

## North Somerset CIL: Hearing Statement

Barratt Homes, Linden Homes, Redrow Homes and Taylor Wimpey

### Introduction

This Hearing Statement has been prepared by Savills on behalf of a Housebuilder Consortium comprising Barratt Homes, Linden Homes, Redrow Homes and Taylor Wimpey.

As set out in our representations, we have a substantial concern that the evidence base, in respect to the Viability Assessments (A/7 and C/5-7), does not provide sufficient evidence for either the Council or interested parties to consider whether the proposed rates strike an appropriate balance between the desirability of securing funding and the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across the area, in line with Regulation 14(1) of the CIL Regulations 2010 (as amended). In the absence of this evidence, it is not possible to come to an informed judgement on the whether the proposed CIL rates strike an appropriate balance.

Central to this is the concern that the viability evidence base does not show the potential effects of the proposed levy or rates on the economic viability of development, contrary to the PPG 25-018-20140612.

We address the Examiner's Issues as set out in E/3 below, albeit it is recognised that there are significant links between the detailed elements of the discussion, and as such our comments should be considered in the round.

We do not repeat our representation made to the Draft Charging Schedule (DCS) consultation in September 2016; and will draw upon this as appropriate at the CIL Examination.

Issue 1 – Is the charging schedule supported by background documents containing appropriate available evidence?

*i) Infrastructure Planning Evidence*

- (a) We have no comments to make in respect to the infrastructure evidence base (C/4).
- (b) It is recognised that the Council have amended their Regulation 123 List from that consulted upon with the DCS and our comments are now made in relation to this amended Regulation 123 List as set out in S/2.

We support the modifications made to the Regulation 123 List and the removal of any reference to ‘Strategic Development Areas’ as defined in the Council’s ‘Development Contribution SPD’ (C/3).

We would still however maintain our support for the inclusion of a site size threshold within the CIL Charging Schedule; above which infrastructure is secured through a bespoke s106/s278 agreement rather than through CIL. This is important given the forthcoming JSP and requirement for additional large scale allocations to come forward in the immediate future, and the ability of the local authority to respond positively to delivery, rather than placing reliance on any future CIL review.

Subject to an appropriate residual allowance for s106/s278 contributions within the viability modelling, discussed further below, the draft Regulation 123 List is reasonable.

- (d) We have not been able to ascertain where in the evidence base the Council have provided any indication of the current infrastructure costs, in relation to recent s106 and s278 agreements, in order to then assess whether the proposed CIL rates in combination with anticipated residual s106/s278 costs will result in a change to overall charges for residential dwellings.  
It is noted that the PPG, at 25-018-20140612, explicitly requires the charging authority to provide information about the amount of funding collected in recent years through section 106/278 agreements, in combination with information on compliance with wider targets and policies, including adopted affordable housing requirements.

*ii) Economic Viability Evidence*

- (a) No comment.
- (b) Our earlier representation raised a number of concerns in respect to assumptions underpinning the VS. We would draw particular attention to the following:

**Density:** as set out in our representation, we have a particular concern that the density utilised when considering the proposed CIL rates in ‘rural’ areas is 50dph. Table 3, Appendix 2 (C/6) is the only justification for the proposed £80/m<sup>2</sup> CIL rate, and only tests a single development typology, 25 units, at a density of 50dph.

This does not reflect the likely housing delivery in these locations; arbitrarily reducing the land take, and as such the BLV, whilst assuming the market values associated with schemes which achieve higher development values due to their lower density, increased open space and private amenity.

**Gross to Net:** we previously requested clarification in respect to the gross:net land take assumptions used within the VS. The Council’s response, at Ref 22g S/3, was that the same values as the 2012 VS were used, but with an increase in non-developable area of 10%. This still does not provide an answer to our query, with the VS 2012 not providing the initial gross:net land take assumptions. We raised this in our representations in January 2013, and September 2016.

The Harman Report explains variations in net to gross land take:

*“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<sup>1</sup>”*

We reiterate our reference to the assumptions contained in the historic guidance document ‘Tapping the Potential’ (URBED, 1999):

**Table 1: Net to Gross Land Take**

Site Size	Site coverage
Up to 0.4 hectares	100% net to gross ratio
Up to 0.4 – 2 hectares	75 – 90% net to gross ratio
Over 2 hectares	50 – 75% net to gross ratio

Whilst it is recognised that the smaller of the typologies tested by the Council may provide 90-100% net to gross ratios; it is clear that the largest of the Council’s development typologies, at 25 units, would equate to a 100% net coverage of 0.5ha (at the maximum density of 50dph) resulting in an immediate requirement to amend the site size assumptions to a 75-95% net to gross ratio; notwithstanding that the assumption of 50dph is not reasonable, as discussed above.

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<sup>1</sup> Harman Report, 2012

This is emphasised when considering the failure to assess the viability implications of CIL on the larger development sites required by the Council within the development plan, discussed further below.

The implications of incorrect gross:net assumptions are significant. If the BLV adopted is on a £ / gross ha basis and the RLV is a figure calculated on the net developable area, then for comparison purposes, the BLV is being grossly underestimated. An underestimation of the gross and net areas will result in an inaccurately low BLV and consequently an over inflated surplus afforded to CIL.

**Infrastructure Costs:** we continue to object to the use of £4,000 per unit in respect to infrastructure costs, with this falling outside of the range identified within the Harman Report (2012). The Harman Report suggests a range of £17,000 - £23,000 per dwelling is appropriate for large sites; which considering this was produced in 2012, requires increasing to allow for indexation, we therefore increase in line with the BCIS All in Tender Price Index.

**Table 2: Infrastructure Costs – 2016 Update**

Harman	2016 (BCIS Indexed)	Difference
£17,000	£20,643	+£3,643
£19,000	£23,071	+£4,071
£21,000	£25,500	+£4,500
£23,000	£27,929	+£4,929

The Council's response to our objection, that the current allowance is appropriate for smaller site scenarios, may be relevant when considering the smaller sites which have been tested within the VS.

However, as expressed below, there is a significant concern that the VS does not assess an appropriate sample of likely development sites within the district; in respect to larger development sites. The increased infrastructure costs per unit relevant to site size, places particular emphasis on the requirement to ensure that larger development typologies are robustly tested through the evidence base.

**S106/S278 Residual Allowance:** whilst it is recognised that the draft Regulation 123 has been clarified, as set out above, the Council have not provided evidence, as required by the PPG, in respect to recent development sites and the contributions secured through planning obligations. This evidence is material in considering the appropriateness of the Council's assumed allowance of £3,000 per unit.

- (c) In respect to local land values, there appears to be no relevant local data used to justify existing land values. The VS 2016 applies the same BLV as the 2012 VA. The 2012 VS provides no detailed evidence to support the values used; with A/9 setting out EGi data primarily for the period 2009-11.

S/3, at Ref 22e, indicates the Council's position that the land values are appropriate and reflective of experience in practice, however this is not substantiated. Whilst it is recognised that an increase in open market values is not the only factor in considering increases in land values, there is clearly a link, and as noted in the Council's evidence base, the HPI has increased by 19% since 2012 (to April 2016). Without providing evidence to substantiate the position that there have been no changes in land values, despite the changes in property prices, it is impossible to consider that the Council's evidence is robust.

The representation to the September 2016 consultation raised a significant concern in respect to the open market values assumed within the VS. Firstly, it wasn't evident which values have actually been utilised, and secondly that it appeared that an arbitrary 19% uplift (using the House Price Index) has been applied to the VS 2012 figures.

It is noted that we objected to the VS 2012 figures, with these based upon asking prices rather than actual sale values, and with no evidence provided to indicate which schemes were used to inform these values.

The statement at Ref 22i that the approach is appropriate for an overview to inform CIL, and that market information has been considered "in the round" does not respond to the requirement to ensure that the evidence base is robust.

We would also request confirmation of those villages considered 'Lower Value Villages' for the purposes of the VS. Table 5, Appendix III (C/7) indicates that market values for Lower Value Villages fall in value areas 2 and 3. However, the VS 2016 appraisals, Table 3 Appendix II (C/6), only consider the viability of Lower Value Villages within value areas 3 and 4. The proposed £80/m<sup>2</sup> rate is therefore not tested within the Lower Value Villages which fall within value area 2, despite the evidence base indicating that these lower open market values would apply to a number of villages in the district.

- (d) The failure to sample an sufficient range of development typologies renders the VS inappropriate in the context of assessing the potential effects of CIL on the development plan and fails to provide a robust evidence base upon which to consider whether the proposed rates strike the appropriate balance.

Appendix II (C/6) sets out the viability appraisals underpinning the proposed CIL rates. These only consider three development typologies, being 5, 10 and 25 unit sites. We directly challenged this in the DCS consultation, and are disappointed that the Council have not taken the interim period as an opportunity to provide evidence in respect to the effect of the proposed CIL rate on larger development sites.

S/3 sets out that the Council consider that no further sites above 500 units (which they identify as strategic sites) will come forward, and therefore imply that there is no need to test additional development typologies (Ref: s22a-b). However, this abjectly fails to consider the sites anticipated to come forward for development between 25-500 units.

Our representation to the DCS identified a range of sites which fell into this category.

We update this information below. This is re-based to the Council's Publication Version of the Site Allocations Plan (SAP) which was published in October 2016. As set out in papers to the Council's 'Strategic Planning & Economic Development Policy and Scrutiny Panel' on the 24<sup>th</sup> January 2017, the Council intend to submit this plan to Examination in February 2017.

**Table 3: Extracts, NSC Site Allocations Plan (Publication Version, October 2016)**

Site Location	Quantum of Development	Planning Application <sup>2</sup>	5 year housing delivery (2016-2021) <sup>3</sup>
Westacres Caravan Park, WSM	130	No	100
Land to the West of Winterstoke Road, WSM	70	No	70
Bridge Farm, Bristol Road, WSM	73	No	73
Land at Bridgwater Road, WSM	70	No	70
Millcross Site, Clevedon	70	No	70
Trendlewood Way, Nailsea	30	No	30
West of Engine Way, Nailsea	195	No	180
Land South of Uplands, Nailsea	50	No	60
Land at North West Nailsea	450	No	100
<b>Total</b>	<b>1,138</b>		<b>753</b>

There are nine allocations providing a total of 1,138 units which are above the development typologies tested within the VS and which have no current planning application pending. Given the timelines anticipated by the Council, in implementing charging in September 2017, it is considered that these sites will not have secured permission by this time, and will be liable for CIL.

It is also material that of the 1,138 units, the Council require 753 of these units to be completed prior to 2021 to meet their five year housing land supply. It is therefore crucial that the proposed rates are considered appropriate at the outset.

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<sup>2</sup> Current planning status taken from NSC website, 26 January 2017

<sup>3</sup> Delivery taken from NSC Housing Land Supply Paper (April 2016)

It is also relevant to note that over the plan period, including within the short term, sites larger than 25 units will come forward through large scale windfall opportunities within settlements, and outside settlement boundaries through planning applications considered under paragraph 49; with the Council current unable to demonstrate a five year housing land supply.

The failure to sample a sufficient range of sites prevents the robust consideration of the potential effects of CIL on development viability within the area, and thus impedes the ability to consider the appropriate balance.

- (e) We would not support any reliance on Starter Homes as an alternate affordable tenure when considering the effect of proposed CIL rates on the viability of development at this time. This may form part of the affordable housing provisions in the future, however, there is considerable uncertainty at this stage over the financial and planning implications.
- (f) No comment.
- (g) We have previously requested further details in respect to the Zoning map and reiterate this request. There are a number of identified sites which fall on the boundary, and currently unidentified sites which may come forward, of Zone A and B; this is pertinent given the Council's evidence base, at paragraph 17 C/5, indicates that the evidence infers that Zone A (nil rate) could be extended.
- (h) We have already commented on the failure to provide a viability buffer within the appraisals in our representation to the DCS.
- (i) We have already expressed concern in relation to the decision not to include abnormal costs within our representation to the DCS.
- (j) No additional comments.

*iii) Conclusion*

For the reasons set out above, and further explained within our representation to the DCS; the evidence base does not provide a robust, proportionate and appropriate basis upon which to consider the proposed CIL rates. Our concerns cover both the exclusion of required evidence, such as the testing of appropriate development typologies and omission of evidence to substantiate assumptions, alongside expressed concerns in respect to a number of the assumptions used.

The evidence does not provide a viability assessment which accords with the development plan; nor reflects the likely development scenarios which will come forward within the district.

Issue 2 – Is the residential charging rate informed by and consistent with the evidence?

- i) As expressed above, there is a significant concern that the evidence base itself does not provide an appropriate basis upon which to consider the residential charging rates.

Sites 25+: no consideration has been given to the development viability of sites above 25 units with these subject to differing density, net:gross land take, infrastructure costs etc assumptions than the smaller sites tested within the VS 2016.

Lower Value Villages: the evidence base indicates that a number of villages fall within value zone 2, however the viability of development in these locations with the proposed £80/m<sup>2</sup> rate has not been considered.

Rural Development: aside from the failure to test larger development sites, the assumptions underpinning the proposed £80/m<sup>2</sup> rate do not reflect the likely developments coming forward by nature of the density assumption at 50dph and the (implied) net:gross land take assumptions.

Land Value: no evidence has been provided in relation to the land value used in the appraisals. Evidence pertaining to sale values over the intervening period indicates a substantial increase, of 19% over a four year period, infers that the 2012 land values are not consistent with current evidence.

- ii) No comment.

- iii) The Council have already recognised the different viability implications of larger development sites with the VS 2012 (A/7) testing the viability of a hypothetical 500 unit site. We have set out above our concerns that there are different viability implications on larger sites which fall short of the 500 unit bar which also require consideration.

It is recognised that the Council will be bringing forward additional larger sites (500+) in the relative short term through the emerging West of England Joint Spatial Plan (JSP), and we suggest an appropriate mechanism to address these concerns below when considering the requirement to review CIL.

However, the evidence base contains no evidence to support a CIL charge on larger development sites, and given the expediency at which the Council will require these strategic sites to commence delivery, it is still recommended that the Council utilise a threshold above which CIL is charged at a nil rate, and infrastructure is secured through s106/s278 agreements.

- iv) No comment.

Issue 4 – Does the evidence demonstrate that the proposed charge rate would not put the overall development of the area at serious risk?

As expressed elsewhere within our Hearing Statements, and in representations to the PDCS and DCS, the evidence base does not provide a robust basis upon which to make an informed judgement as to whether the appropriate balance has been struck in respect to maximising revenue and development viability; and infrastructure funding and affordable housing delivery.

The Council's existing development plan, and the resultant emerging Site Allocations Plan, require the delivery of a range of 'larger' development sites, alongside the delivery of further development sites to meet windfall requirements and additional sites to meet shortfalls in housing land supply as demonstrated by the Council's current, and persistent, failure to demonstrate a five year housing land supply.

The evidence base either does not test the range of sites anticipated, and required, to come forward over the plan period, including within the immediate term; nor the 'types' of development in respect to likely density, open space requirements, development in lower value villages etc.

Issue 5 – Other Matters

- i) In line with our earlier representations, we would encourage explicit recognition of the review process for the charging schedule. This is particularly pertinent given the development plan will shortly be superseded by the West of England Joint Spatial Plan, anticipated adoption in 2018, which includes a significant number of large strategic sites (including 1,000+ unit sites), as identified in the November 2016 consultation. As such, an explicit reference to review of the charging schedule in light of the new development plan is encouraged.
- ii) No further comment.
- iii) We continue to raise a substantial concern in relation to the decision not to implement an instalment policy. It is recognised that the Council have indicated the intention to implement an instalment policy in relation to apartment blocks to “*assist with the specific cashflow issues of that type of development*” (p31, S/3).  
  
However, cashflow implications are relevant to all development typologies, noticeably in relation to larger development sites, which as noted above, the Council have failed to test.  
  
The implication that phasing of development through reserved matters applications will address cashflow implications raises a significant concern, and fails to reflect the current development context.  
  
As set out above, the Council require a number of large development sites to deliver immediately upon securing planning consent; and placing the only opportunity to allow phased/instalments of CIL monies through reserved matters applications is likely to result in a delay in delivering; with developers only option to offset cashflow implications to divide the site arbitrarily into smaller phases.
- iv) No comment.
- v) We will respond to this evidence at the Examination once it has been provided by the Council.
- vi) It is recognised that the DCS (S/1) indicates that the Council will monitor periodically market conditions and build costs, and to instigate a review where these indicate that this is required. However, these only form part of necessary monitoring should extend to review of failure to meet adopted policy requirements on sites, for example affordable housing targets. It is suggested that this review mechanism is set to annual, rather than generic ‘periodical’, time frames; with the necessary annual CIL Reporting under Regulation 62 of the CIL Regulations providing an opportunity to do this formally.