

# North Somerset CIL: Strategic Site Note

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## Barratt Homes, Linden Homes, Redrow Homes and Taylor Wimpey

**MF3: “Note on definition of ‘Strategic Housing Sites’, and whether there should be one CIL threshold or a sliding scale – and if so, the suggested CIL rates per minimum size”**

### Introduction

This Note has been prepared following the CIL Hearing Session on 28<sup>th</sup> February 2017, and responds specifically to the discussion at the Examination in relation to the appropriate approach to strategic housing sites.

At the outset, it is recognised that there is no general definition of ‘strategic’ sites in relation to CIL. Whilst the Council have been utilising a 500-unit threshold; this is a policy response rather than a judgement based upon viability evidence. As such, to avoid confusion, this Note relates to ‘larger’ development sites rather than any specific definition of ‘strategic’.

Our earlier representations have set out our position, and we do not reiterate this in detail in this Note. In summary, the viability considerations are materially different in respect to larger development sites, and as a result there is a threshold at which infrastructure associated with these sites is more appropriately secured through bespoke s106/s278 agreements. These agreements are sufficiently flexible to reflect both the specific viability considerations associated with larger sites, and allows for the provision of infrastructure and ancillary uses to be secured and delivery managed through trigger points to ensure that these are provided at the appropriate time in the build out of the site.

There is the potential for a range of larger development sites to come forward within the ‘short’ term through the draft allocations in the emerging Site Allocation Plan, through windfall sites, and applications submitted in light of paragraph 49 of the NPPF. In addition, the West of England Joint Spatial Plan (JSP) is progressing, with the Submission Version due for publication in ‘autumn’ 2017. It is recognised that there will be a new North Somerset Local Plan underneath the JSP, and that CIL will be reviewed. However, this places significant reliance on the timely review of CIL, and could preclude sites identified with the JSP from coming forward earlier should there be any delay with the underlying Local Plan.

In light of the above, we have therefore considered the appropriate ‘definition of strategic housing sites’ within North Somerset, or rather the scale at which development sites should be considered separately to the currently proposed CIL rates.

### Viability Considerations: Differentiating Larger Development Sites

#### - Gross to Net Land Take

It is recognised that the Council will be providing further evidence on the assumptions underpinning the viability evidence on gross to net landtake, and as such we will respond to this as required.

We have previously referenced 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

The implications of net:gross land take assumptions on land costs within the hypothetical scenarios is particularly relevant for larger development sites. For example, if the midpoint of the above assumption for over 2ha sites is applied to the newly updated scenario for 100-units (E11), there would be an increase in the land cost by 24.8%.

**Table 2: Indicative Land Costs Update**

Scheme	Site Density (dph)	Landtake	Ha (gross)	Benchmark Land Value <sup>1</sup> (£)	Difference (£)	Increase cost of land (%)
100	30	10%	3.66	915,000 – 1,830,000	+227,500 – 455,000	+24.8%
100	30	37.5% <sup>2</sup>	4.57	1,142,500 – 2,285,000		

#### - Infrastructure Costs

The Harman Report (2012) sets out that sufficient allowances should be made to consider the 'strategic infrastructure and utility costs' associated with 'larger scale schemes' (Item 2, Appendix B). It suggests a range of £17,000 - £23,000 per dwelling is appropriate for 'large sites'; in line with the BCIS All in Tender Price Index from the 2012 report date; the cost would increase to £21,287 - £28,801 per dwelling<sup>3</sup>.

<sup>1</sup> A7 - VA 2012 #2.11.3 – Greenfield assumption £250,000-£500,000/ha

<sup>2</sup> Midpoint of Table 1 assumptions for >2ha site.

<sup>3</sup> Updated from figure within DCS Representation in line with Indexation

The Council's evidence base does not consider the point at which the infrastructure costs would increase above the £4,000 per unit that is used within the 2016 appraisals; although it is noted that the 500-unit scheme tested in 2012 appears to use a £22,855 per unit 'externals and infrastructure' and £2,147 per unit 'open space' alongside a £10,000 per unit residual s106 (A8, Appendix IIa p11). There is clearly agreement between Savills and the Council that a 500-unit scheme is subject to materially different viability considerations.

Savills have previously collated the following evidence on infrastructure and site works costs associated with housing development sites between 200 and 500 units. This was compiled from data provided by individual developers (though details are removed for commercial reasons), and is based upon evidence from Q4 2015 – Q2 2016:

**Table 3: Savills Evidence on Infrastructure / Site Works**

Region	Local Authority	£ per dwelling		
		Scheme Enabling and Abnormals	Scheme Mitigation (s106)	Total Site Works
<b>200-500 units</b>				
NE	North Tyneside	£8,765	£8,888	£17,653
NW	Tameside	£3,616	£1,500	£5,116
YH	Wakefield	£13,827	£7,657	£21,484
WM	Wychavon	£25,823	£3,288	£29,111
NE	Redcar and Cleveland	£6,170	£4,021	£10,191
NW	Cheshire East	£3,232	£2,210	£5,442
NW	Telford and Wrekin	£18,264	£7,289	£25,553
SE	Basingstoke and Deane	£17,571	£18,606	£36,177
NW	Preston City Council	£21,269	£2,398	£23,667
EE	Babergh District Council	£30,743	£11,337	£42,080
WM	Stafford Borough Council	£7,000	£7,190	£14,190
SE	Cherwell District Council	£22,500	£14,400	£40,000
SE	Cherwell District Council	£33,885	£14,500	£48,300
<b>Average</b>		<b>£16,359</b>	<b>£7,945</b>	<b>£24,536</b>

This evidence demonstrates the variations in infrastructure required to support the delivery of larger development sites between 200 and 500 units, based upon site specific circumstances. It also demonstrates that the current assumptions utilised within the appraisals significantly underestimate the likely infrastructure costs. It is crucial that the assumptions on infrastructure costs, and residual s106/s278 costs, are not underestimated as this will have a significant impact on site viability.

- S106/S278 Residual Allowance

The Council will be providing further evidence on s106 and s278 agreements, and we will comment on this in more detail as appropriate.

We draw attention to the above table and the costs associated with s106 mitigation on the larger development sites.

In line with the approach to considering CIL, we do not raise any specific sites concerns; however, as discussed at the Hearing, the Council have a number of larger emerging site allocations which are subject to a range of s106 infrastructure costs, including education, sports field provision, health centre facilities, a 'local shop' unit etc (Appendix C, E4).

#### Striking the Balance – Larger Development Sites

Our intention is to ensure that the proposed Charging Schedule strikes the appropriate balance between the desirability of funding infrastructure from the levy, and the potential effects of the levy on the economic viability of development across the area.

For the reasons set out above, and within our Hearing Statement and DCS Representation, there is a concern that the evidence base does not provide sufficient evidence to justify the proposed CIL rate on larger development sites; which will come forward in the short term. However, we recognise that the Council wish to proceed with CIL, and do not wish to delay the Examination further with additional testing<sup>4</sup>.

As such, we suggest a site size differential CIL rate as opposed to differential rates based upon geographically defined locations (e.g. allocated areas) in line with the 2014 Amendment Regulations and PPG<sup>5</sup>.

A nil-rate for larger development sites over 100 dwellings is proposed.

This threshold responds directly to the evidence set out above. The evidence on 200 to 500 unit sites clearly identifies that these are subject to specific viability considerations which are not considered within the Council's evidence base; and we would suggest that sites between 100 to 200 units would also be subject to increased development costs for infrastructure and s106 mitigation. This 100-unit threshold is also supported by the wider concerns raised in respect to net:gross land take, promotion costs, abnormals etc which have been raised previously.

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<sup>4</sup> The current evidence would require a re-appraisal of the 100 unit scheme with the updated assumptions, and consideration of further larger sites to reflect the draft allocations.

<sup>5</sup> Paragraph 21, Reference ID 25-021-20140612

A threshold of 100-units would not compromise the delivery of infrastructure to support development within North Somerset, with s106/278 agreements able to secure the necessary infrastructure both on and offsite.

It is also noted that the number of sites likely to come forward above this threshold, either through the emerging Site Allocations Plan, via paragraph 49 applications or windfall, or through the JSP in advance of any CIL review, will not result in any significant administrative implications for North Somerset; given that s106/s278 will already be required for these sites. However, the scale of these sites and resultant housing delivery is critical in ensuring the delivery of the development plan and meeting the housing requirement for North Somerset.

In this instance, the balance between the desirability of securing infrastructure via CIL and the potential effects of the levy on larger development sites, renders the application of a site size threshold the most appropriate response.