

Christchurch and East Dorset Community Infrastructure Levy Draft Charging Schedules for Christchurch and East Dorset RESPONSE FORM

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Question 1: Do you wish to be heard in support of your representations at the Public Examination of the Draft Charging Schedule?

Please note that the Inspector will decide if a public hearing session is required as part of the examination process. You may choose to request to appear at a public hearing to clarify your comments, but you must communicate this to the Council before the close of the consultation. If you do not wish to be heard at the examination, your written representations will carry the same weight as those made by respondents who appear and are heard in support of their representations.

No, I do not wish to participate at the oral examination:

Yes, I wish to participate at the oral examination:

Question 2: Do you agree or disagree with the proposed rates contained in the Draft Charging Schedule?

Agree:

Disagree:

Further comments on Question 2:

See attached representations.

Question 3: Do you think that the proposed CIL rates strike an appropriate balance between the desirability of funding infrastructure through CIL and the potential effects of imposing a CIL on the Borough and District?

No.

See attached representations.

Question 4: Do you believe the evidence on viability is correct? If not, please set out alternative evidence to support your view?

No.

See attached representations.

Question 5: Do you agree or disagree with the Councils' approach to discretionary relief?

Agree:

Disagree:

Further comments on Question 5:

See attached representations.

Question 6: Do you have any comments on the draft Regulation 123 list which sets out the infrastructure to be funded by CIL and where the Councils will continue to seek S106/S278 contributions?

See attached representations.

Question 7: Do you agree or disagree with the draft CIL instalments policy?

Agree:

Disagree:

Further comments on Question 7:

Neither agree nor disagree.

Question 8: Do you agree or disagree with the draft 'payment in kind' policy?

Agree:

Disagree:

Further comments on Question 8:

See attached representations.

Question 9: Any other comments

See attached representations.

Please indicate if you wish to be notified of any of the following:

- | | |
|---|----------|
| That the Draft Charging Schedules have been submitted to the examiner in accordance with Section 212 of the Planning Act 2008 | X |
| The publication of the recommendations of the examiner and the reasons for those recommendations | X |
| The approval of the Charging Schedules by the charging authorities | X |

Please sign and date:

Signature:

Date:

18.06.2014

Please send completed forms by **Wednesday 18th June 2014** to:
East Dorset District Council, Council Offices, Furzehill, BH21 4HN

Or, alternatively email them to **planningpolicy@christchurchandeastdorset.gov.uk**

Please note: Comments cannot be treated as confidential and therefore by responding, you are agreeing to your information being disclosed to third parties.

All comments made must be supported by your full name and address. Comments will be published on the Council's website along with your full name.

Data Protection (Please tick the relevant boxes)

I/we understand that Christchurch Borough Council / East Dorset District Council will use the information that I/we have provided for the purpose of the Community Infrastructure Levy. I/we consent to Christchurch Borough Council / East Dorset District Council disclosing my/our information to third parties for this purpose.

I understand that I/we have the right to ask for a copy of the information held about me/us and which is subject of Data Protection Act 1998 (for which Christchurch Borough Council / East Dorset District Council may make a charge) and to correct any inaccuracies in my/our information.

Data Protection Act 1998: Any information provided will be treated in strict confidence and will be held on and processed by computer.

CHRISTCHURCH & EAST DORSET COUNCILS COMMUNITY INFRASTRUCTURE LEVY

DRAFT CHARGING SCHEDULE

Consultation response on behalf of Gleeson Strategic Land

Savills
Wessex House
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East Borough
Wimborne
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June 2014



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1. Introduction

- 1.1 This representation has been prepared by Savills on behalf of Gleeson Strategic Land and the Home Builders Federation (HBF). It is made in respect of the Christchurch and East Dorset Community Infrastructure Levy (CIL) Draft Charging Schedule (DCS).
- 1.2 As set out in the representations made to the Preliminary Draft Charging Schedule in March 2013, there are serious concerns regarding the approach adopted by CBC and EDDC towards CIL rates for residential development, with particular regard to allocated strategic sites. These concerns have not been addressed in the DCS and its supporting evidence.
- 1.3 Our client controls significant land interests in the District, as allocated under policy WMC8 of the adopted Christchurch and East Dorset Core Strategy. The land interest, which is proposed as a Strategic Site comprises a significant proportion of the housing land supply.
- 1.4 Our client's particular comments primarily relate to the proposed rates for residential development within the proposed Strategic Sites.

Purpose

- 1.5 Gleeson Strategic Land wishes to object to the DCS on the basis that:
 - No differential rates are proposed for the emerging Strategic Sites, thus placing at risk the housing land supply and delivery of the emerging Local Plan.
 - The viability testing does not reflect the affordable housing targets set out in the adopted Christchurch and East Dorset Core Strategy (April 2014).
 - No adequate regard has been had of "scheme mitigation" infrastructure (typically Section 106/278) in the viability appraisals prepared by Peter Brett Associates (PBA). The viability evidence is flawed, by way of residential S106 costs having been tested at a rate of £1,000 per dwelling to which we object. There is also no adequate regard to the net developable land area for strategic development.
 - The rates proposed in the Draft Charging Schedule are therefore not economically viable. They are not reasonable, realistic or consistent with national guidance.
 - The viability report was prepared by PBA prior to issue of the amended February 2014 CIL regulations. The updated 2014 regulations place a greater emphasis on ensuring that the charging authority strikes an appropriate balance between the desirability of funding from CIL and the imposition of CIL on the economic viability of development across its area. The previous

regulations were based on a lighter touch approach and as such the viability report should be reviewed and updated to take account of the 2014 amendments.

- 1.6 Given the interaction between 'scheme mitigation' (typically Section 106/278) and CIL, there is inevitably a series of practical concerns with the approach proposed. There is scope in Regulations to propose 'developer-led' approach to infrastructure required to enable the Strategic Sites, which must be reflected in evidence of viability and hence assessed when judging the appropriate balance of CIL receipts and economic viability¹. The recently adopted Core Strategy proposes significant on-site infrastructure on strategic sites, particularly on land south of Wimborne allocated under policy WMC8.
- 1.7 Four principal objectives are served by the representation:
- To influence the evidence of viability, in order to ensure that 'scheme mitigation' and the effect on net developable land value is appropriately factored in the viability evidence.
 - To therefore seek a differential rate for the Strategic Sites, as identified in the emerging Local Plan, this rate will likely be the most appropriate supported by the available evidence.
 - To explore the best delivery mechanisms for infrastructure and obtain a positive commitment from Christchurch and East Dorset Councils on the delivery of key strategic infrastructure.
 - To seek assurances that prohibitive Grampian planning conditions are not imposed on planning approvals, thus threatening the delivery of housing and hence CIL receipts.
- 1.8 The rate of CIL is of critical importance to our clients, and should also be for Christchurch and East Dorset Councils as a result of needing to maintain a deliverable five year land supply, which is an important aspect of the National Planning Policy Framework (NPPF)².
- 1.9 The representation now made is in the context of the 2014 CIL Amendment Regulations and relevant statutory guidance (February 2014). The Regulations came into force on 24 February 2014 and guidance has been provided in the Planning Practice Guidance on 12 June 2014.
- 1.10 The publication of the Planning Practice Guidance (PPG) confirmed that all previous CIL guidance is superseded.
- 1.11 Where relevant this representation provides comment on the supporting evidence/ existing guidance and also makes reference to policy documents, a list of which is contained at **Appendix 1**.
- 1.12 In setting the rate of CIL, the Community Infrastructure Levy, England and Wales Regulations 2010 (as amended) ("the Regulations") state that "***an appropriate balance***" needs to be struck between "***a***

¹ CIL Regulation 14 (As Amended)

² Paragraphs 47, 173-177, NPPF

the desirability of funding from CIL (in whole or in part)” against “b) the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development”³. The 2014 Regulations strengthened the responsibility placed on the charging authority, as Regulation 14 makes clear that the authority “must strike an appropriate balance”. The previous Regulations only required that the authority should “aim to strike”.

- 1.13 The term ‘taken as a whole’ implies that it may be acceptable for some schemes to be rendered unviable by the level of CIL charge; however, there is a clear requirement to ensure that most developments are able to proceed, not least due to the NPPF requirement for a deliverable five year housing land supply plus a 20% buffer provision for those authorities which have persistently under delivered. Given the amount of development planned to be delivered within the proposed Strategic Sites, it is critical to have regard to the potential effects of the imposition of CIL on the economic viability of development of the Strategic Sites themselves, in order to assess potential effects taken as a whole. The testing of appropriate viability typologies and up to date evidence, linked to the delivery of the local plan, is advised by industry guidance⁴.
- 1.14 Likewise, the purpose of CIL must be to positively fund the infrastructure required to enable growth. This is clearly outlined in the Regulations which state **“A charging authority must apply CIL to funding infrastructure to support the development of its area”⁵**. The Planning Act 2008⁶ defines infrastructure.
- 1.15 There is a requirement within the CIL Regulations to provide a list of **“relevant infrastructure”⁷** to be wholly or partly funded by CIL. The level and type of ‘relevant infrastructure’ to be funded by CIL raises concerns with regards to the deliverability of strategic sites allocated within the adopted Christchurch and East Dorset Core Strategy. Savills has provided commentary on the relevant infrastructure list in Section 3 of this representation.
- 1.16 The representation outlines concerns with the Christchurch and East Dorset Viability Report and Appraisals prepared by Peter Brett Associates (PBA)⁸. Savills has also provided alternative viability appraisals, as summarised in Section 4.0 of this representation.
- 1.17 The representation and supporting viability evidence has had regard to realistic infrastructure delivery costs and requirements, which are outlined in **Appendix 2**. This evidence provides an update to that previously submitted to assist Christchurch and East Dorset Councils which has, in part, been accounted for within the Draft Regulation 123 List. It is considered that a higher level of “scheme

³ Regulation 14(1), CIL Regulations 2010 (as amended)

⁴ Viability Testing Local Plans – Local Housing Delivery Group (June 2012)

⁵ Regulation 59(1), CIL Regulations 2010 (as amended)

⁶ Section 216, Planning Act 2008 (as amended)

⁷ Regulation 123, CIL Regulations 2010 (as amended)

⁸ Community Infrastructure Levy Viability Study, Peter Brett Associates, June 2013

mitigation” Section 106/278 must be factored into the viability appraisals supporting the proposed residential CIL rates within the DCS.

- 1.18 Most importantly, the representation, through the alternative evidence, has demonstrated that Christchurch and East Dorset Councils are choosing to apply CIL rates which do not reflect the realities of the economics of development and which ignore the cumulative impacts of policy and infrastructure requirements, particularly on the large scale (mostly) greenfield residential developments (the proposed Strategic Sites/ New Neighbourhoods). CIL is a non-negotiable tax, and therefore the rate applied must reflect the restrictions placed on development, and reduced flexibility in comparison to Section 106/278 obligations.
- 1.19 The submission concludes that “developer-led” delivery outside of the confines of CIL would enable delivery and implementation of the adopted Christchurch and East Dorset Core Strategy.

2. Summary of National Policy & Legal Context

2.1 In respect of the preparation of charging schedules and supporting documentation, it is important to have due regard to the available Government policy, guidance and law, notably:

- Policy - National Planning Policy Framework (NPPF) (March 2012)
- Planning Practice Guidance (PPG) (2014)
- Law – Part 11 of the Planning Act 2008; Community Infrastructure Levy Regulations 2010 (as amended)

2.2 The comments are based on these publications and the Regulations.

National Planning Policy Framework (NPPF)

2.3 It is important that the preparation of CIL is in the spirit of the NPPF, notably that it is delivery-focused and '*positively prepared*'⁹.

2.4 The NPPF outlines 12 principles for both plan making and decision taking, notably that planning should "***proactively drive and support sustainable economic growth***".¹⁰ Furthermore, that plan making should "***take account of market signals such as land prices and housing affordability***". Furthermore, that "***the Government is committed to ensuring that the planning system does everything it can to support sustainable economic growth***".¹¹

2.5 Further, the NPPF refers to the "***cumulative impacts***"¹² 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.

2.6 The NPPF expressly states that CIL "***should support and incentivise new development***".¹³ To comply with this policy, CIL charging schedules must be demonstrated to have positive effects on development. The absence of adverse effects on the economic viability of development, whether serious or otherwise, is not enough to justify CIL proposals. Charging authorities now have a positive duty when it comes to setting CIL rates and formulating its approach on the application of CIL.

⁹ Paragraph 182, NPPF

¹⁰ Criterion 3, NPPF

¹¹ Paragraph 19, NPPF

¹² Paragraph 174, NPPF

¹³ Paragraph 175, NPPF

2.7 CIL Examiners' reports, such as those for Mid Devon (February 2013) and the Greater Norwich Development Partnership (December 2012), 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.

Statutory Guidance

2.8 The February 2014 Guidance was published pursuant to powers in Section 221 of the Planning Act following the publication of the 2014 CIL Amendment Regulations. This was soon followed by the publication of the PPG which confirmed the cancellation of all previous CIL guidance.

2.9 The Guidance confirms in particular:

- The need for balance (as per Regulation 14¹⁴); and
- The need for **'appropriate available evidence to inform the draft Charging Schedule'** (as per Schedule 212(4)(b) of the 2008 Act).

2.10 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 provided to support the balance reached between the desirability of funding infrastructure through CIL and the potential effects on economic viability of development across that area (applied when considering Regulation 14(1)). The guidance has been published before the Councils launched the consultation on the DCS, and we would expect them to have full regard to it.

2.11 A summary of the Guidance and key implications for the DCS is provided in Section 3.0.

2.12 The updated Guidance states that the Government also makes clear that it is up to Local Authorities to decide 'how much' potential development they are willing to put at risk through CIL (the appropriate balance)¹⁵. 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**"¹⁶. The overall approach and rate of CIL will have to pay attention to the development plan and intended delivery.

Legal

2.13 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

¹⁴ CIL Regulations 2010 (as amended)

¹⁵ Para 8 PPG: CIL Guidance (2014)

¹⁶ Para 95 PPG: CIL Guidance (2014)

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.

2.14 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 (as it must) to the following matters:

- actual and expected costs of infrastructure
- matters specified by the CIL Regulations relating to the economic viability of development
- other actual and expected sources of funding for infrastructure
- actual or expected administrative expenses in connection with CIL

2.15 Regulation 14 of the CIL Regulations¹⁷ 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.

2.16 As outlined in the introduction, the 2014 version of Regulation 14 applies to the DCS as it was submitted for consultation after 24 February.

2.17 Examiners test compliance with the Planning Act and the CIL Regulations, including in respect of the statutory processes and public consultation, consistency with the adopted development plan and appropriate evidence on infrastructure needs and development viability.

¹⁷ CIL Regulation 2010 (As Amended)

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3. Planning and Infrastructure Delivery

3.1 This section provides commentary in respect of the updated CIL Statutory Guidance.

The Adopted Core Strategy (April 2014)

3.2 In total, the adopted Christchurch and East Dorset Core Strategy makes provision for 8,490 new homes in the plan area between 2013 and 2028, of which about 5,000 will be provided in the urban areas and a further 3,465 on strategic greenfield sites as new neighbourhoods at Christchurch, Burton, Corfe Mullen, Wimborne/ Colehill, Ferndown/ West Parley, and Verwood. A significant proportion of the housing requirement therefore comprises strategic greenfield sites.

3.3 Adopted policy WMC8 outlines that within the land to the south of Leigh Road a number of non-residential land uses are required to create the new neighbourhood. This includes a new sports village, allotments, a local centre and a first school. In addition to the typical green infrastructure requirements, a country park/ Suitable Alternative Natural Greenspace (SANG) is required. All of this infrastructure will have an associated cost (both land and financial), which should be outlined in a revised Infrastructure Delivery Plan (IDP). Furthermore, the infrastructure will reduce the net developable residential land area, which will have an influence on overall viability.

3.4 The strategic site will either be dependent on adequate sewerage capacity at nearby Waste Water Treatment Works (WWTW) or on-site measures, along with mitigation of a gas pipe which runs underneath the site, the costs/ delivery mechanisms for which are relevant factors in demonstrating plan delivery.

3.5 Adopted policy LN3 seeks 50% affordable housing on greenfield sites. It is appropriate therefore to test viability based on 50%, whilst noting the councils' overall objectives for affordable housing provision. The Inspector's Report on the Core Strategy confirms that CIL should be assessed on the basis of the level of affordable housing in the plan.

3.6 The CIL guidance refers to the NPPF and states that, 'where practical, levy charges should be worked up and tested alongside the Local Plan'. It is important that CIL is seen in context of the planned supply of housing within Christchurch and East Dorset and the authorities should make it clear within their supporting evidence how it is shown that the proposed rates do not threaten delivery of the relevant Plan as a whole.

Applying the CIL Statutory Guidance

3.7 The CIL Guidance, contained within the Planning Practice Guidance (PPG) June 2014 must be followed in the preparation of a Charging Schedule. Our client wishes to outline observations against relevant aspects of the Guidance. These observations assist with the case made for an alternative approach to the CIL.

Paragraph	Topic	Guidance	Implication for Christchurch and East Dorset
8	Rate setting	<i>"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."</i>	The Core Strategy and housing land supply is significantly reliant on the delivery of the Strategic Sites.
9	Positive duty	<i>"The levy is expected to have a positive economic effect on development across a local plan area."</i>	To be a success, CIL must facilitate development and enable infrastructure delivery required to support development.
18	Positive duty	<i>"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."</i>	Reliance must therefore be had on infrastructure evidence and viability evidence, with reasoned consideration of the views of the key stakeholders and delivery agents (i.e. house builders/ development companies).
10	Positive duty	<i>"Charging schedules should be consistent with, and support the implementation of, up-to-date relevant Plans."</i>	The approach to viability testing must be grounded on the viability on a Strategic Site basis as tested at the time of Core Strategy examination.
11	Spending	<i>"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."</i>	A difference must be distinguished between "scheme mitigation" infrastructure and "strategic infrastructure" required to address the delivery of the whole Core Strategy (i.e. to address cumulative impacts).
19	Viability assessment	<i>"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 levy on economic viability is likely to be most significant."</i>	The approach to viability testing must be grounded on a Strategic Site basis given the importance on the housing land supply.

Paragraph	Topic	Guidance	Implication for Christchurch and East Dorset
20	Viability assessment	<p><i>"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."</i></p> <p><i>"Development costs include costs arising from existing regulatory requirements, and any policies on planning obligations in the relevant Plan, such as policies on affordable housing and identified site-specific requirements for strategic sites."</i></p>	Reliance must therefore be had on infrastructure evidence and viability evidence, with reasoned consideration of the views of the key stakeholders and delivery agents (i.e. house builders/ development companies). The additional costs of strategic development must be recognised.
21	Differential rates	<i>"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."</i>	An approach to different CIL rates by Strategic Site is clearly consistent with national policy and should be considered.
38	Examination	<i>"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."</i>	<p>"Appropriate available evidence" must be published. This requires the full detail of the Appraisals to be made available.</p> <p>A relevant input to the evidence of economic viability is the likely use of "scheme mitigation" Section 106 by Strategic Site.</p>
61	Payment in kind	<i>"...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."</i>	The operation of Payment in Kind (PiK) 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	Topic	Guidance	Implication for Christchurch and East Dorset
62	Payment in kind	<i>"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)."</i>	The Councils must produce an Infrastructure Payments Policy Statement (IPPS).
83	Borrowing	<i>"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."</i>	The use of wider funding sources to enable infrastructure delivery should be considered.
93	Planning obligations	<i>"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."</i>	This is an important principle, and demonstrates that due weight and regard should be had of these representations.
94	Planning obligations	<i>"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 the 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."</i>	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 Strategic Sites.
106	Grampian conditions	<i>"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</i>	Grampian conditions must be used sparingly. The Councils should publish a policy on the use of Grampian conditions. This is in order to be clear of the objective to enable the development required to

Paragraph	Topic	Guidance	Implication for Christchurch and East Dorset
		<i>all other respects. When setting conditions, local planning authorities should consider the combined impact of those conditions and any Community Infrastructure Levy charges that the development will be liable for."</i>	generate CIL receipts and hence not put at risk, including from a funding perspective.
107	Highway agreements	<i>"Where section 278 agreements are used, there is no restriction on the number of contributions that can be pooled."</i>	Pooled Section 38/278 Agreements may represent a feasible alternative to pooled Section 106 contributions in relation to new/ improved roads.

The Approach Proposed by Christchurch Borough and East Dorset District Councils

3.8 The Planning Act 2008 (as amended)¹⁸ 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.”***

3.9 There is a requirement within the CIL Regulations to provide a list of ***“relevant infrastructure”***¹⁹ to be wholly or partly funded by CIL.

3.10 The CIL Guidance places a strong emphasis on the need for local authorities to demonstrate, when setting their charging schedule, that they have been realistic when testing viability what residual Section 106 and Section 278 requirements will remain following the adoption of the levy. There should be confidence in these assessments through a draft list of relevant infrastructure and revised policy on planning obligations that demonstrate how obligations will (or will not) be scaled back.

3.11 The CIL Guidance states that *“When a charging authority introduces the Community Infrastructure Levy, S106 requirements should be scaled back to those matters that are directly related to a specific site... For transparency, charging authorities should have set out at examination how their S106 policies will be varied and the extent to which they have met their S106 targets” (2:6:2:2)*

¹⁸ Section 216, Planning & Compulsory Purchase Act 2008 (as amended)

¹⁹ Regulation 123, CIL Regulations 2010 (as amended)

- 3.12 Our client considers it imperative that the evidence supporting CIL clearly outlines the key infrastructure projects required to support development (this being the key test of the Regulations) and an up to date, consistent and well informed evidence base of economic viability in order to test various scenarios against CIL rates.
- 3.13 A draft Regulation 123 List has been produced which includes a number of infrastructure categories and outlines what infrastructure will be funded by CIL and by S106 obligations and S278 agreements. However, it is not clear as to how local authorities will raise funding for the Strategic Sites (New Neighbourhoods). The 123 Regulation List does contain an Infrastructure Category labelled “New Neighbourhoods”, however only site specific measures have been indicated, these being funded by S106/ S278 provisions.
- 3.14 Policy WMC8 of the adopted Core Strategy plans for significant infrastructure for the Land to the South of Leigh Road, Wimborne allocation. This includes a new school, country park, sports village, local centre and SANG. There are similar requirements for the other strategic sites.
- 3.15 The Regulation 123 List must be explicit and clear as to how the infrastructure, both site specific and that of a strategic nature, is to be funded for those New Neighbourhoods allocated within adopted Planning Policy. Paragraph 20 of the CIL Guidance contained within the PPG states that development costs include costs arising from existing regulatory requirements, and any policies on planning obligations in the relevant Plan, such as policies on affordable housing and identified site-specific requirements for strategic sites. The costs and funding streams of this strategic infrastructure must be understood before a CIL rate is set.
- 3.16 Furthermore, the New Neighbourhoods are to be located on Greenfield sites where the cost of providing infrastructure on otherwise un-serviced locations is higher than on locations within settlement boundaries. This will evidently mean the costs of providing and delivering this infrastructure will likely be proportionally higher per residential unit than that for non-allocated sites and brownfield developments. Our client is concerned that the viability assessments which support the draft schedule do not reflect these extra costs in providing infrastructure for the delivery of the New Neighbourhoods on Greenfield sites. There is a concern that the proposed rates would therefore hamper the delivery of the housing strategy set out within the adopted Core Strategy.
- 3.17 The CIL guidance refers to the NPPF and states that, ‘where practical, levy charges should be worked up and tested alongside the Local Plan’. It is important that CIL is seen in context of the planned supply of housing within Christchurch and East Dorset and the authorities should make it clear within their supporting evidence how it is shown that the proposed rates do not threaten delivery of the relevant Plan as a whole.

- 3.18 The Infrastructure Delivery Plan (IDP) states that to ensure that development can proceed in the area, the Councils will ensure that the appropriate proportion of CIL monies collected from development will be directed towards delivering the Dorset Heathlands Mitigation projects, as identified in the IDP table as a priority. The IDP schedule of projects includes a number of specific projects for delivery between 2012 and 2014, as well as general heathland mitigation measures for delivery throughout the plan period to be identified through the Heathland SPD/DPD. However the adopted Core Strategy is also seeking on-site provision of SANGs provision by developers for settlement extension sites of more than 50 dwellings. The Draft Regulations 123 List identifies Heathland mitigations schemes, including SANGs, to be funded wholly or in part by CIL, with S106 payments to be put in place for the management of SANGs in perpetuity. The requirement for CIL contributions towards Heathland mitigation in combination with on-site SANGs provision results in a 'double dipping' approach to the provision of infrastructure which the CIL Guidance makes clear is to be avoided.
- 3.19 The issue of Heathland mitigation is critical to the delivery of new housing in the district. The charging schedule should be based on a clear understanding of the necessary mitigation costs along with associated prioritisation of projects and funding. Measures to take account of on-site SANGs provision through the CIL Charging Schedule should be considered; this could be in the form of a differential CIL rate for strategic sites where SANGs are provided on-site.

Payments in Kind/ Draft Regulation 123 List

- 3.20 It is noted that Christchurch and East Dorset Council have made provision for Payment in Kind (PiK) within the DCS. Payments in kind may not lawfully be made or accepted for infrastructure which is necessary to make the development acceptable in planning terms (typically "site specific" infrastructure). This is contrary to what had been widely expected throughout 2013 in the drafting of the Regulations. In practice, payments in kind will therefore only be permissible where there is overprovision, i.e. more infrastructure is provided than is strictly necessary for the development. The process set out in the 2014 Regulations is not fit-for-purpose in the view of our client and also the HBF. PiK will not therefore be available to reduce any future CIL liability on the basis of 'scheme mitigation' infrastructure.
- 3.21 Our preferred approach would act to support and incentivise new development (in accordance with NPPF paragraph 175) and hence the Local Plan implementation, would be to accept that certain items of infrastructure must be led by developers, which should be phased as appropriate. This may be undertaken through a Section 106 Agreement for a defined infrastructure 'project' rather than 'type'. Where restrictions on the use of Section 106 are reached (five or more obligations toward a defined infrastructure type or project) or in other certain cases, then other mechanisms may be used, such as approved plans, conditions or agreements made under other statutory powers (e.g. Localism Act, Local Government Act and/or Highways Act).

- 3.22 This scenario will result in the definition of infrastructure ‘projects’ within infrastructure ‘types’ as either site specific (scheme mitigation), strategic (to address cumulative impacts) or a combination.
- 3.23 Our client therefore objects to the current draft of the Regulation 123 List and suggests that the wording of the CIL infrastructure provision column is amended to read ‘Heathland mitigation schemes including SANGs, unless provided on site as part of the policy allocation’, with ‘Site specific SANGs provision’ added to the list of Infrastructure to be provided by way of S106 agreements.

The Examination & Historic Section 106

- 3.24 The Statutory CIL Guidance is clear on the narrow focus of the CIL Examination process permitted by the Regulations: “***The Examiner should establish that:***

3.24.1 The charging authority has complied with the required procedures set out in Part 11 of the Planning Act 2008 and the CIL Regulations;

3.24.2 The charging authority’s draft charging schedule is supported by background documents containing appropriate available evidence;

3.24.3 The proposed rate or rates are informed by and consistent with, the evidence on economic viability across the charging authority’s area; and

3.24.4 Evidence has been provided that shows the proposed rate (or rates) would not threaten delivery of the relevant Plan as a whole.”²⁰

- 3.25 Concern is raised that the proposed £100 per sq metre charge for the residential development within the strategic sites is likely to reduce the capacity to fund infrastructure via CIL and Section 106. For example, the viability assessments have been undertaken with the assumption of £1,000 per residential unit for residual S106 costs. However, there is no clear explanation as to how this figure has been calculated and importantly, with what evidence, it has been assumed.
- 3.26 It is noted that between September 2005 and November 2013 East Dorset District Council secured a very limited amount of funds through Section 106 obligations. This appears to be due to the lack of significant development granted during this period. There is a lack of background data on which to assume a residual S106 payment from the historic records and as such it is very important for the local authorities to explain how £1,000 per residential unit for residual S106 has been derived.
- 3.27 With no justification for the assumed residual S106 (which has been used within the Councils’ viability assessments) the conclusions should not be relied upon. This is particularly pertinent for the viability assessments of the un-serviced strategic sites where the infrastructure required will attract a higher Section 106 rate per residential unit than other residential development.

²⁰ Paragraph 38 of the PPG: CIL Guidance

- 3.28 The viability assessments also do not take into account the affordable housing policy of the Adopted Core Strategy. Policy LN3 sets the Councils' aspiration for 50% affordable housing for developments on Greenfield sites. The New Neighbourhoods which have been allocated by the relevant adopted policies are on Greenfield land and would be required to meet this Policy requirement.
- 3.29 The viability assessment carried out by Peter Brett Associates in support of the Draft CIL Schedule has only assessed 30-40% affordable housing and not applied 50% affordable housing provision required by policy on Greenfield sites.
- 3.30 This matter was also observed in the Inspector's report for the Christchurch and East Dorset Core Strategy March 2014. Paragraph 87 states "this makes it [the CIL Guidance] clear that it is not appropriate to undertake a balancing act between CIL and affordable housing, as appears to have taken place in the Whiteleaf Study, and that the CIL should be assessed on the basis of the level of affordable housing in the local plan".
- 3.31 The analysis of the viability assessments set out in the Draft Charging Schedule asserts a CIL charge of £100 per sq m is payable by all developments, but acknowledges that in some instances the applied safety margin is narrow. It concludes that development would be viable between 30% - 35% affordable housing whilst meeting the proposed CIL requirements. As discussed above, the New Neighbourhoods are likely to have higher development costs in terms of both site specific and strategic infrastructure provision and 50% affordable housing in accordance with the adopted Core Strategy. The Draft CIL Schedule is therefore flawed in its justification and it is likely that the proposed rates could jeopardise the delivery of the planned housing strategy.

Relevant other CILs and Inspectors' Reports

- 3.32 A number of Local Authorities have proposed or are proposing lower or £ zero CIL rates for strategic sites on the basis of "scheme mitigation" infrastructure provision. The most recent (and local) example is Winchester City Council, which proposed £ zero CIL rate for three strategic development sites (all greenfield). The CIL was implemented in April 2014. The examiner's report noted:²¹

"The three strategic sites account for 8,000 of the 12,500 homes planned in the CS to 2031. Under the CIL proposals these sites would be nil rated. Two of the three strategic sites already have planning permission, and will not, therefore, fall under the CIL regime. The planning permissions at North Winchester and West of Waterlooville include S.106 Agreements that will fully fund their identified infrastructure requirements, which are significant. The third, at North Whiteley, is expected to be the subject of a single planning application soon, again with a comprehensive S.106 Agreement securing its significant infrastructure requirements. At the

²¹ Paragraphs 29 & 30

hearing, the Council confirmed that CIL monies will not be used to support the strategic sites, other than through broader PUSH related infrastructure. It also confirmed that it was fully satisfied with its S.106 approach and I have noted the support of the North Whiteley developer consortium (NWC) for the Council's CIL proposals. I have examined the viability evidence and the S.106 infrastructure requirements. I concur with the Council's consultants' view that the significant site specific infrastructure costs at each site (much of which is already secured through S.106 Agreements), along with the lower land values on the South Hampshire sites, mean that an additional CIL charge could not be justified on viability grounds."

3.33 There are further examples of "developer-led" approaches in Waveney and Hertsmere. In Waveney the Inspector's Report (paragraphs 8 and 22) outlined:

"The Council considers that s106 will be used only in the sites allocated in the AAP (where a zero residential CIL rate is proposed) and for on-site allotment provision on three sites allocated in the SSA...Zone 1 relates to the key strategic sites in the AAP where there are abnormal costs associated with flood mitigation and site preparation (demolition and remediation). The VS has appraised 3 of the sites and shown that the viability of development is challenging as a result of these considerations to the extent that a zero CIL rate is justified".

3.34 In Hertsmere, the Inspector's Report (paragraph 27) outlined:

"The Council proposes a Nil CIL rate in the Elstree Way Corridor. This reflects the specific circumstances here. There are substantial site specific infrastructure requirements directly related to this complex urban site. The Council's approach is to deal with these matters through S.106 obligations and, in recognition of that, it has excluded Elstree Way Corridor infrastructure from its Regulation 123 list. The evidence clearly demonstrates that, once site-specific infrastructure (which could exceed £10,000 per unit) is factored in, there is no scope to impose a CIL charge."

Appropriate Available Infrastructure Evidence (Scheme Mitigation)

3.35 It is noted that as key stakeholders, and the primary delivery agents of the Strategic Sites, it is appropriate for a proportion of the evidence base to be that of the key developers²². Evidence of possible on-site infrastructure provision is provided in **Appendix 2**.

3.36 The infrastructure evidence presented with these representations is based on the example of infrastructure payments made on similar types of development. Detailed site specific costings are not available at this time.

²² For example, Paragraphs 14 and 21 PPG CIL Guidance (2014)

3.37 The infrastructure provision has been based on the Christchurch and East Dorset adopted Core Strategy policy WMC8 and also our client’s own emerging knowledge. In the view of our client, the ‘scheme mitigation’ infrastructure will be best secured via Section 106/ 278 Agreement and/or planning conditions, rather than CIL. This is because the infrastructure is scheme specific, largely on-site and provided as a capital cost with land or as a contribution. The infrastructure is required to comply with Core Strategy policies and to make the developments acceptable in planning terms (in accordance with CIL Regulation 122). Both indicative high and low costs are provided. The results indicate the following:

Figure 3.2: Mitigation Costs Only (Section 106/278 and infrastructure relevant to planning)

Site	Indicative Low Cost ‘Scheme Mitigation’	Indicative High Cost ‘Scheme Mitigation’
Land South of Leigh Road (Policy WMC8)	£1,750,000	£6,180,000

3.38 The range is £5,000 to £17,567 per dwelling (not including school and sports village provision). It is likely that this overall assumption of ‘scheme mitigation’ (Section 106/278) is at the lower end of that which will come to bear, notably as detailed costs for a number of items, such as primary education, SANGs mitigation (Country Park), sports pitches and highways are not yet fully known.

3.39 One of the key tests of the examination of a Charging Schedule is that “***Evidence has been provided that shows the proposed rate (or rates) would not threaten delivery of the relevant Plan as a whole.***”²³ The assessment of viability against the pipeline of planned housing and other development within the adopted Core Strategy is therefore an inherent test of the Examination. The planned infrastructure and approach to delivery, notably phasing, is relevant, as this informs the approach to viability inputs. The ‘scheme mitigation’ costs are a relevant input to viability.

Relief

3.40 The CIL Regulations outline that the offer of relief is discretionary on the charging authority.²⁴ It is noted that Christchurch and East Dorset Councils do not wish to offer discretionary relief. Our client considers it imperative that relief is available from the date of the adoption of CIL, and that the Council clearly outlines its approach to doing so (in conformity with the Regulations). This will ensure that the overall delivery of the Core Strategy, and in particular affordable housing provision, will not be compromised by CIL.

²³ Paragraph 38 PPG CIL Guidance (2014)

²⁴ Regulation 55(3)(a), CIL Regulations 2010 (as amended)

Reviewing CIL

- 3.41 Regular monitoring is required to ensure that any detrimental impact of the CIL on delivery is noticed promptly and remedied. A review period of between 2-3 years from adoption is appropriate; sooner if there is a substantive change in market conditions or Central Government policy should be publicly committed to by the Councils.

4. Updated Viability Appraisal

The PBA Viability Report

4.1 Paragraph 31 of the CIL Guidance outlines within the PPG (key points underlined):

“What consultation is required on the draft charging schedule? Before being examined, a draft charging schedule must be formally published. Alongside the draft charging schedule, the charging authority must also publish the appropriate available evidence on infrastructure costs, other funding sources and economic viability”.

4.2 Section 211 (7a) of the Planning Act 2008 (as amended), requires Christchurch and East Dorset Borough Council to use “appropriate available evidence” to inform the Charging Schedule; for Christchurch and East Dorset Borough Council this is the Viability Report produced by Peter Brett Associates (PBA)²⁵.

4.3 The fundamental premise is that to enable delivery, sites must achieve a credible land value and developers the required return on investment, otherwise development viability will be affected. This is recognised by the NPPF²⁶ and is ‘in-built’ within the CIL Regulations (as amended). It is also the basis of the definition of viability within the Harman report.²⁷

4.4 Owing to the key test of Regulation 14(1)²⁸ it is important that the viability appraisals prepared are fit for purpose. It is clear that at Examination the Charging Schedule will need to be supported by “**relevant evidence**”²⁹. LPAs must strike an appropriate balance and be able to justify their evidence at the examination, explaining how the rates will contribute towards the implementation of their relevant Plan.³⁰

4.5 The full detail of the PBA³¹ Viability Appraisal has not (yet) been provided. Gleeson Strategic Land has therefore made some assumptions with regard to the PBA Appraisal inputs.

²⁵ June 2013

²⁶ Paragraph 174

²⁷ Viability Testing Local Plans – Local Housing Delivery Group (June 2012) - Section One

²⁸ CIL Regulations 2010 (as amended)

²⁹ Ibid. Regulation 11(1) (f) / 19(1) (e), CIL Regulations 2010 (as amended)

³⁰ Paragraph 8 of PPG CIL Guidance

³¹ June 2013

The PBA Viability Report Assessment

4.6 Through analysing the viability appraisal provided by PBA, we have split our response in respect of the viability assessment in to two parts:

Part 1 - Assessment of Appraisal Inputs

Part 2 - Savills Assumptions and Appraisals

4.7 In Part 2 we have incorporated the following typologies using our own assumptions which have been informed by our client and their land interest:

1. Typology 1 (100 dwellings)
2. Typology 2 (200 dwellings)
3. Typology 3 (400 dwellings)

4.8 These typologies are not provided as site specific detailed appraisals, but as a generic reflection of the likely costs/ inputs relevant for a strategic development site.

Part 1 – Assessment of Appraisal Inputs

4.9 As stated, there are a number of assumptions made by PBA that we disagree with. We have explored these points further and made reference to evidence where appropriate.

Appropriateness of Methodology

4.10 The PBA report tests typologies ranging from 1 - 100 dwellings. This approach excludes key strategic sites within the District and thus ignores a significant proportion of the housing land supply. In addition, there is no firm evidence or explanation of the benchmark land values (BLV) or residual land values (RLV).

Viability Appraisal Assumptions

4.11 The level of site specific Section 106 costs has been estimated at £1,000 per dwelling, which includes Section 278 contributions. As outlined in Section 3.0, this figure is extremely low for larger sites and in practice these levels can vary between £10,000 and £25,000 per dwelling, depending on the site specific constraints.

4.12 Fundamental to the viability of strategic sites is the level of gross to net land take which has been assumed. Within the PBA report there is no reference to the appropriate levels and viability has been scrutinised assuming a 100% net developable area. This is plainly unrealistic, notably given the

Council's open space requirements, and site-specific infrastructure requirements for the Strategic Sites. Requirements for community and other infrastructure will reduce the net developable land area, which has to be reflected in evidence of viability.

- 4.13 Savills accepts the principle of estimating the build costs from the RICS Build Cost Information Service, however build costs have been adopted at £837 per sq m for housing. BCIS indicates a range of £980 - £1,014 per sq m for terraced, semi and detached housing in East Dorset (5 year average) in Q2 2014 and we therefore request clarity on this discrepancy.
- 4.14 Furthermore, within the appraisals there has been no provision for abnormal costs for factors such as landscape buffers, ecology and trees, sewage infrastructure, ground remodelling and soakaways.
- 4.15 Finally, we note there has been no provision made for infrastructure costs. This is particularly relevant for the larger scheme tested (100 dwellings). The Harman Report advises that for larger sites, enabling abnormal infrastructure costs are relevant, and may be in the order of £17,000 - £23,000 per plot³².

Key Area of Concern

- 4.16 For the purpose of reaching a consensus on an appropriate residential CIL rate and to enable the Examiner to make direct comparisons between our evidence and that of East Dorset and Christchurch Borough Council, we have focused on a single key point which Gleeson Strategic Land feels is of the utmost importance to the delivery of the adopted Christchurch and East Dorset Plan:

Typologies tested (up to 100 dwellings only). There are additional inputs that need to be factored in when modelling a strategic site, which are as follows:

- ***Section 106 contributions***
- ***Section 278 contributions***
- ***Gross to net assumption***
- ***Infrastructure Costs***

- 4.17 The Viability report only considers schemes of up to 100 dwellings, on the basis that this is the amount of residential development likely to “come forward in the district for the foreseeable future”. However, in contrast, the East Dorset and Christchurch Borough Council emerging Local Plan identifies a number of strategic allocations to meeting their 5 year housing supply. The dwelling thresholds in the PBA report exclude key strategic sites and it does not therefore correctly assess the housing supply outlined by the Christchurch and East Dorset Core Strategy.

³² Viability Testing Local Plans – Local Housing Delivery Group (June 2012) – Appendix B – pp 44

Section 106 / 278 Contributions

- 4.18 The level of estimated Section 106 contribution is too low for a strategic site typology. Key to the delivery of these sites is the on-site mitigation required, including education, public open space (including SANG/ country parks), play areas, sport and leisure, public art and other community infrastructure. We understand that these contributions, amongst others are currently required by East Dorset and Christchurch Borough Council via Section 106 contributions and are clearly outlined as site-specific mitigation requirements by the emerging Local Plan. CIL will not contribute towards on-site 'scheme mitigation' and hence the only way of accounting for these elements will be through a Section 106/278 obligation or contribution, or via a planning condition.
- 4.19 The PBA report makes no specific allowance for Section 278 contributions but assumes any costs will be covered in the £1,000 per dwelling S106 cost. Section 278 contributions typically cover traffic calming measures, provision and improvement of junctions and improvement of facilities for pedestrians and cyclists. In regard to strategic sites, this cost will be significant. The PBA report has therefore not adequately assessed the impact Section 278 contributions will have on viability.

Gross to Net

- 4.20 Strategic sites will be required to provide Public Open Space, SANG land and recreation space that all reduce the net residential acreage. These additional land uses are a necessary part of any planning permission and contribute towards the acceptability of the scheme from the Council's perspective. It is therefore appropriate that viability appraisals (for larger sites) factor in the gross land areas required for each scheme and adopt a reasonable minimum land value across the gross site area. The PBA report makes no reference to the assumed net to gross area within their Benchmark Land Values (BLV) or the Residual Land Values (RLV).

Infrastructure

- 4.21 As outlined, a number of typologies have been tested in the PBA report, none of which test a strategic site. Consequently PBA has not included the cost of infrastructure which is usually a very significant cost, payable up front. Allowances for infrastructure include the provision of on-site roads, services and drainage and can amount to between £15,000 and £23,000 per unit.

Benchmark Land Values

- 4.22 The PBA report adopts a figure of £1,500,000 / 1,650,000 per hectare (£607,042 / £667,746 per acre) for the BLV. The report does not state if this is per Gross or Net hectare, which will make a fundamental difference to the appraisal results. We have assumed that the PBA calculations do not

account for net areas. We have also assumed that the BLV is for immediate land only and does not factor in the minimum price for strategic land. We request clarity on these points.

- 4.23 Savills understands that PBA has consulted with a number of local estate agents, none of whom specialise in land disposals. Nevertheless, Battens Estate Agents are quoted within the report (Paragraph 5.9), who believe land values are around £2,000,000 per Ha (£809,389 per acre). Despite this feedback PBA has adopted a BLV well below this level, and unjustified by any comparable evidence.
- 4.24 Savills has researched a number of option agreements and the minimum price provisions set out within these. This research is supported by a letter from Haslams Chartered Surveyors, which was produced as part of Savills representations to the Bracknell Forest Draft Charging Schedule **(Appendix 4)**.
- 4.25 This outlines minimum price provision of around £300,000 per gross acre which we can back up with evidence. The Whiteleaf Consulting report has used c. £125,000 per gross acre as their minimum price for Christchurch Urban Extension. Although we consider this figure to be low, we have run our appraisal models at this level to demonstrate the challenge in viability for strategic sites - even with low minimum price provisions.

Gross to Net

- 4.26 As outlined, it is appropriate that a reasonable minimum land value is adopted across the tested scenarios. The Consortium, through past experience has advised net developable areas can range between 50% - 90% of the total site area. Larger schemes of 500+ dwellings are likely to provide a reduced net developable area, whereas a scheme of 100 dwellings is likely to provide approximately 90% net developable area. We have used an assumption of 90% for the 100 dwelling scenario, 80% for the 200 dwelling scenario and 60% for the 400 dwelling scenario. Gleasons may wish to revisit the net land assumption once further site masterplanning has progressed.

BCIS Build Costs

- 4.27 The RICS Build Cost Information Service (BCIS) indicates an average of £1,014 per sq m (£94.20 per sq ft) for the construction of 'Housing, mixed developments' and we have therefore used this figure within our calculations. PBA has adopted a cost of £837 per sq m (£77.76 per sq ft) which is very low as a generic, all inclusive build cost. In reality, to achieve higher quality architecture and design, higher build costs are required. PBA also states that the cost of achieving Code Level 4 is included with the BCIS costs; from our experience Code 4 is not included and usually increases the costs by approximately £4,000 per dwelling.

Section 106/278

4.28 Savills has adopted a figure of £10,000 per dwelling, to include Section 278 works for typology 3 (400 dwellings). Typologies 1 and 2 incorporate a cost of £5,000 per dwelling. Gleeson Strategic Land feels this figure portrays a credible starting point. It must be noted that a number of Section 106/278 'scheme mitigation' costs are not yet known, and that therefore £10,000 may well be an under estimate. This has been explained in Section 3.0.

Infrastructure

4.29 Past experience in consulting on strategic sites has demonstrated infrastructure costs equating to approximately £15,000 - £20,000 per dwelling. Savills has therefore adopted £15,000 per unit for typology 3, and £10,000 per dwelling for typology 2. This is below the lower figure of £17,000 quoted in the Harman report and the estimated infrastructure quoted in the Whiteleaf Report for the delivery of the Christchurch Urban Extension (c. £16,000 per plot).

4.30 PBA has not included Infrastructure costs within their appraisals.

Developer Profit

4.31 Developer profit in the PBA study has been assumed at 20% on Cost for the Private Housing for all site typologies. On-site affordable housing has not been tested, although PBA has allowed for the equivalent off-site contributions in lieu of affordable housing. The Harman report states (on page 36) that:

"As with other elements of the assessment, the figures used for developer return should also be considered in light of the type of sites likely to come forward within the plan period. This is because the required developer return varies with the risk associated with a given development and the level of capital employed. Smaller scale, urban infill sites will generally be regarded as lower risk investments when compared with complex urban regeneration schemes or large scale urban extensions."

4.32 Consistent with this guidance, the experience of Savills and our clients is that higher profit margins are required on the larger sites, where a minimum blended profit margin for both the private and the affordable units that funding institutions are prepared to accept at the moment. Within our independent viability appraisal we have included a blended profit margin of 20%. Savills has submitted representations on emerging CIL charging schedules elsewhere, supported by developers' opinions on this as the minimum acceptable profit level (**see Appendix 3**).

4.33 This has been consistent with a number of Local Authorities and an Appeal decision relating to Land at The Manor, Shinfield, Reading³³. We are of the opinion that this is an important case in terms of viability in planning, and whilst it is not directly related to CIL, it does address many of the factors that are under consideration here. In particular developers' profit. The decision states:

“The appellants supported their calculations by providing letters and emails from six national housebuilders who set out their net profit margin targets for residential developments. The figures ranged from a minimum of 17% to 28%, with the usual target being in the range 20-25%. Those that differentiated between market and affordable housing in their correspondence did not set different profit margins. Due to the level and nature of the supporting evidence, I give it great weight. I conclude that the national housebuilders' figures are to be preferred and that a figure of 20% of GDV, which is at the lower end of the range, is reasonable.”

4.34 PBA has adopted a profit of 20% on **developers' costs** and has failed to provide reasoning behind this. We would stress that the minimum acceptable profit margin for the Consortium is 20% on GDV. A figure of 20% on developers' costs is roughly equivalent to 16.3% on GDV, which is significantly below the expectations of house builders, promoters and financial institutions. Through researching other Local Authority CIL viability assessments in the South, it is evident that their consultants share this view. We have outlined below some of the neighbouring Local Authorities and their profit inputs.

Local Authority	Profit Level
Portsmouth	20% on GDV (adopted)
Poole	25% on GDV (adopted)
Winchester	20% on GDV (adopted)
New Forest	20% on GDV
Wiltshire	20% on GDV
North Dorset/ Weymouth and Portland	20% on GDV

4.35 Furthermore, this view is supported by the Whiteleaf Report who have adopted a combined profit margin of 20% on GDV for the assessment of the Christchurch Urban extension. The Whiteleaf report quotes *‘in more buoyant market conditions, we would expect developer's profit to be at least 20% to 22.5% expressed as margin on private Gross Development Value (GDV). It is evident, however, that ever since the early part of the economic downturn it has become routinely necessary for developers to reflect the higher than normal risk involved in buying land and proceeding with developments in current uncertain market conditions by setting higher hurdle rates of at least 25% on private GDV and, in many cases, even higher, but normally requiring a minimum of 20% averaged across both private and affordable revenues. We have adopted what we consider to be a reasonable ‘middle ground’ longerterm figure of around 22.5% on private GDV. Margin on affordable revenue is included at*

³³ Ref: APP/X0360/A/12/2179141, 8 January 2013

around 6% - 8%, reflecting the far lower level of risk involved, but overall we have endeavoured to ensure a margin of c20% is available as an average across all tenures'.

- 4.36 We have therefore been consistent with the views of the Planning Inspectorate, other Local Authorities in the South and East Dorset and Christchurch Borough Council consultant in formulating our view on the appropriate profit margin – 20% on GDV.

Timescales

- 4.37 PBA has assumed a build rate of 50 dwellings per annum. On the assumption sites of over 100 dwellings would be delivered by large national or regional developer, Savills has adopted the same build rate.
- 4.38 The PBA report makes no reference to sales rates, which can have a significant impact on the viability of a site. Ultimately, the lower the rate of sale, the higher the finance cost. Past experience dictates on average housebuilders can deliver a rate of sale equal to build timescales at 50 dwellings per annum (4 dwellings per month or 1 dwelling per week).

Calculation of CIL

- 4.39 Within table 4.1, PBA outlines the total floor area and chargeable floor area. The chargeable floor area is net of affordable housing (30/35% deduction from the total floor area). We note that the PBA appraisals assume Affordable Housing will be provided through a contribution in lieu of affordable housing. In this respect they have only used open market housing in their calculations, as shown at Appendix 1 of the PBA report. We therefore question why the calculation of CIL has only been against 65%/70% of the number of units, when there is also a contribution in lieu of affordable housing. If this method is to be calculated correctly, the CIL cost should be chargeable on all of the units, or the total floor area. This would equate to £315,000 per Ha instead of the PBA assumption of £220,500.

Contribution in Lieu of Affordable Housing

- 4.40 Again, we require some clarity on how this has been calculated. The PBA report suggests (para. 3.14 of Appendix 2) that affordable housing revenues equate to between 50-55% of the Open Market Value. The Open Market Values have been stated at £2,800 / £3,200 per sq m (£260 / £297 per sq ft), and therefore at 50% would equate to £1,400 / £1,600 per sq m (£130 / £149 per sq ft). When applied to the average floor area of a house (90 sq m) the revenue per dwelling equates to:

East Dorset	£126,000
Christchurch	£144,000

4.41 The PBA report has assumed 35 dwellings per Hectare which at 30% affordable, equates to the equivalent of 10.5 affordable units. The contribution in lieu of affordable housing in our opinion should therefore be £1,323,000 per Ha for East Dorset and £1,512,000 per Ha for Christchurch. Table 4.1 is showing £1,181,250 per Ha for both East Dorset and Christchurch.

4.42 The equivalent contribution at 50% affordable housing would be £2,205,000 per Ha for East Dorset and £2,520,000 per Ha for Christchurch.

PBA Viability Buffer

4.43 PBA has derived a CIL 'ceiling', noted as the maximum CIL charge per square metre, as the difference between the BLV and RLV, including an off-site contribution towards affordable housing (at 30%) and Section 106 at £1,000 per dwelling. PBA has tested each of their typologies (a range of 1 - 100 dwellings) and expressed a maximum CIL charge for each ranging between £87 and £286 per square metre. It is common for local authorities to apply a discount percentage to the CIL "ceiling" rate; this can range between a 30 - 60% discount. Surprisingly, the PBA calculations only allow for a buffer of between 7% - 17% with an affordable housing policy below the policy compliant aspiration (30%). This does not give enough flexibility for either the Local Authority or house builders, especially with an affordable housing policy at 50%.

4.44 Savills has adopted a viability buffer of 33%.

Savills Appraisals

4.45 Savills has made an assessment of viability for three typologies. Details of our appraisals are included at **Appendix 5**.

Recommended CIL Level

4.46 Based on the assumptions and concerns outlined in this report, set out below is the proposed rates of CIL:

Typology	Assumed Net Developable Area	On-site Affordable Provision	Surplus / Deficit (per gross Ha)	Maximum CIL Payable (CIL Ceiling)	Proposed Buffer	Proposed Rate of CIL (per sq m)
Typology 1 (100 dwellings)	90% at 35 dph	30%	£466,876	£1.83 psm	33%	£1.21
Typology 1 (100 dwellings)	90% at 35 dph	50%	(£29,893)	Nil	N/A	Nil
Typology 2 (200 dwellings)	80% at 35 dph	30%	£289,606	£1.13 psm	33%	£0.75
Typology 2 (200 dwellings)	80% at 35 dph	50%	(£139,428)	Nil	N/A	Nil
Typology 3 (400 dwellings)	60% at 35 dph	30%	(£52,807)	Nil	N/A	Nil
Typology 3 (400 dwellings)	60% at 35 dph	50%	(£400,169)	Nil	N/A	Nil

4.47 As demonstrated above, Savills considers that for the Strategic Sites (notably the land interest of Gleeson Strategic Land) a CIL rate of £ zero is fully justified. This is primarily to do with the significant infrastructure set up costs that enable the delivery of a large site, but other factors including increasing build costs, minimum price provisions, Code for Sustainable Homes Level 4, large on-site S.106 costs and the requirement for on-site affordable housing, all reduce the viability of paying CIL.

5. Conclusions – Achieving an Effective Operation of CIL

5.1 This representation has been prepared by Savills on behalf of Gleeson Strategic Land and the Home Builders Federations (HBF). It is made in respect of the Christchurch and East Dorset Community Infrastructure Levy Draft Charging Schedule. The representation is focused on the proposed residential rate of £100 sqm proposed across both Christchurch and East Dorset local authority areas.

5.2 Four principal objectives are served by the representation:

- To influence the evidence of viability, in order to ensure that ‘scheme mitigation’ and the effect or net developable land value is appropriately factored in the viability evidence.
- To therefore seek a differential rate for the Strategic Sites, as identified in the emerging Local Plan, this rate will likely be the most appropriate supported by the available evidence.
- To explore the best delivery mechanisms for infrastructure and obtain a positive commitment from Christchurch and East Dorset Councils on the delivery of key strategic infrastructure.
- To seek assurances that prohibitive Grampian planning conditions are not imposed on planning approvals, thus threatening the delivery of housing and hence CIL receipts.

5.3 The viability appraisal prepared by Peter Brett Associates (PBA) is flawed. Far greater recognition of ‘scheme mitigation’ is required and typologies should be tested which best reflect the planned housing. This approach is firmly advocated by the CIL Statutory Guidance, notably paragraphs 2:2:2:4 and 2:2:2:5 with respect of the need to have a “realistic understanding of development costs for strategic sites” and 2:2:2:6 with respect to achieving a more “fine grained” viability analysis where differential rates are set.

5.4 Gleeson Strategic Land has concerns in respect of:

- **Viability:** Concerns with the PBA Appraisals are outlined in Section 4.0, notably a number of inputs, for example sales values, and the approach to gross:net land take, with alternative evidence provided.
- **Delivery:** The regulation 123 list is not clear on how funding will be raised for the Strategic Sites (New Neighbourhoods). For example, the Regulation List does contain an Infrastructure Category labelled “New Neighbourhoods”, however only site specific measures have been indicated, these being funded by S106/ S278 provisions. Furthermore, clarification on the requirement to contribute towards Heathland mitigation where on site SANGs are provided is required.
- **Legality:** Paragraph 175 of the NPPF states that ‘where practical, charging schedules should be worked up and tested alongside the Local Plan’. This advice is reiterated in paragraph 11 of the CIL Guidance. It is important that CIL is seen in context of the planned supply of housing within

Christchurch and East Dorset and the authorities should make it clear within their supporting evidence how it is shown that the proposed rates do not threaten delivery of the relevant Plan as a whole.

5.5 The following range of CIL rates is provided by the Savills evidence submitted:

Typology	Assumed Net Developable Area	On-site Affordable Provision	Surplus/ Deficit (per gross Ha)	Maximum CIL Payable (CIL Ceiling)	Proposed Buffer	Proposed Rate of CIL (per sq m)
Typology 1 (100 dwellings)	90% at 35 dph	30%	£466,876	£1.83 psm	33%	£1.21
Typology 1 (100 dwellings)	90% at 35 dph	50%	(£29,893)	Nil	N/A	Nil
Typology 2 (200 dwellings)	80% at 35 dph	30%	£289,606	£1.13 psm	33%	£0.75
Typology 2 (200 dwellings)	80% at 35 dph	50%	(£139,428)	Nil	N/A	Nil
Typology 3 (400 dwellings)	60% at 35 dph	30%	(£52,807)	Nil	N/A	Nil
Typology 3 (400 dwellings)	60% at 35 dph	50%	(£400,169)	Nil	N/A	Nil

5.6 The representation reflects the difficulties with the application of CIL to strategic development sites. There is however the opportunity to ensure that the sites are planned to accommodate a reasonable and effective rate of CIL in order to ensure the effective delivery of the recently adopted Core Strategy. The representation is therefore not intended as a direct criticism of the Councils. It merely explains why developer-led delivery is the only realistic and viable approach to ensure timely delivery of the key Strategic Sites. It is plainly unreasonable and unrealistic to assume that the District Council may be able to deliver all (or most) of the infrastructure.

5.7 There remain notable deficiencies in the operation of CIL, caused primarily by the CIL regulations (“the Regulations”), which places both the District Council and the development industry in a difficult position. The scope to reduce the CIL liability via utilisation of payment in kind (PiK) is restricted to those items of infrastructure which are not required to mitigate the impact of a development, which for strategic sites would exclude most (if not all) site-specific and ‘scheme mitigation’ infrastructure. PiK is therefore not a credible option for Gleeson Strategic Land, which further emphasises the need to get the CIL £rate right. It is the view of Gleeson Strategic Land that there is a strong justification for a £ zero rate for Strategic Sites, an approach that has been taken by a number of other local authorities.

- 5.8 This representation also seeks positive engagement on clarifying how funding will be raised for the delivery of Strategic Sites. As previously set out, the Regulation 123 List is not clear on this matter and as such further clarification is sought.
- 5.9 The representation presents Gleeson Strategic Land's position on the basis of achieving the necessary "scheme mitigation" infrastructure secured via Section 106/278/Condition/approved plans. This is also demonstrated on the basis of a viability appraisal typology of 100, 200 or 400 dwellings, more appropriate for the planned strategic sites. This developer-led delivery is the relevant evidence for consideration in the assessment of viability.
- 5.10 The objective of the representation is not to oppose CIL; it merely seeks to ensure a **reasonable rate**, and **effective operation**, based on the evidence and a collective interest to deliver well planned, viable and feasible development. The approach advocated of £lower (or zero) CIL rates for strategic sites has been adopted by other Local Authorities (e.g. Winchester City Council).
- 5.11 We request a meeting with Christchurch and East Dorset Councils and their advisors to discuss amendments to the approach taken.
- 5.12 Furthermore, Savills, on behalf of Gleeson Strategic Land wishes to be heard in support of these representations at the Public Examination of the Draft Charging Schedule.

END

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Appendix 1: List of Documentation

- Christchurch and East Dorset Core Strategy, April 2014
- Christchurch and East Dorset Core Strategy Community Infrastructure Levy Draft Charging Schedules, May 2014
- Christchurch and East Dorset Core Strategy Community Infrastructure Levy Preliminary Draft Charging Schedules, January 2013
- Christchurch and East Dorset Draft Infrastructure Delivery Plan, April 2012
- Christchurch and East Dorset Draft Infrastructure Delivery Plan Schedule of Proposed Changes November 2012
- Christchurch Local Development Scheme Revision 5, December 2012
- Christchurch Borough Council Annual Monitoring Report 2010/2011
- Planning Policy Guidance: Community Infrastructure Levy Guidance, DCLG, June 2014
- Community Infrastructure Levy Regulations 2010 (as amended)
- East Dorset Annual Monitoring Report 2010-2011
- East Dorset District Council and Christchurch Borough Council Community Infrastructure Levy Viability Testing, Peter Brett Associates, June 2013
- East Dorset Local Development Scheme No 6, January 2013
- Examiner's report for Mid Devon, published on 20 February 2013
- Examiner's report for the Greater Norwich Development Partnership published in December 2012
- Inspector's Report on the Christchurch and East Dorset Core Strategy March 2014
- National Planning Policy Framework, DCLG, March 2012
- Planning Act 2008 (as amended)
- Report on the examination of the Draft Mid Devon District Council CIL Charging Schedule, David Hogger BA MSc MRTPI MCIHT, February 2013
- Report to the Greater Norwich Development Partnership – for Broadland District Council, Norwich City Council and South Norfolk Council, Keith Holland BA (Hons) Dip TP MRTPI ARICS, December 2012
- Viability Testing Local Plans – Advice for Planning Practitioners, Local Housing Delivery Group Chaired by Sir John Harman

Appendix 2: Strategic Site draft Infrastructure Schedules

Appendix 2 - Strategic Sites draft Infrastructure Schedules ('Scheme Mitigation')

Please note - working draft assumptions - in advance of detailed pre application discussions / masterplanning.
The Consortium reserves the right to update these assumptions as liaison with the sites / CIL progresses.

Costs are indicative estimates based on previous experience, provided for the purposes of CIL, and should not be relied upon for any other purpose. Costs do not factor land.



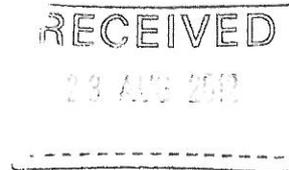
Land South of Leigh Road, Wimborne (350 units total for the allocation with associated sports and local centre provision) - Policy WMC8

	Notes	Cost Low	High	Delivery CIL ?	Section 106/278?
Community Facilities					
Local Centre	Requirement TBC	£nil	£2,500,000		x
Schools					
Primary School	Requirement TBC	£4,000,000	£5,550,000	x (?)	
Highways					
Bus	Requirement TBC	£200,000	£300,000	x	
Off-site highways*	Requirement TBC	£500,000	£1,000,000		x
Travel Plans	Requirement TBC	£50,000	£200,000		x
Open Space					
Informal Open Space	Requirement TBC	£250,000	£500,000		x
Country Park/SANG Provision	Requirement TBC	£300,000	£500,000		x
Country Park/SANG Maintenance	Requirement TBC	£370,000	£1,000,000		x
Sports Village	Requirement TBC	£2,500,000	£4,000,000	x(?)	x (?)
Allotments	Requirement TBC	£50,000	£100,000	x	
Play Areas (Provision and Maintenance)	Requirement TBC	£280,000	£480,000		x
Other					
Affordable Housing	50%				
Scheme mitigation section 106/278 totals		£1,750,000	£6,180,000		
Scheme mitigation s106/278 per dwelling		£5,000	£17,567		

Appendix 3: Developers Profit Margin Letters

Mr Chris Newman
Haslams Chartered Surveyors
County House
17 Friar Street
Reading
Berkshire
RG1 1DB

Bellway Homes Limited
Wessex
Bellway House
Embankment Way
Castleman Business Centre
Ringwood
Hampshire
BH24 1EU



Telephone 01425 477 666
Fax 01425 476 774
DX 45710 Ringwood
www.bellway.co.uk

Private & Confidential

Dear Chris,

I refer to our conversation of Friday 25 May 2012.

I can confirm that it is entirely normal for Bellway Homes to seek to make an absolute minimum of 20% return on gross development value (the total of private sale and affordable housing revenues) when acquiring sites unconditionally with the benefit of a detailed planning consent. In circumstances where a site is being sold either with no planning permission or with an Outline Planning Permission then the profit margin is expected to be higher to offset the additional risk. There are further financial measures considered, such as ROCE and the maximum cash outlay, that effect the decision to purchase a site, but the gross profit margin is currently our key driver provided the other two measures are deemed reasonably satisfactory.

It should be noted that the 20% target is gross profit margin, ie before the deduction of finance costs, office overheads and selling costs which all vary from time to time and hence over the lifetime of a project, therefore the focus on gross profit margin as this is unaffected by outside influences.

Taxation is ignored in our project viability calculations and Divisional Profit & Loss accounts as this is dealt with at a PLC level.

Yours sincerely

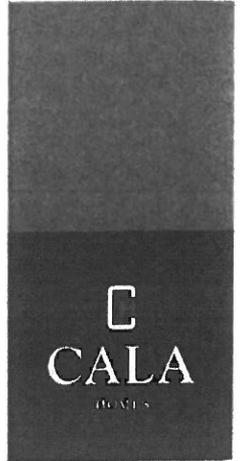
A handwritten signature in black ink, appearing to read "Ian Blair".

Ian Blair
Land Director
For and on behalf of
Bellway Homes Ltd (Wessex)



21st August 2012

Mr Chris Newman
Haslams Surveyors LLP
County House
17 Friar Street
Reading
Berkshire RG1 1DB



Dear Chris

Further to your recent correspondence, I write to advise that when assessing a development opportunity (either with a view to making an offer or deciding whether to proceed with a project), we are required to demonstrate that the site will generate a net profit margin (ie. after interest costs) equivalent to 20% of the total sales revenue (GDV) across the site. For the avoidance of doubt, in terms of the required profit margin, we do not differentiate between private and affordable housing; rather the site is assessed as a whole.

I trust that all of the above is clear but, should you require any clarification, please do not hesitate to contact me.

Yours sincerely

A handwritten signature in black ink, appearing to be 'A Lockwood'.

Andrew Lockwood
AREA LAND DIRECTOR

BEWLEY HOMES PLC

Inhurst House, Brimpton Road, Baughurst, Hampshire, RG26 5JJ
T (0118) 970 8200 F (0118) 970 8201 www.bewley.co.uk

AJB/ljb/Misc/7040
5th September 2012

Mr C Newman
Haslams
County House
17 Friar Street
READING
Berkshire
RG1 1DB

Dear Chris

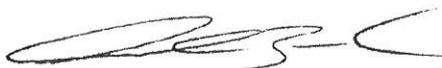
I refer to our recent correspondence with regard to the current returns that Bewley Homes look for when reviewing new opportunities on subject to planning sites or sites with the benefit of a planning consent.

You will be aware that there are a number of key indicators that will be reviewed when making the decision whether or not to buy a piece of land and the level of offer that we submit and the two indicators that are key to Bewley Homes are the gross profit and also the return on capital earned. The two indicators are never to be looked at in isolation, as one indicator will directly affect another, but in general terms the profit that Bewley Homes will need to see is a minimum of 20% but we are really looking to 25%. These profit levels would be increased normally on a larger sites of anything over 80 houses, as the return on capital would be dramatically affected by the length of time that the money has been employed and the time it will take for the returns to be received. Therefore on bigger sites, in order to reach our return on capital target of 20% to 25%, the profit margin normally needs to be in the region of 25% to 28% as a general rule of thumb.

I am aware that every different company has different key indicators and key targets and the profit margins that we look for are profit before interest and overhead. At the same time, it is evident from the competition that we have encountered in the past two to three years that most parties are looking for the same profit margins and that we probably look at the return on capital more than other companies.

I hope that the above clearly sets out our objectives and requirements but should you require any further information please do not hesitate to contact me.

Yours sincerely



ANDREW BROOKS
DIRECTOR

Taylor Wimpey

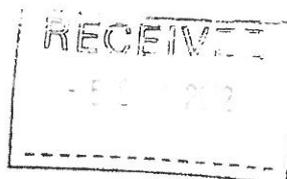
Haslams
County House
17 Friar Street
Reading
RG1 1DB

FAO: Chris Newman

Taylor Wimpey West London
Stratfield House
Station Road, Hook
Hampshire RG27 9PQ

T: 01256 760606
F: 01256 765884

www.taylorwimpey.co.uk



30th August 2012

Dear Chris,

Re: Developers profit margin – Shinfield Area

Dependant on the risk associated with the site, the location and deal structure, we would typically expect an average profit return in the region of 17% - 20% on the total GDV of the development.

In respect of a site of circa 150 units in Shinfield, we would expect an average profit return closer to 20% of the total GDV.

The above is the opinion of Taylor Wimpey West London and should not be relied upon other than in this circumstance.

Yours sincerely

Andrew Moore
Land and Planning Director

Taylor Wimpey UK Limited
Registered Number:
1392762 England and Wales.
Registered Office:
Gate House, Turnpike Road
High Wycombe, Buckinghamshire
HP12 3NR

Taylor Wimpey West London is a
division of Taylor Wimpey UK Ltd

Chris Newman

From: Wild, Richard [<mailto:richard.wild@dwh.co.uk>]
Sent: 29 May 2012 09:48
To: Chris Newman
Cc: Palmer, Richard
Subject: RE: The Manor, Shinfield - Developer Profit Margins

Chris,

I refer to your below copied e-mail regarding developers' profit margins.

At Barratt / David Wilson Homes, we take into account not only a profit margin, but the return on capital employed. Furthermore, the profit margin required changes depending upon the risk factors involved. As we are still suffering the effects of the recession in that we cannot foresee a steady rate of sales over the next year or two, Group is adamant that margins must be protected.

To this extent, we have three profit margin targets, reflecting low, medium, and high risk categories. The level you have indicated of 20% of combined GDV is slightly lower than Group's minimum percentage margin for low risk sites, those being sites that have detailed planning permission, are fully serviced with no requirements for off-site improvements, have an agreement in place with a RP to take the affordable housing once it is built, etc. Each category of risk raises the margin by 1%.

We also seek deferred payment terms. Initially, this was resisted by land vendors, but many have come to appreciate that it is inequitable to expect a developer to pay a 10% deposit (we offer 5%), and to then pay the remaining 90% some 8 weeks later, before the developer has even set foot on site, let alone started to sell completed dwellings from which to fund the land purchase. For this reason, we seek to achieve legal completion about 8 weeks after exchange of contracts, but with a much reduced payment – possibly 20-25% - with a further payment after 6 months, etc. The length of deferral depends upon the size of site, of course, but we consider it reasonable to expect the land vendor to share our risk to a certain extent, and perhaps not receive their final payment until at least the first unit sale month. This deferral helps us to reduce the amount of cash we need to borrow in order to fund the land purchase and subsequent build, thereby reducing our funding costs. This saving, in turn, is then added back into the land value "pot" to help us be competitive when bidding for sites.

Our margin is based upon the whole site, such that we require the same margin for the affordable housing as we do for the private stock. I have never worked for a company that works on a lower margin for affordable housing, nor can I see any justification for doing so.

I hope the above is helpful, but please let me know if any clarification is required.

Regards,

Richard

The sender of this e-mail is a member of the Barratt Developments group of companies, the ultimate parent of which is Barratt Developments PLC (company number 00604574).

Barratt Developments PLC is registered in England and Wales with its registered office at Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF, together with its principal subsidiaries BDW Trading Limited (03018173), KingsOak Homes Limited (01993976), David Wilson Homes Limited (00830271) and Wilson Bowden Developments Limited (00948402). BDW East Scotland Limited (SC027535), also a principal subsidiary, is registered in Scotland and has its registered office at Blairton House Old Aberdeen Road, Balmedie, Aberdeenshire,

Chris Newman

From: Regent, Jon <jon.regent@persimmonhomes.com>
Sent: 30 May 2012 19:12
To: Chris Newman
Subject: Developer's Profit Levels

Chris

Further to our recent conversation you have asked for a rough "indication" of the gross profit levels that are generally operated amongst the volume house builders.

Obviously this will change on a site by site basis, but on a typical site in the Reading area of circa 125 dwellings (with outline planning consent) with an on-site affordable housing provision we would need to demonstrate that a profit level in the order of 20% of the gross (combined private and affordable) development value would be achieved from the development.

I hope that the above is sufficient for your purposes but please do not hesitate to contact me if you require any further details.

Regards

Jon

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Persimmon Homes Limited is registered in England number 4108747, Charles Church Developments Limited is registered in England number 1182689 and Space4 Limited is registered in England number 3702606. These companies are wholly owned subsidiaries of Persimmon Plc registered in England number 1818486, the Registered Office of these four companies is Persimmon House, Fulford, York YO19 4FE.

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**Appendix 4: Letter from Haslams re: Bracknell Forest
CIL, and minima land values**

22 July 2013

Mr Charlie Collins
Associate Director
Savills Planning
2 Charlotte Place
Southampton
Hampshire
SO14 0TB

Direct Dial: 0118 921 1521

Email: chrisnewman@haslams.co.uk
Mobile: 07879-600064

Your Ref:

Our Ref: CN/jz

By Email & Post

Dear Charlie

Re: Bracknell Forest CIL Draft Charging Schedule

I refer to the report prepared by BNP on behalf of Bracknell Forest Council in relation to the above matter and, in particular, BNP's assumption that £400,000 per hectare is considered sufficient as a minimum land value for a development to remain viable.

From our experience at Haslams, the figure of £400,000 per hectare is significantly too low. We believe that if the CIL charging level is based upon that figure, landowners will simply not release their land for development and the required housing numbers in Bracknell Forest will not be delivered.

Our view is supported by some very relevant and recent comparable evidence relating to two separate, arms length option sales of land within the South of M4 Strategic Development Location which lies within the neighbouring Wokingham Borough.

This evidence relates to one parcel of land at Ryeish Lane, Spencers Wood, and another parcel of land at Church Lane, Three Mile Cross. Here, minimum land values of £741,300 and £790,720 per hectare were agreed respectively. Our clients were simply not prepared to sell below those value levels.

Based on this evidence and our experience generally, we believe that BNP should revise their assumption that the minimum land values produced by developments on land within Bracknell Forest should be at least £750,000 per hectare to ensure that the developments are viable, landowners are incentivized to sell, and development is delivered.

I trust that the above is clear but do not hesitate to contact me if you require any further information.

Yours sincerely



Chris Newman
Haslams

County House
17 Friar Street
Reading
RG1 1DB

T: 0118 921 1500
F: 0118 921 1501
info@haslams.co.uk
www.haslams.co.uk

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**Appendix 5: Savills Alternative Viability Appraisal
(Argus Developer)**

Savills (UK) Ltd

Development Appraisal

North Wimborne

Report Date: 18 June 2014

Prepared by RW

North Wimborne

Summary Appraisal for Phase 1

Currency in £

REVENUE

Sales Valuation	Units	ft ²	Rate ft ²	Unit Price	Gross Sales
Private Housing	70	67,830	260.00	251,940	17,635,800
Affordable Housing	<u>30</u>	<u>29,070</u>	130.00	125,970	<u>3,779,100</u>
Totals	100	96,900			21,414,900

NET REALISATION **21,414,900**

OUTLAY

ACQUISITION COSTS

Residualised Price				2,456,358	
Stamp Duty		4.00%		98,254	
Agent Fee		1.00%		24,564	
Legal Fee		0.80%		19,651	
Town Planning				75,000	
					2,673,826

CONSTRUCTION COSTS

Construction	ft ²	Rate ft ²	Cost	
Private Housing	71,400 ft ²	94.20 pf ²	6,725,880	
Affordable Housing	<u>30,600 ft²</u>	94.20 pf ²	<u>2,882,520</u>	
Totals	102,000 ft²		9,608,400	9,608,400

Contingency		5.00%	480,420	
Externals		10.00%	960,840	
Infrastructure			500,000	
Code 4			400,000	
S.106			500,000	
				2,841,260

PROFESSIONAL FEES

Professional Fees		8.00%	768,672	768,672
-------------------	--	-------	---------	---------

DISPOSAL FEES

Sales Agent and Marketing Fee		3.00%	642,447	
Sales Legal Fee		0.25%	53,537	
				695,984

FINANCE

Debit Rate 7.000% Credit Rate 0.000% (Nominal)				
Total Finance Cost				543,777

TOTAL COSTS **17,131,920**

PROFIT **4,282,980**

Performance Measures

Profit on Cost%	25.00%
Profit on GDV%	20.00%
Profit on NDV%	20.00%
IRR	46.01%
Profit Erosion (finance rate 7.000%)	3 yrs 3 mths

Savills (UK) Ltd

Development Appraisal

North Wimborne

Report Date: 18 June 2014

Prepared by RW

North Wimborne

Summary Appraisal for Phase 1

Currency in £

REVENUE

Sales Valuation	Units	ft ²	Rate ft ²	Unit Price	Gross Sales
Private Housing	50	48,450	260.00	251,940	12,597,000
Affordable Housing	<u>50</u>	<u>48,450</u>	130.00	125,970	<u>6,298,500</u>
Totals	100	96,900			18,895,500

NET REALISATION **18,895,500**

OUTLAY

ACQUISITION COSTS

Residualised Price			881,599		
Stamp Duty		4.00%	35,264		
Agent Fee		1.00%	8,816		
Legal Fee		0.80%	7,053		
Town Planning			75,000		
					1,007,732

CONSTRUCTION COSTS

Construction	ft ²	Rate ft ²	Cost		
Private Housing	51,000 ft ²	94.20 pf ²	4,804,200		
Affordable Housing	<u>51,000 ft²</u>	94.20 pf ²	<u>4,804,200</u>		
Totals	102,000 ft²		9,608,400	9,608,400	

Contingency		5.00%	480,420		
Externals		10.00%	960,840		
Infrastructure			500,000		
Code 4			400,000		
S.106			500,000		
					2,841,260

PROFESSIONAL FEES

Professional Fees		8.00%	768,672		768,672
-------------------	--	-------	---------	--	---------

DISPOSAL FEES

Sales Agent and Marketing Fee		3.00%	566,865		
Sales Legal Fee		0.25%	47,239		
					614,104

FINANCE

Debit Rate 7.000% Credit Rate 0.000% (Nominal)					
Total Finance Cost					276,233

TOTAL COSTS **15,116,400**

PROFIT **3,779,100**

Performance Measures

Profit on Cost%	25.00%
Profit on GDV%	20.00%
Profit on NDV%	20.00%
IRR	65.89%
Profit Erosion (finance rate 7.000%)	3 yrs 3 mths

Savills (UK) Ltd

Development Appraisal

North Wimborne

Report Date: 18 June 2014

Prepared by RW

North Wimborne

Summary Appraisal for Phase 1

Currency in £

REVENUE

Sales Valuation	Units	ft ²	Rate ft ²	Unit Price	Gross Sales
Private Housing	140	135,660	260.00	251,940	35,271,600
Affordable Housing	<u>60</u>	<u>58,140</u>	130.00	125,970	<u>7,558,200</u>
Totals	200	193,800			42,829,800

NET REALISATION **42,829,800**

OUTLAY

ACQUISITION COSTS

Residualised Price			4,266,907	
Stamp Duty		4.00%	170,676	
Agent Fee		1.00%	42,669	
Legal Fee		0.80%	34,135	
Town Planning			75,000	
				4,589,387

CONSTRUCTION COSTS

Construction	ft ²	Rate ft ²	Cost	
Private Housing	142,800 ft ²	94.20 pf ²	13,451,760	
Affordable Housing	<u>61,200 ft²</u>	94.20 pf ²	<u>5,765,040</u>	
Totals	204,000 ft²		19,216,800	19,216,800

Contingency		5.00%	960,840	
Externals		10.00%	1,921,680	
Infrastructure			2,000,000	
Code 4			800,000	
S.106			500,000	
				6,182,520

PROFESSIONAL FEES

Professional Fees		8.00%	1,537,344	
				1,537,344

DISPOSAL FEES

Sales Agent and Marketing Fee		3.00%	1,284,894	
Sales Legal Fee		0.25%	107,074	
				1,391,968

FINANCE

Debit Rate 7.000% Credit Rate 0.000% (Nominal)				
Total Finance Cost				1,345,820

TOTAL COSTS **34,263,840**

PROFIT **8,565,960**

Performance Measures

Profit on Cost%	25.00%
Profit on GDV%	20.00%
Profit on NDV%	20.00%
IRR	38.56%
Profit Erosion (finance rate 7.000%)	3 yrs 3 mths

Savills (UK) Ltd

Development Appraisal

North Wimborne

Report Date: 18 June 2014

Prepared by RW

North Wimborne

Summary Appraisal for Phase 1

Currency in £

REVENUE

Sales Valuation	Units	ft ²	Rate ft ²	Unit Price	Gross Sales
Private Housing	100	96,900	260.00	251,940	25,194,000
Affordable Housing	<u>100</u>	<u>96,900</u>	130.00	125,970	<u>12,597,000</u>
Totals	200	193,800			37,791,000

NET REALISATION

37,791,000

OUTLAY

ACQUISITION COSTS

Residualised Price			1,203,180	
Stamp Duty		4.00%	48,127	
Agent Fee		1.00%	12,032	
Legal Fee		0.80%	9,625	
Town Planning			75,000	
				1,347,964

CONSTRUCTION COSTS

Construction	ft ²	Rate ft ²	Cost	
Private Housing	102,000 ft ²	94.20 pf ²	9,608,400	
Affordable Housing	<u>102,000 ft²</u>	94.20 pf ²	<u>9,608,400</u>	
Totals	204,000 ft²		19,216,800	19,216,800

Contingency		5.00%	960,840	
Externals		10.00%	1,921,680	
Infrastructure			2,000,000	
Code 4			800,000	
S.106			500,000	
				6,182,520

PROFESSIONAL FEES

Professional Fees		8.00%	1,537,344	
				1,537,344

DISPOSAL FEES

Sales Agent and Marketing Fee		3.00%	1,133,730	
Sales Legal Fee		0.25%	94,477	
				1,228,207

FINANCE

Debit Rate 7.000% Credit Rate 0.000% (Nominal)				
Total Finance Cost				719,964

TOTAL COSTS

30,232,800

PROFIT

7,558,200

Performance Measures

Profit on Cost%	25.00%
Profit on GDV%	20.00%
Profit on NDV%	20.00%
IRR	54.52%
Profit Erosion (finance rate 7.000%)	3 yrs 3 mths

Savills (UK) Ltd

Development Appraisal

North Wimborne

Report Date: 18 June 2014

Prepared by RW

North Wimborne

Summary Appraisal for Phase 1

Currency in £

REVENUE

Sales Valuation	Units	ft²	Rate ft²	Unit Price	Gross Sales
Private Housing	280	271,320	260.00	251,940	70,543,200
Affordable Housing	<u>120</u>	<u>116,280</u>	130.00	125,970	<u>15,116,400</u>
Totals	400	387,600			85,659,600

NET REALISATION

85,659,600

OUTLAY

ACQUISITION COSTS

Residualised Price			4,848,678	
Stamp Duty		4.00%	193,947	
Agent Fee		1.00%	48,487	
Legal Fee		0.80%	38,789	
Town Planning			75,000	
				5,204,901

CONSTRUCTION COSTS

Construction	ft²	Rate ft²	Cost	
Private Housing	285,600 ft ²	94.20 pf ²	26,903,520	
Affordable Housing	<u>122,400 ft²</u>	94.20 pf ²	<u>11,530,080</u>	
Totals	408,000 ft²		38,433,600	38,433,600

Contingency		5.00%	1,921,680	
Externals		10.00%	3,843,360	
Infrastructure			6,000,000	
Code 4			1,600,000	
S.106			4,000,000	
				17,365,040

PROFESSIONAL FEES

Professional Fees		8.00%	3,074,688	
				3,074,688

DISPOSAL FEES

Sales Agent and Marketing Fee		3.00%	2,569,788	
Sales Legal Fee		0.25%	214,149	
				2,783,937

FINANCE

Debit Rate 7.000% Credit Rate 0.000% (Nominal)				
Total Finance Cost				1,665,514

TOTAL COSTS

68,527,680

PROFIT

17,131,920

Performance Measures

Profit on Cost%	25.00%
Profit on GDV%	20.00%
Profit on NDV%	20.00%
IRR	84.94%
Profit Erosion (finance rate 7.000%)	3 yrs 3 mths

Savills (UK) Ltd

Development Appraisal

North Wimborne

Report Date: 18 June 2014

Prepared by RW

North Wimborne

Summary Appraisal for Phase 1

Currency in £

REVENUE

Sales Valuation	Units	ft²	Rate ft²	Unit Price	Gross Sales
Private Housing	200	193,800	260.00	251,940	50,388,000
Affordable Housing	<u>200</u>	<u>193,800</u>	130.00	125,970	<u>25,194,000</u>
Totals	400	387,600			75,582,000

NET REALISATION **75,582,000**

OUTLAY

ACQUISITION COSTS

Residualised Price (Negative land)	(1,751,219)	
Town Planning	75,000	
		(1,676,219)

CONSTRUCTION COSTS

Construction	ft²	Rate ft²	Cost
Private Housing	204,000 ft ²	94.20 pf ²	19,216,800
Affordable Housing	<u>204,000 ft²</u>	94.20 pf ²	<u>19,216,800</u>
Totals	408,000 ft²		38,433,600

Contingency	5.00%	1,921,680	
Externals	10.00%	3,843,360	
Infrastructure		6,000,000	
Code 4		1,600,000	
S.106		4,000,000	
			17,365,040

PROFESSIONAL FEES

Professional Fees	8.00%	3,074,688	
			3,074,688

DISPOSAL FEES

Sales Agent and Marketing Fee	3.00%	2,267,460	
Sales Legal Fee	0.25%	188,955	
			2,456,415

FINANCE

Debit Rate 7.000% Credit Rate 0.000% (Nominal)			
Total Finance Cost			812,076

TOTAL COSTS **60,465,600**

PROFIT **15,116,400**

Performance Measures

Profit on Cost%	25.00%
Profit on GDV%	20.00%
Profit on NDV%	20.00%

IRR 288.17%

Profit Erosion (finance rate 7.000%) 3 yrs 3 mths