

4 January 2013

North Somerset Council Community Infrastructure Levy

Representations to the Preliminary Draft Charging Schedule

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1. Introduction

These representations have been prepared by Savills on behalf of the House Builder Consortium Group in response to the consultation on the North Somerset Community Infrastructure Levy (CIL) Preliminary Draft Charging Schedule. The group comprises four of the major house builders active in the North Somerset area who have joined together in order to provide a single comprehensive response to the proposed introduction of CIL tariffs across the Local Authority area. The consortium members are:

- Persimmon Homes
- Taylor Wimpey
- Redrow Homes
- Crest Nicholson

The group's objective and the *raison d'être* for these representations is not to dismiss CIL but to ensure that the level set in the Charging Schedule is fair and equitable, supported by robust viability appraisals, and will not put at harm the overall delivery of housing. To that end, the Charging Schedule must be founded upon sound and credible evidence and the methodology used to establish the proposed charges should be reasonable and fit for purpose.

We consider that there are a number of flaws both with the methodology some of the key assumptions used in the Viability Assessment produced in support of the Preliminary Draft Charging Schedule. The effect of these is to distort the findings of the viability appraisals to such a degree that it is not possible to determine at this stage what impact the introduction of CIL would have on residential development viability across North Somerset and the delivery of the strategic housing requirement.

It is essential that these flaws are rectified before the Draft Charging Schedule is published in order that the Council and the Examiner at the forthcoming Examination have the confidence that the Charging Schedule meets the requirements of Regulation 14 of the Community Infrastructure Levy Regulations 2010, and the right balance has been struck between securing additional investment for infrastructure to support development and the potential economic effect of imposing the levy upon development across the area.

If these flaws are not rectified then is it our view that the current evidence on viability does not provide a sound basis on which to set a CIL charge and does not address the principal tests outlined in the Department for Communities and Local Government Guidance document Community Infrastructure Levy Guidance (December 2012), namely:

- The charging authority has complied with the requirements set out in Part 11 of the Planning Act 2008 and the Community Infrastructure Levy Regulations
- The charging authority's 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 shows the proposed rate (or rates) would not threaten delivery of the relevant Plan as a whole.

This is supported by paragraphs 173 – 177 of the National Planning Policy Framework, which states that the ability to develop viably the sites and the scale of development identified in the Local Plan should not be threatened.

Savills

Savills is one of the largest property companies in the UK with considerable professional expertise in a wide range of technical disciplines including planning, valuation and land sales. Allied to this, the company has residential sales agencies across the country which, alongside the New Homes and Residential Investment team who deal with the sale of a considerable number of residential properties each year. The Residential and Commercial Research departments provide forecasts for a broad range of sectors which are highly regarded across the industry.

Savills has a substantial presence and range of expertise in the south west. Both the planning and development teams have acted for the residential development sector in a number of locations across North Somerset and have an in depth knowledge of the issues relating to housing delivery and economic viability. In addition to this, the development team have sold a number of sites in North Somerset and have a good understanding of land values and the specific dynamics of the local residential development market.

Structure of the Representations

The subsequent section of these representations provides a critique of the methodology adopted in deriving the North Somerset Preliminary Draft CIL Charging Schedule. In the following chapter we identify the key assumptions where we believe the evidence is flawed, thus distorting the conclusions on the maximum chargeable level of CIL.

The concluding section draws together our conclusions on the impact of our evidence on economic viability of development in North Somerset. The implications of the work we propose are significant and we set out the next steps we consider appropriate in order to rectify the issues we have raised.

2. Methodology and Proposed Charging Zones

We have a number of specific concerns relating to the viability appraisal used to establish the charges within the CIL Preliminary Draft Charging Schedule. The primary areas of concern are as follows:

- Development Typologies; and
- Interpretation of Evidence

These are addressed in turn below.

Development Typologies

Whilst we agree that the site typologies adopted are “*reasonably representative*” of the residential developments that are likely to come forward across the Local Authority Area, we strongly advocate that more detailed information is provided regarding the site typologies.

In so doing, the assessment should specify whether the typologies are on greenfield or previously developed land so that reasonable assumptions can be made relating to the cost of development based upon the nature of the land. Furthermore, once the residual valuations have been completed for each typology in order to derive the maximum chargeable level of CIL, the residual valuations must then be compared against relevant Benchmark Land Values, which can only be determined if it is known whether the sites are greenfield or previously developed land.

This added degree of detail will assist in establishing an understanding of the implications of CIL on the viability of residential development on different types of sites and hence will measure the achievability of the strategic housing requirement as it relates to both greenfield and brownfield sites.

Interpretation of Evidence

We have reviewed a number of Viability Assessments produced in support of Community Infrastructure Levy Charging Schedules and are therefore familiar with the broad methodology and approach used by the various consultants engaged by charging authorities. We nevertheless found it difficult to interpret the viability evidence produced on behalf of North Somerset Council and to understand how the Viability Assessment process has resulted in the proposed charging rates.

This concern is particularly evident in relation to the testing of the 500 dwelling scenario. By way of background, the Viability Assessment states at paragraph 2.3.10 that affordable housing within the viability testing process will be compliant with the policy

within the recently adopted Core Strategy. Similarly, paragraph 2.10.2 of the Viability Assessment states that:

"In the case of the 500 dwellings scenario, the base assumption combined with the 82%/18% tenure mix with social rented affordable housing was increased to a notional basis of £6,000 per dwelling (£3m across the scheme) after discussion with the Council based on the likelihood that significant sums would most likely still be required in such a case, but in the knowledge of potential viability impacts of the larger sums especially when viewed alongside the other relevant costs and obligations in that scenario. These sums were applied in the appraisal in addition to the trial CIL charging rates".

We wholly endorse the approach and believe it is consistent with the Guidance published by the Department for Communities and Local Government in December 2012.

Paragraph 2.10.3 goes on to explain the sensitivity testing and the potential trade-off between affordable housing, CIL, and Section 106 contributions. However, the assessment fails to subsequently adopt the policy compliant position in deriving the proposed CIL charges. Taking the 500 dwelling scenario as an example and adopting a policy compliant affordable housing target and tenure split and using the current values, Table 5 of Appendix IIa shows the maximum level of CIL as £0 per sq m. Table 6A of the same Appendix shows the maximum level of CIL again at £0 per sq m and similarly Table 6B states that there is "*no surplus from which to fund section 106 or CIL*".

There does not appear to be any explanation as to how the Viability Assessment has subsequently concluded that a charge of £40 per sq m is justified. Even without taking on board and correcting the Viability Assessment to reflect the critique of a number of assumptions which we have highlighted in the subsequent section of these representations, the evidence provided within the Viability Assessment does not in itself appear to demonstrate that the proposed level of CIL for the 500 dwelling scenario is viable. Whilst this is just one of six scenarios tested, it is particularly relevant to the delivery of the strategic housing requirement since the adopted North Somerset Core Strategy places considerable emphasis on the delivery of strategic scale residential development at Weston Super Mare.

We do not inherently disagree with scenario testing appraising potential "trade-offs" between various categories of planning obligations, however, the residential CIL rate must reflect the current, adopted policy position as stated in the Department of Communities and Local Government Community Infrastructure Levy Guidance December 2012. Failure to do so is likely to have significant adverse impact upon the delivery of the strategic housing requirement.

3. Key Assumptions

The following section of our representations addresses the assumptions used within the Viability Assessment and provides evidence to support alternative assumptions where these are proposed.

Developer Profit

In our experience, for immediate and available development sites a reasonable average assumption is that a developer will require a 25% profit on costs, which equates to approximately 20% profit on GDV. We consider that, whilst the Viability Assessment adopts a profit of 17.5% - 20% on GDV for open market housing, the upper limit of profit margin should be included in the updated viability assessments.

Furthermore, we object to the relationship between profit and the assumed land values of certain typologies. For the strategic typologies it is necessary to reflect within the profit margin the costs and substantial planning risk associated with site promotion through the planning process.

For simplicity we have split the development process in two; firstly the ‘promotion’ phase which includes land owner ‘return’ and promoter’s profit, and then the ‘delivery’ phase from which the house builder derives their profit.

Firstly, the ‘promotion phase’ is a long and risky process and therefore the promoter seeks a higher level and different basis of profit; Return on Capital Employed (ROCE) and Internal Rate of Return (IRR) for example. This is very different to profit on GDV, and is a stance taken due to the increased risk of a 0% return on promotion costs (i.e. if planning permission is not secured a promoter cannot claim back the costs expended). Land promoters, whilst carefully choosing which sites to promote, often have to promote a number of sites to achieve a ‘success’ on one. We have spoken with a number of major house builders and promoters who promote land. Typically they seek a profit level on the promotion phase of between 20-30% ROCE/IRR.

Within this phase there also needs to be a sufficient level of return received by the land owner in possession of the land at the start of the planning process.

Secondly, the ‘delivery’ phase of a development requires a different approach to financial management due to different implications for development cashflow. A high level of profit is still required due to the risk associated with build cost inflation, house price deflation and supply and demand characteristics. It is worth noting that different house builders have differing perceptions of risk and their covenant strength will increase or decrease the cost of finance.

If a developer is merely purchasing land with the benefit of planning permission and building the units for sale, a profit level of 20-25% is required for the scheme to be attractive. However, the availability of finance is still very constrained with lenders only prepared to offer between 50-60% of total development costs. Therefore, the developer or an additional funder (mezzanine) will be required to provide the rest which will incur a higher rate of funding. Based on the unlikely scenario that the developer has this level of equity, they will seek an enhanced return on their equity in line with our suggestion above.

The assumed level of profit in the Viability Assessment is in our view flawed as it does not take into account an appropriate level of profit required to offset the full risks associated with house building.

As an alternative we suggest two alternative approaches which can be incorporated into the different typologies as appropriate. The first, which requires a two stage assessment of profit based on ROCE/IRR and then GDV, is relevant to the large strategic site typology promoted through the planning process. The second, based solely on GDV, is applicable to smaller sites where a developer is more likely to make an offer to buy land subject to gaining an appropriate planning permission.

The advice produced by the Local Housing Delivery Group entitled 'Viability Testing Local Plans' (June 2012)¹ endorses this approach. It states at Appendix B that "*projects with significant up-front infrastructure may also require higher levels of profit to generate an acceptable ROCE*".

Developer Overhead

Notwithstanding the objections we have raised above in relation to the profit margin, the Viability Assessment does not appear to take any account of the Developer's Overheads. 'Viability Testing Local Plans' (June 2012) recognises these costs and suggests in Appendix B that:

"As well as development costs, the viability assessment will need to make an assumption about the average level of developer overhead and profit (before interest and tax)."

The level of overhead will differ according to the size of the developer, the nature and scale of the development and the extent of services which a developer provides in-house.

¹ The Guidance was the outcome of the review undertaken by Sir John Harman with the input of a cross-sector group, including the Home Builders Federation, Local Government Association, Planning Officers Society, Homes & Communities Agency and Planning Officers Society.

Overheads for house-building typically lie in the range of 5% - 10% of gross development value, with only the very largest developers operating near the lower end of the scale.

As the majority of housing is delivered by smaller to medium sized developers, allowances in viability assessments at the lowest end of the range would not be appropriate.”

In accordance with this guidance it is reasonable to include an allowance for overheads within the range suggested. Unless there are any reasons to do otherwise, it would be prudent to take a mid-range point of 7.5%. This should be included in all of the costs for the revised development typologies.

Affordable Housing

The adopted Core Strategy (April 2012), contains a policy requirement for affordable housing. Core Policy 43 states that “*On-site affordable housing provision will be sought to meet local needs on all residential developments of 10 dwellings or more (or on sites of 0.3 hectares or above). On sites of 5-9 dwellings the Council will seek to negotiate either on-site provision or a financial contribution towards the provision of affordable housing ... To reflect the identified needs this will be provided as 82% social rented and 18% intermediate housing ... There is no upper limit to the potential affordable housing provision or contribution, but a benchmark of 30% will be sought as a starting point*”.

There are two important elements of this policy which impact upon viability – the target level and the tenure mix. It is welcomed that the Viability Assessment states at paragraph 2.3.10 that, where applicable, the policy compliant position has been adopted. This very clear position does not seem to have been followed through in the Viability Assessment. Our comments on this are provided elsewhere in these representations.

We support the use of a policy compliant assumption within the Viability Assessment in relation to the provision of affordable housing and the mix of social rented and intermediate housing.

Professional Fees

Paragraph 4.14 of the Viability Assessment outlines the approach to professional fees and concludes that a 10% (8% on the 500 dwelling scenario) allowance should be made to cover all professional costs and planning fees. Whilst this may represent a reasonable assumption for straight-forward residential development sites, for more complicated sites, the costs can be substantially greater.

The guidance in Appendix B ‘Viability Testing Local Plans’ (June 2012) explains this matter further. This states that “*for fees relating to design, planning and other professional fees can range from 8-10% for straightforward sites to 20% for the most complex, multi-phase sites. In circumstances where the Local Plan is reliant upon large scale sites in order to accommodate its assessed housing requirement, consideration*

should also be given to the additional planning promotion and land assembly costs necessarily incurred in the manner described in Step 2 (Threshold and Benchmark Land Value)".

In order to reflect professional fees accurately in the development typologies, we agree two separate levels should be applied, one for smaller site typologies where it can be assumed that the development is reasonably straight-forward and a second for larger strategic site typologies where considerable additional professional input is necessary. Whilst the Viability Assessment has adopted this approach, we consider that the reduction for the 500 dwelling scenario is incorrect, and there should actually be an increase in the professional fees allowance for this development typology for the reasons outlined in the guidance.

Build Costs

In the circumstances relating to North Somerset we support the use of adjusted BCIS build costs with the inclusion of a 14% - 21% allowance for external works depending on the development typology. This alone does not however provide a full picture of build costs across the Authority area.

The BCIS data provides a good indication of the cost that a developer would need to pay to construct new housing on a clean site with services available. It does not take into consideration any non-standard development costs such as:

- Demolition;
- Abnormal Foundation Design;
- Flood Alleviation Works;
- Land Stabilisation;
- Decontamination; etc.

We acknowledge that not all sites will be burdened by such additional costs, however it is important in establishing a clear and robust understanding of viability across the authority area to build in an assumption relating to such costs for those typologies where these costs are likely.

The North Somerset Residential Land Survey (April 2012), states that across the Authority more than 80% of new and converted dwellings have been delivered on previously developed land between April 2011 to March 2012. This compares to 69% between April 2010 and March 2011. Going forward, paragraph 5 of Policy CS14 of the North Somerset Core Strategy states that "*Priority will be given to the re-use of previously developed land. In all cases, new housing development must not conflict with environmental protection, Green Belt, nature conservation and any other relevant policies of the Development Plan ...*".

The above demonstrates that previously developed land has both historically played an important role in housing land supply within North Somerset and it is both envisaged and encouraged that it will do so in the future. The redevelopment of previously developed land is far more likely to be burdened by additional non-standard development costs, particularly in relation to demolition and decontamination.

The inclusion of an allowance for non-standard development costs is endorsed by the RICS Professional Guidance entitled 'Financial Viability in Planning' (2012). This states at paragraph E.3.2.4.1 that "*a typical viability assessment includes provisions for exceptional costs. This might include an unusual sewerage connection facility, high levels of site contamination and the need for extensive remedial works, flooding, site boundary and stabilisation works, particularly if there are substructure obstacles to overcome.*"

These exceptional site costs, or 'abnormals', inflate costs as well as adding to the timeframe for the delivery of a scheme. Historic costs may also be reasonable and appropriate."

We note and are concerned that the Viability Assessment states that "... we have not allowed for abnormal costs ..." In order to provide sufficient and robust evidence of viability across the Authority area, we consider that the majority of the existing development typologies should reflect the economics of development on previously developed land, incorporating an allowance for non-standard development costs. This would reflect Policy CS14 within the Core Strategy and provide an understanding of development viability across the broad range of sites in order to inform the residential CIL charging rate.

We urge the Authority to consider carefully the approach to 'non-standard' build costs and to make an appropriate and evidence-based assessment of the impact that these will have on viability.

Sustainability

We note at paragraph 2.6.5 of the Viability Assessment that a 5% allowance has been applied to the total build costs to meet the requirements of the Code for Sustainable Homes Level 4. However, it is not known what source the 5% allowance is based upon so its validity is in question.

Notwithstanding this, the future tightening of sustainability requirements through Building Regulations requires housing to achieve Code for Sustainable Homes Level 5 by 2016. Assuming, as one must, that the planned tightening of Buildings Regulations will remain, then there would be approximately two years between the requirement for Code Level 5 and adoption of the CIL Charging Schedule. Furthermore, paragraph 3 of Policy CS 1 of the North Somerset Core Strategy states that the following principles will guide development: "*maximise the opportunities for all new homes to contribute to tackling climate change through adherence to emerging national standards such as Code for*

Sustainable Homes to ensure they perform well against evolving standards, and reducing carbon footprint.”

Research produced on behalf of the Department for the Communities and Local Government by Davis Langdon in October 2011 revealed that the average uplift in build costs to achieve Code Level 5 was 25%. Such a significant increase will have a major bearing upon development viability and, given the relatively short space of time before this requirement becomes policy, the implications cannot simply be ignored.

The approach to testing viability over time is addressed on page 26 of ‘Viability Testing Local Plans’ (June 2012). In general it concludes that current costs and values should be used in viability testing, however, there is one exception to this rule. On this matter it states:

“The one exception to the use of current costs and current values should be recognition of significant national regulatory changes to be implemented, particularly during the first five years, where these will bring a change to current costs over which the developer or local planning authority has little or no control. A key example of this is the forthcoming change to Building Regulations arising from the Government’s zero carbon agenda.” [our emphasis]

Since the additional costs of Code Level 5 will come into effect in such a short period of time it is only reasonable to include this within the Viability Assessment. This approach accords with this guidance in ‘Viability Testing Local Plans’ and provides a far more reasonable position than relying upon a viability report which will be out of date in 2½ years. For this reason we consider that the costs of achieving Code Level 5 (25%) should be added to the assumed build costs, rather than the current 5%.

Section 278 and Residual Section 106 costs

We acknowledge that it is very difficult to determine an appropriate cost per unit to cover Section 278 Agreements and any residual Section 106 costs, as part of residential development. Nevertheless, the Viability Assessment states at paragraph 2.10.1 that an allowance of £1,000 per dwelling has been made to cover these costs and at paragraph 2.10.2 it states that an allowance on £6,000 per dwelling has been made for the 500 dwellings scenario.

It is not clear from the Viability Assessment how this figure has been derived, and whether there has been an assessment undertaken of existing Section 106 Agreements to establish how much of each would still be relevant had CIL been in place at the time. The (December 2012) Guidance highlights the importance of ensuring, that CIL and Section 106 does not result in ‘double – dipping’ for the same items of infrastructure. To that end it requires charging authorities to make it clear what it is intended will be funded through Section 106 and what will come under CIL. The guidance requires that the charging authority should prepare and provide information about the amounts raised in recent years through Section 106 Agreements.

It is not, in our view, sufficient to make a simple assumption for this and further justification is therefore needed.

Sales Rate / Sales Period

No evidence is provided in the Viability Assessment as to the projected sales rates or sales periods over which a development is expected to be delivered. These assumptions are very important in testing viability as they have a bearing upon the time period over which a developer will have capital invested in a development. These assumptions should be provided in the Assessment in order that they can be examined and tested against market evidence to ensure the Viability Assessment provides a robust and credible evidence based upon which to set the proposed CIL rates.

Development Density

Paragraph 6 of Policy CS14 of the North Somerset Core Strategy states that “... *The target net density across North Somerset is 40 dwellings per hectare, although this may be higher at highly accessible locations, and less in sensitive areas or where lower density development is positively encouraged.*”

Appendix I of the Viability Assessment provides a table outlining the development densities per hectare for each of the six selected site typologies. These range from 30 dwellings per hectare for Site Typologies 1 and 2 to 50 dwellings per hectare for Site Typology 4. It is not clear from the Viability Assessment what evidence has been used to derive the density assumptions and no explanation has been provided as to whether these are based on an assessment of comparable sites within the defined typology.

It is nevertheless extremely important that the development density used in the viability testing is reasonable, accurate and reflective of the specific circumstances within North Somerset. Indeed, development density, alongside site coverage, defines the amount of land required for development and will impact therefore upon the price that a developer would need to pay for the land to deliver a specified number of dwellings.

In order to fully critique this evidence we need to have further details of the schemes used to provide the comparable evidence. We ask that this information be provided prior to the publication of the draft Charging Schedule in order that it can be verified as a reasonable basis upon which to predicate the CIL charges.

Site Coverage

There is no explanation of the site coverage assumptions within the Viability Assessment and whilst reference is made to gross and net site areas in the HCA Development Tool Kit Appraisals (see Appendix IIa), it would appear that the Assessment land values are based upon 100% coverage for all sites.

It is not particularly clear from the viability assessment why one particular appraisal using the HCA Development Appraisal Toolkit has been incorporated into the appendices.

However, the appraisal of the 500 dwelling scenario does provide a helpful insight into how the assessment has addressed site coverage in relation to land values. Under the heading of a 'Finance and Acquisition Costs', the appraisal includes a land value of £3,087,500. Based upon a site area of 12.5 ha, this equates to exactly £100,000 per net developable acre. This supports the contention that the land value is based upon net rather than gross site area, a factor which has a significant bearing upon residential development viability.

For the same reasons as explained above in relation to density, site coverage is an extremely important component of a Viability Assessment, as it determines the gross area of land that a developer must purchase in order to deliver a set number of dwellings. It is therefore extremely important that the assumptions used in the Viability Assessment are reasonable and reflective of the particular circumstances within North Somerset. The assumption that 100% of a site will be covered by development will inevitably distort the outcome of the viability appraisals and consequently undermine the evidence supporting the maximum chargeable level of CIL.

The guidance in Appendix B of 'Viability Testing Local Plans' (2012) states on the issue of site coverage that:

"in all but the smallest redevelopment schemes, the net developable area is significantly smaller than the gross area that is required to support the development, given the need to provide open space, play areas, community facility sites, public realm, land for sustainable urban drainage schemes etc."

"The net area can account for less than 50%, and sometimes as little as 30% on larger sites, of the site to be acquired (i.e. the size of the site with planning permission). Failure to take account of this difference can result in flawed assumptions and inaccurate viability studies."

We urge the Authority to reconsider both density and site coverage very carefully and to analyse evidence which reflects the circumstances within North Somerset in order to accurately back up the assumptions used to inform the CIL charges within the Preliminary Draft Charging Schedule. Revised assumptions should be used based upon an understanding of achieved site coverage for each of the selected Site Typologies.

Benchmark Land Values

Two Benchmark land values have been identified against which the hypothetical residual valuation for each of the development scenarios have been compared. Before providing any critique of the actual values selected as the benchmarks, we make two comments in relation to both the methodology and use of benchmark land values.

We have outlined in detail our concerns relating to the site typologies in the previous section of these representations, and have criticised the failure of the evidence to draw a distinction between typologies based upon greenfield and previously developed land. Not only are the average costs associated with residential development different but the land

value also varies. This latter point is demonstrated by the variation in the Benchmark Land Values within the Viability Assessment.

In order to provide a reasonable and accurate understanding of viability across the Authority area and to establish the maximum chargeable CIL rate, it is important that both the costs and land values for each typology reflect the nature of the land involved. For example, it would be misleading to compare a site typology which did not include the costs associated with the delivery of Greenfield development against the Greenfield benchmark land value. Indeed to do so, would result in an inaccurate theoretical maximum CIL charge.

For the reasons outlined earlier in our representations, we strongly advocate that more detailed information is provided regarding the site typologies. In so doing, the typologies should be identified as either greenfield or previously developed and reasonable assumptions made relating to the cost of development based upon the nature of the land. Once the residual valuations have been completed for each typology, in order to derive the maximum chargeable level of CIL, the residual valuations should be compared against relevant Benchmark Land Values.

With regards the actual Benchmark land values themselves, we have some considerable concern that the land values provided are too low, particularly the greenfield land.

In our experience, greenfield land with planning permission within North Somerset trades at considerably more than £250,000 – £500,000 per hectare. It is important that in setting the CIL rate the viability testing is based upon a reasonable assumption for the land value, consistent with the principle established in the NPPF that land will only be made available where this provides a competitive return to a willing land owner and a will developer.

Sales Values

Appendix III of the Viability Assessment contains the average sales values for flats and houses within the settlements across North Somerset. Our concerns are that ‘asking prices’ have been adopted rather than actual sales values. In order to fully critique the Viability Assessment we need to have further details of the schemes used to provide the comparable evidence and we ask that the additional information provides the sales values rather than the asking prices. This information needs be provided prior to the publication of the draft Charging Schedule in order that it can be verified as a reasonable basis upon which to predicate the CIL charges.

Phasing of Payments

The Preliminary Draft Charging Schedule does not include a provision for phasing the payments of CIL throughout development period of a site. It is essential for the Council to incorporate a phasing policy to ensure the introduction of CIL does not impact unduly upon viability. Indeed requiring the full CIL charge upfront, prior to the receipt of any

sales from the residential units, would add significantly to the finance burden for a developer, particularly on larger scale developments.

Assessment and Conclusions on Viability

We have highlighted in these representations a number of fundamental concerns regarding both the methodology and assumptions used in the Viability Evidence Report. These issues must be addressed in order for the Council to produce a legitimate CIL Charging Schedule which is founded upon robust and credible viability evidence and is thus consistent with the CIL Regulations and the Department for Communities and Local Government Guidance.

4. Conclusions

The evidence provided in these representations clearly demonstrates the shortcomings in the viability evidence which we consider will impact upon the proposed theoretical maximum chargeable level of CIL. For the reasons provided we strongly urge the Council to review the viability evidence and CIL Charging Schedule and in so doing we advocate a thorough review of both the methodology and assumptions used. Once the viability work has been reappraised we believe there are grounds to amend the Charging Schedule to reflect the situation as it relates to North Somerset, however, it would be premature at this stage to propose an alternative rate.

We would be delighted to work with the Council and with their consultants in order to inform and populate the appraisals with appropriate and accurate assumptions, and would welcome the opportunity to engage as soon as appropriate.

Next Steps

These representations have been produced to assist the Council in setting a CIL charge for residential development which strikes the appropriate balance required by the CIL Regulations and will not put the overall delivery of development at serious risk.

We recognise that the findings of our research and the evidence presented in our representations have significant consequences for the rate of CIL proposed in the Preliminary Draft Charging Schedule. In order to properly and accurately reflect local circumstances and viability within North Somerset these findings need to be incorporated into the viability modelling.

To ensure that CIL will not put in jeopardy the delivery of the strategic housing requirement, it is extremely important that the viability evidence is sound and fit for purpose.

We would welcome the opportunity to meet with the Council prior to the production of the Draft Charging Schedule in order to review the evidence and how this should be interpreted into a Draft CIL Charging Schedule for North Somerset. This would provide an opportunity to review our concerns regarding the assumptions used in the Viability Evidence Report and ensure that the shortcomings are addressed prior to the publication of the Draft Charging Schedule.