel the viability threshold for larger and strategic sites is too low at £330,000 per gross hectare (£133,549 per gross acre). In addition, no evidence has been provided to support the BLV's adopted HDH.

5.28 In the absence of supporting comparable evidence, we recommend that HDH adopt a BLV reflecting a minimum of £432,000 per gross hectare (£175,000 per gross acre) for the larger Greenfield and strategic sites, in addition to a viability buffer.

Viability Buffer

5.29 The CIL Guidance highlights the importance of a charging authority recognising the need for an appropriate balance when determining CIL rates:

5.30 "*The authority will need to be able to show why they consider that the proposed levy rate or rates set an appropriate balance…between the need to fund infrastructure and the potential implication for the economic viability of development across their area."*[20]

5.31 It is therefore important that when setting rates that the Councils apply an appropriate viability 'buffer'. We are pleased that HDH acknowledge that in order for a proposed development to be described as viable it is necessary for the Residual Land Value to exceed the Existing Use Value by a satisfactory margin[21].

5.32 However, our review of the viability appraisals provided as Appendices[22] to the HDH Updated Viability Appraisal indicate that no allowance for a viability buffer has been made within modelling. We seek clarity on this point. We recommend that a minimum 30% buffer is applied to the BLV adopted across all typologies.

Gross to Net Land Take Assumptions – Cheltenham Road Evesham

5.33 The following discrepancies have been noted within HDH's calculation of the BLV's for Cheltenham Road Evesham. These discrepancies will have a fundamental impact on surplus afforded to CIL:

- Incorrect gross and net land areas stated. An underestimation of the gross and net areas will result in an inaccurately low BLV and consequently an over inflated surplus afforded to CIL;
- BLV's calculated on net land area. No adjustment has been made to the RLV's to ensure a like for like comparison resulting in an over inflated surplus afforded to CIL.

5.34 Large sites will be required to provide public open space and recreation space that will reduce the net residential area. We highlight policy SWDP 5: Green Infrastructure below:

5.35 "Housing development proposals (including mixed-use schemes) are required to contribute towards the provision, maintenance, improvement and connectivity of Green Infrastructure (GI) as follows (subject to financial viability):

i. For Greenfield sites exceeding 1ha (gross) - 40% Green Infrastructure;
Ii. For Greenfield sites of less than 1ha but more than 0.2 ha (gross) – 20% Green Infrastructure."

20 Section 2:2:2:4, 10th paragraph

21 Page 45 of the HDH Updated Viability Appraisal

22 Updated Residential Appraisals - Appendix 5 of the HDH Updated Variability Appraisal

5.36 These additional land uses are a necessary part of any planning permission and contribute towards the acceptability of the scheme from the Councils perspective. It is therefore appropriate that viability appraisals (particularly for large Greenfield sites over 1ha) factor in the gross land areas required for each scheme and adopt a reasonable minimum land value across the gross site area. If the BLV adopted is on a £ / gross ha basis and the RLV is a figure calculated on the net developable area, then for comparison purposes, the BLV is being grossly underestimated.

5.37 HDH state that they have modelled on a gross basis[23] and the BLV figures adopted are also gross. Thus, the above point becomes irrelevant assuming this is the approach taken across all sites and that the correct gross area is modelled. Within modelling of other typologies, including the 200 dwelling typology for Wychavon, we are pleased that BLV's have been calculated using the gross area having allowed for a 40% GI provision on larger sites.

5.38 With reference to Appendix 5 of the HDH Update Viability Appraisal, the following net and gross land areas have been referenced for Cheltenham Road, Evesham:

Table 5.7 Gross and Net Areas adopted by HDH

	Cheltenham Road, Evesham
Gross Ha	11.7
Net Ha	11.5
Net to Gross Land Take	98%

5.39 We note that policy SWDP 51/1 Cheltenham Road Evesham allocates 22.47 Ha of land. It is unclear why 11.7 Ha has been stated as the gross area. We seek clarification on this point. An underestimation of the gross and net areas will result in an inaccurately low BLV and consequently an over inflated surplus afforded to CIL.

5.40 We also comment that the gross and net areas adopted by HDH would provide a net to gross land take of 98%. We assume that this is a discrepancy. Given the GI requirement, we would expect large Greenfield sites to have a gross to net land ratio of between 50 – 70%. We seek clarification on this point.

5.41 Not withstanding the above, inconsistent with their approach to other typologies, it would appear that HDH have calculated the BLV for Cheltenham Road Evesham against the net land area (11.5 Ha). If the net land area is used within modelling, the RLV should be adjusted down prior to comparison with the BLV. HDH have not made this adjustment. The current viability model therefore provides an artificially low BLV and consequently an over inflated surplus afforded to CIL.

5.42 We therefore strongly urge that HDH either; adjust the RLV's down to ensure a like for like comparison, or, consistent with the rest of modelling, adopt the gross land area within their calculation of the BLV.

[23] Page 73 of the HDH Updated Viability Appraisal

Open Market Sales Revenue – Wychavon

5.43 With reference to Appendix 5, a value of £2,620 per sq m (£243 per sq ft) has been adopted by HDH for Cheltenham Road, Evesham (500 dwellings) and a value of £2,890 per sq m (£268 per sq ft) has been adopted for the 200 dwelling typology in Wychavon.

5.44 The Consortium have the following key concerns:

- The rational behind the chosen sales values is unclear;
- New build sold price data from November 2014 – October 2015 for Wychavon is provided within the HDH Updated Viability Appraisal. The adopted sales values are 9.7% (Cheltenham Road, Evesham) and 21% (200 Dwelling Typology) higher than the evidence provided. No explanation is provided.
- New build asking prices taken at October 2015 have also been provided. Asking prices are not transacted data and should be treated with caution. No discount has been applied to reflect purchaser incentives.

5.45 HDH have utilised Land Registry sold price data from the period of November 2014 – October 2015 and have tabulated the data at Table 3.1 within the HDH Updated Viability Appraisal[24]. New build asking prices across the three Charging Areas has also been provided. We understand that HDH have increased sale values by 7% since earlier work[25].

5.46 Like any Charging Area, new build sales values on a £ per sq m basis will vary depending on location, specification, size of the dwelling and the scale of development within which the dwellings sits.

5.47 The assumptions made will have a fundamental impact on the apparent viability of a site. It is therefore imperative that the adopted values are reflective of the current market and are supported with a robust database of evidence of recently transacted new build sales evidence. Asking prices are not necessarily reflective of the current market as often they will be gross of purchaser incentives and discounts. Only when there is a lack of transacted new build evidence should asking prices be used to inform values. If this is the case, it is usual that a discount is applied to reflect the aforementioned discounts. Asking prices must therefore be treated with caution and more weight should be given to transacted data.

5.48 We have firstly considered the sold price Land Registry data provided within the HDH Updated Viability Appraisal. We summarise below the ‘mean’ and ‘median’ sold price data for Wychavon which is derived from a sample of 362:

[24] Page 22 of the HDH Updated Viability Appraisal

[25] Page 26, paragraph 3.15 of the HDH Updated Viability Appraisal

Table 5.8 New Build Sold Data HDH Updated Viability Appraisal – Wychavon (Nov-14 – Oct 15)

Wychavon	Detached	Semi - Detached	Terraced	Flat	All
Mean	£2,483	£2,281	£2,273	£2,418	£2,387
Median	£2,450	£2,405	£2,441	£2,337	£2,424

5.49 The sales value adopted for Cheltenham Road, Evesham, at £2,620 per sq m, is 9.7% above the mean 'all' figure for Wychavon. The gap between the adopted sales value and the sold price data widens even more so for the 200 dwelling typology, which at £2,890 per sq m, is 21% above the mean 'all' figure for Wychavon. The methodology and reason for the uplift to the sold transactional data has been omitted. No evidence has been provided to support the higher rates. Clarification is required on this point.

5.50 We add that larger sites will usually be marketed by releasing phased development parcels, often there are several house builders on site actively marketing separate phases at one given period. It is therefore important that the strategic and larger viability modelling takes account of the diluted market place created. This is important as not only will sale values be depressed, but the rate of sale will be slower than that achieved on smaller sites. Thus, increasing the overall development project timeline which will have a negative impact the viability.

5.51 The availability of new build asking price evidence will depend on new build schemes actively marketing during the research period. With regard new build asking price data, of the 180 sample taken in October 2015 within the HDH Updated Appraisal[26], a sample of 9 is derived from Evesham. The new build data asking price data for houses in Evesham has an 'average' range of £1,952 - £3,015 per sq m. The 'average' data has a mean of £2,619 per sq m (£243 per sq ft).

5.52 For larger sites, given the diluted sales market, we would expect asking prices to fall in the 'lower' bracket of the data collected. The lower bracket has a range of £1,908 - £2,771 per sq m with a mean of £2,119 per sq ft (£197 per sq ft).

5.53 Even then, a discount of between 3 – 5% should be applied to the asking prices to reflect purchaser incentives. A discount of 5% would provide a mean of £2,488 per sq m (£231 per sq ft) for 'average' asking prices and £2,013 per sq m (£187 per sq ft) for 'lower' asking prices. On this basis, the gap between the adopted sales values and the discounted asking price evidence is significant.

5.54 Given this and the points noted above, we would advocate that a lower sales value on larger and strategic sites in Wychavon is adopted. A lower rate is supported by the sold price data for Wychavon (as tabulated at 6.7 above), and by the discounted new build asking prices.

Affordable Housing Revenue

5.55 Affordable housing is a key component of the CIL viability testing. It is therefore of paramount importance that the affordable housing assumptions are realistic and reflective of current market conditions. The

[26] Page 24 of the HDH Updated Viability Appraisal and at Appendix 1

Government have imposed rent controls on Housing Associations (Registered Providers) as a short term measure to reduce the cost of Welfare payments. The following has been imposes on the housing sector:

- An absolute rent reduction of 1% per annum on social and affordable rents until 2020;
- A Freeze on Local Housing Allowance (the housing benefit cap);
- A reduction in the benefit cap to £23,000 in London and £20,000 in the rest of the Country, from the current £26,000; and
- The abolition of Housing Benefit for under-21's and the end of Social Rents for Local Authority and Housing Association tenants who earn more than £30,000 (£40,000 in London).

5.56 We are aware that Registered Providers are consequently renegotiating Section 106 packages, with a direct impact on land values. These amendments will subsequently have a significant impact on Registered Providers and the valuation of affordable / social rental products in CIL viability work. 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.

5.57 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 are pleased that HDH have consulted with housing associations with regard to social and affordable rents and subsequently reduced the figures adopted for social rents by between 25 – 30%. However, we highlight that no allowance for programmed maintenance has been made in HDH assumptions for social rents which will decrease values.

5.58 Finally, we would advocate that instead of adopting a discount to market value to determine the value of the shared ownership housing, we would suggest that the RICS Guidance Note "Valuation of Land for Affordable Housing" is used, or further consultation work is undertaken and evidence provided to support a value equivalent to 65% of the open market value which has been adopted by HDH.

Dwelling Sizes

Cheltenham Road Discrepancy

5.59 We have noted a discrepancy between the GIA adopted within the viability model for Cheltenham Road, Evesham and the floor areas that are stated to be adopted. A figure of 47,136 sq m has been used within the model to propose a levy of £40 per sq m. With reference to 'Strat Base Site Make Up' within Appendix 5 of the HDH Updated Viability Appraisal, the total GIA should equate to 49,425 sq m.

5.60 Using the build cost rate adopted by HDH, this difference in GIA equates to an additional £2.2m worth of construction cost that is not currently modelled. We highlight that base line construction data is also used as a basis for other development costs, therefore this discrepancy will have a fundamental impact on the apparent viability and the levy proposed. Clarification is required. The adopted GIA should be reflective of a mix that is consistent with the Councils Strategic Housing Market Assessment.

Garages

5.61 We have reviewed the HDH Updated Viability Appraisal and are unable to find any evidence of assumptions relating to the inclusion of garages for the open market housing. This is important as CIL is chargeable on the GIA of the development, which by definition includes garages. Any increase in the overall sales value of a new build house with a garage is generally off set by the cost of building the garage, and in some cases a garage will not add any value to the property, but instead only improve its marketability. Therefore the CIL liability of a garage will have a negative impact of the viability of the development.

5.62 We would therefore ask that HDH confirm what allowance, if any, has been made for the provision of garages. Failure to include a suitable allowance for garages in the Updated Viability Appraisal could subsequently result in an over-estimation of the site's capacity to support a CIL rate.

Development Costs

Baseline Construction Costs

5.63 It is vital that baseline construction cost data accurately reflects current market sentiment and is reflective of the actual costs incurred by developers. Within the HDH Updated Viability Appraisal, the construction costs also form the basis of other development costs including the developers contingency and professional fees.

5.64 Across both typologies tested, a rate of £969 per sq m (£90 per sq ft) has been adopted. This is based on BCIS data taken at November 2015.

5.65 We would highlight that tender prices are forecast to rise by 28% in the next five years at a rate of 4.5% – 6% per annum, according to a report from RICS' BCIS Quarterly Briefing (April, 2015). It is anticipated that material prices will rise by 1.6% in the year to 4th Quarter 2016, dampened by steel prices remaining flat, and falling oil prices.

5.66 Given this, and the scale of strategic and large sites, any price increases will have a significant impact on the viability. This is best demonstrated in Table 5.9 below by comparing the baseline construction figures adopted by HDH, to those taken today (Q2, 2016, mean 'forecast data' for estate housing generally, rebased for Wychavon).

Table 5.9 BCIS Data Comparison Table

Site	HDH Adopted Rate £	BCIS Q2 Rate £	% Difference	Additional Cost to Land Value
200 Dwelling Typology-Wychavon	£969 per sq ft (£90 per sq ft)	£1,066 per sq m (£99 per sq ft)	↑+10.01%	+ £1,850,760
Cheltenham Road, Evesham	£969 per sq ft (£90 per sq ft)	£1,066 per sq m (£99 per sq ft)	↑+10.01%	+ £4,572,195

5.67 Having adopted the same housing mix as HDH, the table above demonstrates that currently there is an under allowance of £1,850,760 and £4,572,195 for the 200 dwelling typology and Cheltenham Road, Evesham, respectively, when compared with modelling based on November 2015 BCIS data. The additional cost is significant and could render such sites unviable.

5.68 To ensure that viability modelling accurately reflects current base line build costs, we strongly urge that HDH Planning and Development revise their build costs assumptions across all typologies in line with the most up to date BCIS data.

Abnormal Costs

5.69 Abnormal costs capture the impact of additional development costs such as archaeological investigation, water diversion, ground remodelling, ground stabilisation and pumping stations, which may be required on both Brownfield and Greenfield sites. Although an allowance of 5% of BCIS costs has been made for Brownfield sites, HDH make no allowance for these works within the Updated Viability Appraisal for Greenfield sites.

5.70 HDH state that it is not relevant to model such costs within a high level study. The Consortium disagree with this approach and we would highlight that previous stakeholder engagement has raised HDH's approach to abnormal costs as a concern.

5.71 In line with stakeholder engagement and the Consortium's concerns, we urge that an allowance of 5 – 10% of BCIS base line build costs is modelled across all Greenfield typologies to ensure that these additional development costs that are frequently required on Greenfield sites are accounted for.

Infrastructure Costs

5.72 HDH acknowledge in earlier work that "*large Greenfield sites would also be more likely to require substantial expenditure on bringing mains services to the site*"[27]. They have allowed a cost equivalent to £194 per sq m, or approximately £18,300 - £18,500 per dwelling for infrastructure. This is deemed to include roads, drainage and services within the site, parking, footpaths, landscaping and other external costs, off site costs for drainage and other services and S278 costs.

5.73 It is necessary to first consider the difference between infrastructure and external costs in order to appropriately quantify a cost allowance for each.

5.74 On site infrastructure costs cover the provision of drainage, services and utilities, in essence, the infrastructure required to deliver a serviced housing parcel. The Harman Report[28] suggests a range of £17,000 - £23,000 per dwelling is appropriate for large sites. Considering the Harman Report was produced in 2012, we have increased the figures (using the BCIS All in Tender Price Index). Having allowed for indexation, the recommendations within the Harman Report, equate to £20,400 to £27,600 per dwelling. On this basis, the figure adopted by HDH is too low.

[27] Page 58, Paragraph 7.15 of the HDH Worcestershire CIL Viability Study – Final January 2013

[28] Viability Testing Local Plan (June 2012), Page 44

5.75 We therefore strongly recommend that appraisals are re-run using a minimum assumption of £20,400 per dwelling for infrastructure, in addition to an allowance for external costs, for larger typologies above 100 dwellings.

External Works

5.76 In addition to infrastructure are the external costs associated with soft and hard landscaping, such as pathways, hedgerows, trees and planting and car parking provision.

5.77 External costs will vary from site to site and can usually only be accurately determined when the likely built form is known. However, given our industry experience, we would expect an allowance of approximately 10% to BCIS baseline build costs within modelling.

Part 3 Alternative Viability Modelling

5.78 Given the concerns set out in **Part 2**, Savills have created a base appraisal to mirror the inputs made by HDH for Cheltenham Road, Evesham (Strategic Site 5 - 500 dwellings) and the 200 dwelling typology in Wychavon (Greenfield 2).

5.79 We highlight that our base appraisals have been created for the purposes of general testing only. We have adopted the same methodology as HDH and have deducted the development costs from the development value. The Residual Land Value is then compared with the Benchmark Land Value. The remaining margin is theoretically the maximum levy of CIL chargeable, without a viability buffer.

5.80 For both base appraisals, we have adopted the gross land areas adopted by HDH. Although we have adopted these areas, we reiterate that the allocation Cheltenham Road Evesham under policy SWDP 51/1 Cheltenham Road Evesham is allocated for 22.47 Ha and seek clarification as to why 11.7 Ha has been quoted as the gross area.

5.81 Additionally, we highlight that the BLV's for Cheltenham Road Evesham have been calculated on a net basis, without and adjustment being made to the RLV. For clarity, within our alternative modelling, we have calculated the recommended BLV against the gross area stated of 11.7 Ha.

5.82 We attached a copies of our base appraisals at **Appendices 1 & 2**. Having created the appraisals, we have carried out alternative viability modelling on the key areas of concern noted below:

Sales Values

5.83 Savills have adopted an alternative sales value of £2,387 per sq m (£221 per sq ft) for the open market income which is reflective of the 'mean' sold price data provided within the HDH Updated Viability for Wychavon.

5.84 Utilising the same approach as HDH, we have discounted the open market values by 35% to provide the shared ownership income. For consistency, we have allowed the same values for the social rented units which have been calculated by capitalising the rental income and allowing for voids and management costs.

Baseline Build Costs

5.85 Inline with the most up to date BCIS data (Q2, 2016, mean 'forecast data' for estate housing generally, rebased for Wychavon), we have allowed a build cost of £1,066 (£99 per sq ft). In addition to base line build costs, HDH have allowed £15 per sq m for the CfSH, £20 per sq m for energy and £194 per sq m for servicing and infrastructure.

5.86 For consistency, we have adopted these costs. The combined construction cost equates to £1,295 per sq m.

Alternative Modelling: 200 Dwelling Typology Wychavon

5.87 For ease of reference, we summarise HDH's assumptions alongside the alternative areas of testing in Table 5.10 below:

Table 5.10: Sensitively Testing on Alternative Assumptions: 200 Dwellings Wychavon

Appraisal	Assumption	HDH Assumption	Savills Assumptions
A	**Base Appraisal**	As set out within the HDH Updated Viability Appraisal	As set out within the HDH Updated Viability Appraisal
B	**Sales Value**	£2,890 per sq m (£268 per sq ft)	£2,387 per sq m (£221 per sq ft)
C	**Base Line Construction Cost**	£969 per sq m (£90 per sq ft)	£1,066 per sq m (£99 per sq ft)
D	**Combined**	As above	As above

5.88 We have modelled the impact the alternative assumptions made in Appraisals A - D will have when compared against the recommended BLV of £175,000 per gross acre. We have then tested the impact against £227,500 per gross acre, having allowed for a 30% viability buffer. The results of the sensitivity testing is set out in Table 5.11 below.

Table 5.11 Results of Sensitively Testing on Alternative Assumptions: 200 Dwellings Typology in Wychavon

200 Dwelling Typology Gross Ha 9.5 Gross Acre 23.47	RLV per Gross Acre Based on Savills Alternative Assumption	Savills BLV per Gross Acre	Maximum Potential Margin for CIL / Sq M Savills BLV without Viability Buffer	Savills BLV per Gross Acre with 30% Viability Buffer	Maximum Potential Margin for CIL / Sq M Savills BLV with 30% Viability Buffer
A- Base	£306,216	£175,000	£228	£227,500	£137
B - Sales	£140,610	£175,000	£0 - Deficit	£227,500	£0 - Deficit
C- Base Line Build Costs	£242,541	£175,000	£117	£227,500	£26
D – Combined	Deficit	£175,000	£0 - Deficit	£227,500	£0 - Deficit

Conclusion - 200 Dwelling Typology Wychavon

5.89 To ensure CIL is not set at the margins of viability, a 30% viability buffer should be allowed in addition to the adopted BLV's. Assuming HDH alter their BLV in accordance with our appropriate evidence as provided within this representation, it is possible to see once a viability buffer of 30% is applied to the alternative appraisals the maximum CIL rate falls to £137 per sq m. Although this is still a high maximum CIL rate, it demonstrates that the change in just one input has a resulted in a 40% decrease to the land value.

5.90 Clearly, reducing the sales value to £2,387 per sq m (£221 per sq ft) in Appraisal B has a significant impact on the surplus / deficit afforded to CIL. The reduction equates to a decrease of £7m to the Gross Development Value and results in a deficit in the surplus afforded. It is vital that this point is addressed and clarification is provided as to why values of £2,890 per sq m (£268 per sq ft) have been adopted when recently transacted sold evidence in Wychavon is provided within the HDH Updated Appraisal to support a lower value. In line with this evidence, we strongly urge that a sales value £2,387 per sq m is adopted.

5.91 When all of the alternative assumptions are combined, in Appraisal D, the cumulative impact is significant and illustrates a deficit afforded to CIL on the 200 dwelling typology in Wychavon. It is therefore of great concern that a rate of £40 per sq m is proposed. A levy at this rate will render such sites unviable and will stall the delivery of larger sites within the Charging Area of Wychavon.

5.92 Based on our analysis above, we strongly recommend that a rate of £0 per sq m is applied to typologies in excess of 200 dwellings in Wychavon. The inappropriate assumptions made by HDH carry through to other typology sizes within Wychavon. Therefore, we would urge that the sales values and baseline construction costs across all typologies in Wychavon are revisited by HDH.

Alternative Modelling: Cheltenham Road, Evesham (500 Dwellings)

5.93 For ease of reference, we summarise HDH's assumptions alongside the alternative areas of testing below:

Table 5.12 Sensitively Testing on Alternative Assumptions: Cheltenham Road, Evesham

Appraisal	Assumption	HDH Assumption	Savills Assumptions
A	**Base Appraisal**	As set out within the HDH Updated Viability Appraisal	As set out within the HDH Updated Viability Appraisal
B	**Sales Value**	£2,620 per sq m (£243 per sq ft)	£2,387 per sq m (£221 per sq ft)
C	**Base Line Construction Cost**	£969 per sq m (£90 per sq ft)	£1,066 per sq ft (£99 per sq ft)
D	**Combined**	As above	As above

5.94 We have modelled the impact the alternative assumptions made in Appraisals A - D will have when compared against the recommended BLV of £175,000 per gross acre. We have then tested the impact against £227,500 per gross acre, having allowed for a 30% viability buffer. The results of the sensitivity testing is set out in Table 5.13 below.

Table 5.13 Results of Sensitively Testing on Alternative Assumptions: Cheltenham Road, Evesham

Cheltenham Road, Evesham, 500 Dwelling Typology Gross Ha 11.7 Gross Acre 28.91	RLV per Gross Acre Based on Savills Alternative Assumption	Savills BLV per Gross Acre	Maximum Potential Margin for CIL / Sq M Savills BLV without Viability Buffer	Savills BLV per Gross Acre with 30% Viability Buffer	Maximum Potential Margin for CIL / Sq M Savills BLV with 30% Viability Buffer
A- Base	£352,957	£175,000	£152	£227,500	£107
B - Sales	£192,361	£175,000	£15	£227,500	£0 - Deficit
C- Base Line Build Costs	£219,437	£175,000	£38	£227,500	£0 - Deficit
D – Combined	Deficit	£175,000	£0 - Deficit	£227,500	£0 - Deficit

Conclusion – Cheltenham Road, Evesham

5.95 Given the size and scale of Cheltenham Road, Evesham, any variation to inputs will have a significant impact to the land value and the surplus afforded to CIL. Assuming a 30% viability buffer is allowed to ensure that the levy is not set at the margins of viability, the table above demonstrates that the proposed levy at £40 per sq m would render the Cheltenham Road site unviable. The most significant decrease in land value occurs when sales values are decreased.

5.96 Reducing the sales value to £2,387 per sq m (£221 per sq ft) in Appraisal B equates to a decrease of £8.27m to the Gross Development Value and results in a surplus equating to £15 per sq m without a viability buffer. After making an allowance for a 30% viability buffer, the surplus becomes a deficit. It is therefore vital that clarification is provided as to why values of £2,620 per sq m (£243 per sq ft) have been adopted when recently transacted sold evidence in Wychavon is provided within the HDH Updated Appraisal to support a lower value. In line with this evidence, we strongly urge that a sales value £2,387 per sq m is adopted for open market revenue at Cheltenham Road, Evesham.

5.97 Table 5.13 demonstrates that when the most up to date BCIS build cost data is adopted, the surplus afforded to CIL decreases to £38 per sq m, without a viability buffer. On this basis, the proposed rate at £40 per sq m, would be set at the margins of viability, without an appropriate buffer. After making an allowance for a 30% buffer, the surplus afforded to CIL in Appraisal C becomes a deficit.

5.98 When all of the alternative assumptions are combined, in Appraisal D, the cumulative impact is significant and illustrates a deficit afforded to CIL. It is therefore of great concern that a rate of £40 per sq m is proposed. Based on our analysis above, we strongly recommend that a rate of £0 per sq m is applied to Cheltenham Road, Evesham.

5.99 Please note that the advice provided on values is informal and given purely as guidance. Our views on price are not intended as a formal valuation and should not be relied upon as such. They are given in the course of our estate agency role. Any advice in this report or the attached documents is not in accordance with RICS Valuation – Professional Standards 2014, or any subsequent edition and neither Savills nor the author can accept any responsibility to any third party who may seek to rely upon it, as a whole or any part as such.

6. Effective Operation of CIL

CIL Operation

6.1 Despite the narrow scope of the examination, we urge SWCs to make clear at the earliest opportunity, the supporting documentation needed to operate CIL and to make it available for consultation. Practically, this needs to be done as soon as possible, so that participants and stakeholders are able to comment on the effective operation of CIL. Whilst this supporting information is not tested at examination, this information is critical to allow for the successful implementation of CIL and to demonstrate that the CIL has been prepared positively and supports sustainable development.

6.2 The documentation should include:

- Guidance on how to calculate the relevant chargeable development/level of CIL
- Guidance on liability to pay CIL/Appeals process
- Policy for payments by instalments
- Approach to payments in kind
- Guidance on relief from CIL and a policy on exceptional circumstances for relief from CIL

6.3 The DCS touches on some of these points in the commentary text. A further comment on a selection of these points is provided in this section.

Discretionary and Exceptional Circumstances Relief

6.4 With regard to Discretionary Relief and Exceptional Circumstances Relief we note that SWCs have not identified if these reliefs will be made available.

6.5 Savills does not consider there to be any detriment arising from the Council making available such reliefs within policies as part of its Charging Schedule, as the Council will still retain control over the application of the policies. There are strict tests surrounding the availability and applicability of Exceptional Circumstances Relief. It would therefore only be applicable to those schemes that can justify the need for it and meet those strict tests.

6.6 Our client therefore considers it imperative that SWCs make both Discretionary and Exceptional Circumstances Relief available from the adoption of CIL. We would therefore ask that relief is included in the Charging Schedule and that the intended approach to doing so is outlined.

Instalments Policy

6.7 Our Clients welcome the proposed introduction of an Instalments Policy, however, there is concern that the proposed policy could prove onerous.

6.8 Ultimately, developer cashflow is an important consideration, notably in respect of upfront infrastructure costs typically associated with strategic development. The Instalment Policy should aim to reflect, as closely as possible, the timing of delivery of the development, to ensure that the CIL does not put unnecessary pressure on cashflow and viability.

6.9 Savills therefore recommends the following thresholds instead of the Draft Instalment Policy outlined at Appendix E. .

Table 6.1: Recommended Instalments Policy

CIL Liability	Number of Instalments	Payments
Up to £25,000	1	Full payment within 120 days of commencement
£25,001 - £100,000	2	120 days after commencement 50% 240 days after commencement 50%
£100,001 - £250,000	3	120 days after commencement 20% 240 days after commencement 40% 360 days after commencement 40%
£250,001 - £500,000	4	120 days after commencement 10% 240 days after commencement 30% 540 days after commencement 40% 720 days after commencement 20%
Greater than £500,001	4	120 days after commencement 10% 360 days after commencement 30% 720 days after commencement 40% 900 days after commencement 20% With opportunity to be discussed with the LPA on a site by site basis.

6.10 We believe that there should be an overriding mechanism which, in certain situations should the CIL payments threaten the viability, and thus the deliverability of the scheme proposed, can be negotiated and agreed on a one-to-one basis. This is in line with the PPG which states:

"*An instalment policy can assist the viability and delivery of development by taking account of financial restrictions, for example in areas such as development of homes within the buy to let sector. Few if any developments generate value until they are complete either in whole or in phases.*"[29]

Reviewing CIL

6.11 The CIL Guidance states that charging authorities 'must keep their Charging Schedules under review'30 to ensure that CIL is fulfilling its aim and responds to market conditions. The Consortium therefore requests that regular monitoring is undertaken by CDC to ensure that any detrimental impact of CIL on housing delivery is noticed promptly and remedied. A review period of between 2-3 years from adoption, or sooner if there is a substantive change in market conditions or Central Government policy, should be publicly committed to by SWCs.

[29] Paragraph 055 Reference ID: 25-055-20140612, Planning Practice Guidance, revision date 12 June 2014

[30] Ibid. Paragraph 044, Reference ID 24-044020140612, CIL Guidance (2014)

7. Conclusion

This representation has been prepared by Savills on behalf of a Housebuilder Consortium.

The Consortium's concerns relate to a number of assumptions used in the viability assessment, and also the overall approach to viability by SWCs appointed consultant.

The Consortium has fundamental concerns with the evidence and methodology used in assessing viability. The key areas of concern include:

Methodology and Benchmark Land Values - We disagree with the Benchmark Land Values (BLV's) adopted by HDH. Savills feel the viability threshold for larger and strategic sites is too low. In addition, no evidence has been provided to support the BLV's adopted by HDH. In the absence of supporting comparable evidence, we recommend that HDH adopt a BLV reflecting a minimum of £432,000 per gross hectare (£175,000 per gross acre) for the larger Greenfield and strategic sites, in addition to a viability buffer.

Viability Buffer - It is important that when setting rates that the Councils apply an appropriate viability 'buffer'. Our review of the viability appraisals provided as Appendices to the HDH Updated Viability Appraisal indicate that no allowance for a viability buffer has been made within modelling. We seek clarity on this point. We recommend that a minimum 30% buffer is applied to the BLV adopted across all typologies.

Gross to Net Land Take Assumptions – Cheltenham Road Evesham - Discrepancies have been noted within HDH's calculation of the BLV's for Cheltenham Road Evesham. These discrepancies will have a fundamental impact on surplus afforded to CIL.

Open Market Sales Revenue – Wychavon - The Consortium have a number of concerns about assumptions made. These assumptions have a fundamental impact on the apparent viability of a site. We set out reasoning as to why we advocate that a lower sales value on larger and strategic sites in Wychavon is adopted.

Affordable Housing Revenue - Affordable housing is a key component of the CIL viability testing. We raise concerns over the assumptions and lack of allowances which will decrease values for affordable houses and suggest that further adjustments or consultation work is required to inform values.

Dwelling Sizes - We have noted a discrepancy between the GIA adopted within the viability model for Cheltenham Road, Evesham and the floor areas that are stated to be adopted. Clarification is required.

Garages - We have raised concerns over the apparent lack of consideration of garages which could subsequently result in an over-estimation of the capacity to support a CIL rate.

Development Costs - To ensure that viability modelling accurately reflects current base line build costs, we strongly urge that HDH Planning and Development revise their build costs assumptions across all typologies in line with the most up to date BCIS data.

Abnormal Costs - We disagree with the argument put forward by HDH argue that it is not relevant to model abnormal costs within a high level study. We urge that an allowance of 5 – 10% of BCIS base line build costs is modelled across all Greenfield typologies to ensure that these additional development costs that are frequently required on Greenfield sites are accounted for.

Infrastructure Costs - Our concern is that the figure adopted for infrastructure costs by HDH is too low.

External Works - Given our industry experience, we would expect an allowance of approximately 10% to BCIS baseline build costs within modelling.

Alternative Viability Modelling

Given the concerns set out Savills have created a base appraisal to mirror the inputs made by HDH for Cheltenham Road, Evesham (Strategic Site 5 - 500 dwellings) and the 200 dwelling typology in Wychavon (Greenfield 2).

We highlight that our base appraisals have been created for the purposes of general testing only. We have adopted the same methodology as HDH and have deducted the development costs from the development value. The Residual Land Value is then compared with the Benchmark Land Value. The remaining margin is theoretically the maximum levy of CIL chargeable, without a viability buffer.

Conclusion - 200 Dwelling Typology Wychavon

When all of the alternative assumptions are combined, the cumulative impact is significant and illustrates a deficit afforded to CIL on the 200 dwelling typology in Wychavon. It is therefore of great concern that a rate of £40 per sq m is proposed. A levy at this rate will render such sites unviable and will stall the delivery of larger sites within the Charging Area of Wychavon.

Based on our analysis above, we strongly recommend that a rate of £0 per sq m is applied to typologies in excess of 200 dwellings in Wychavon. The inappropriate assumptions made by HDH carry through to other typology sizes within Wychavon. Therefore, we would urge that the sales values and baseline construction costs across all typologies in Wychavon are revisited by HDH.

Conclusion - Cheltenham Road, Evesham

Given the size and scale of Cheltenham Road, Evesham, any variation to inputs will have a significant impact to the land value and the surplus afforded to CIL. Assuming a 30% viability buffer is allowed to ensure that the levy is not set at the margins of viability, the assessment demonstrates that the proposed levy at £40 per sq m would render the Cheltenham Road site unviable.

When all of the alternative assumptions are combined the cumulative impact is significant and illustrates a deficit afforded to CIL. It is therefore of great concern that a rate of £40 per sq m is proposed. Based on our analysis above, we strongly recommend that a rate of £0 per sq m is applied to Cheltenham Road, Evesham.

The Consortium strongly urge CDC and the appointed viability consultants to review the viability evidence and CIL Charging Schedule and in so doing we advocate a thorough review of both the methodology and assumptions used. Once the viability work has been reappraised we believe there are grounds to amend the Charging Schedule to reflect the situation, as set out above.

We are open to a meeting to discuss the detail so that we may all understand the relevant viability inputs and approach.

Further representations are made in respect of a more viable Instalments Policy and a need for an Exceptional Circumstances Relief Policy.

The Consortium would welcome a further opportunity to engage as soon as appropriate after the submission of these representations.

Appendix 1 – Base Development Appraisal – Cheltenham Road, Evesham

Savills (UK) Ltd

Development Appraisal

Cheltenham Road, Evesham - BASE

Report Date: 11 May 2016

APPRAISAL SUMMARY — SAVILLS (UK) LTD

Cheltenham Road, Evesham - BASE

Summary Appraisal for Phase 1

Currency in £

REVENUE

Sales Valuation	**Units**	**m²**	**Rate m²**	**Unit Price**	**Gross Sales**
Open Market	1	33,776.00	2,619.98	88,492,371	88,492,371
Affordable Shared Ownership	1	2,672.00	1,703.00	4,550,416	4,550,416
Affordble Social Rented	1	10,688.00	1,336.20	14,281,306	14,281,306
Totals	**3**	**47,136.00**			**107,324,093**

NET REALISATION				**107,324,093**
OUTLAY				
ACQUISITION COSTS				
Residualised Price			10,204,226	
Stamp Duty			501,211	
				10,705,437
Other Acquisition				
Legal Acquisition		1.50%	153,063	
				153,063
CONSTRUCTION COSTS				
Construction	**m²**	**Rate m²**	**Cost**	
Open Market	33,776.00 m²	1,197.00 pm²	40,429,872	
Affordable Shared Ownership	2,672.00 m²	1,197.00 pm²	3,198,384	
Affordble Social Rented	10,688.00 m²	1,197.00 pm²	12,793,536	
Totals	**47,136.00 m²**		**56,421,792**	**56,421,792**
Contingency		2.50%	1,410,545	
Section 106			3,216,015	
				4,626,560
PROFESSIONAL FEES				
Planning Fee			225,000	
Archietcts		6.00%	3,662,901	
QS / PM		0.50%	305,242	
Planning Consultants		1.00%	610,484	
Other Professional		3.50%	2,136,692	
				6,940,319
DISPOSAL FEES				
Sales and Legal		3.00%	3,219,723	
Legals		0.50%	536,620	
Misc			5,000	
				3,761,343
Additional Costs				
Fees			10,000	
Legal and Valuation			7,500	
				17,500
FINANCE				
Debit Rate 6.00% Credit Rate 1.00% (Nominal)				
Land			4,010,891	
Construction			(777,630)	
Total Finance Cost				3,233,261
TOTAL COSTS				**85,859,275**
PROFIT				
				21,464,818
Performance Measures				
Profit on Cost%		25.00%		
Profit on GDV%		20.00%		
Profit on NDV%		20.00%		
IRR		17.88%		
Profit Erosion (finance rate 6.000%)		3 yrs 9 mths		

Cheltenham Road, Evesham - BASE

Timescale (Duration in months)

Project commences Apr 2016
Phase 1

Stage Name	Duration	Start Date	End Date	Anchored To	Aligned	Offset
Phase Start		Apr 2016				
Pre-Construction	12	Apr 2016	Mar 2017	Purchase	End	0
Construction	120	Apr 2017	Mar 2027	Pre-Construction	End	0
Sale	120	Apr 2017	Mar 2027	Income Flow	End	-120
Phase End		Mar 2027				
Phase Length	**132**					

Project Length	**132**	**(Includes Exit Period)**

Appendix 2 – Base Development Appraisal 200 Dwelling Wychavon

Savills (UK) Ltd

Development Appraisal

200 Dwelling Wychavon: A - BASE

Report Date: 04 May 2016

APPRAISAL SUMMARY	SAVILLS (UK) LTD

200 Dwelling Wychavon: A - BASE

Summary Appraisal for Phase 1

Currency in £

REVENUE					
Sales Valuation	**Units**	**m²**	**Rate m²**	**Unit Price**	**Gross Sales**
Open Market	1	13,500.00	2,890.00	39,015,000	39,015,000
Affordable	1	5,580.00	1,554.82	8,675,895	8,675,895
Totals	**2**	**19,080.00**			**47,690,895**
NET REALISATION				**47,690,895**	
OUTLAY					
ACQUISITION COSTS					
Residualised Price			7,188,266		
Stamp Duty			350,413		
				7,538,679	
Other Acquisition					
Legal Acquisition		1.50%	107,824		
				107,824	
CONSTRUCTION COSTS					
Construction	**m²**	**Rate m²**	**Cost**		
Open Market	13,500.00 m²	1,197.00 pm²	16,159,500		
Affordable	5,580.00 m²	1,197.00 pm²	6,679,260		
Totals	**19,080.00 m²**		**22,838,760**	**22,838,760**	
Contingency		2.50%	570,969		
Section 106			400,000		
				970,969	
PROFESSIONAL FEES					
Planning Fee			75,000		
Archietcts		6.00%	1,428,584		
QS / PM		0.50%	119,049		
Planning Consultants		1.00%	238,097		
Other Professional		2.50%	595,243		
				2,455,973	
DISPOSAL FEES					
Sales and Legal		3.00%	1,430,727		
Legals		0.50%	238,454		
Misc			5,000		
				1,674,181	
Additional Costs					
Fees			10,000		
Legal and Valuation			7,500		
				17,500	
FINANCE					
Debit Rate 7.00% Credit Rate 1.00% (Nominal)					
Land			2,968,424		
Construction			(419,594)		
Total Finance Cost				2,548,830	
TOTAL COSTS				**38,152,716**	
PROFIT					
				9,538,179	
Performance Measures					
Profit on Cost%		25.00%			
Profit on GDV%		20.00%			
Profit on NDV%		20.00%			
IRR		18.10%			
Profit Erosion (finance rate 7.000%)		3 yrs 3 mths			

200 Dwelling Wychavon: A - BASE

Timescale (Duration in months)

Project commences Apr 2016
Phase 1

Stage Name	Duration	Start Date	End Date	Anchored To	Aligned	Offset
Phase Start		Apr 2016				
Pre-Construction	12	Apr 2016	Mar 2017	Purchase	End	0
Construction	96	Apr 2017	Mar 2025	Pre-Construction	End	0
Sale	96	Apr 2017	Mar 2025	Income Flow	End	-96
Phase End		Mar 2025				
Phase Length	**108**					

Project Length **108** **(Includes Exit Period)**