**Response to Savills representation to Warwick DC CIL additional evidence**

**Representation 1: Savills on behalf of ‘landowner consortium’**

The preliminary section restates points made in earlier representations, to which the Council has already provided a response.

***“Section 106 and Section 278 typologies”***

Savills suggestion that there will be “some savings” is highly misleading. As noted in paragraph 11 of the Council’s additional evidence on Section 106 obligations, the headline average contribution of £13,365 for sites of between 100 – 300 dwellings will be reduced significantly (to a range of £678 to £3,482). Savills’ response does not appear to have engaged with the evidence provided, preferring instead to point to the historic Section 106 obligations which will clearly be different post adoption of CIL.

***“Re-run of the Viability Study Model covering Addition Site Typologies”***

Much of Savills’ response restates comments that the Council has already responded to.

With regards to Savills’ comments on land value, the benchmarks adopted in the VS provide a significant uplift against existing use value (10 to 15 times) and thus satisfy the requirement in the NPPF for landowners to receive competitive returns. The Council acknowledged during the Examination that land has traded at higher values in the District, but that there would be nothing preventing this in the future. Indeed, the VS shows residuals after CIL has been deducted at similar levels to those identified by Savills in their earlier representation.

Savills assertion that “benchmark land values are not reflective of current market expectations” fails to recognise a fundamental point that the planning system is actively seeking to intervene in the market to secure public benefits from development. If the planning system simply yields to market expectations, then no benefits will be secured and essential supporting infrastructure for new housing will fail to be delivered.

Savills claim that if sites of between 150 and 200 units cannot deliver the full 40% affordable housing then “*this seems to suggest that a CIL rate of £70 per sqm in this zone is not viable, and would stifle delivery of development*”. This claim is entirely without foundation; as discussed during the Examination, sites come forward at varying levels of affordable housing (up to and including the 40% target level), but the Council does not prioritise affordable housing to the exclusion of essential supporting infrastructure. The £70 per sqm CIL rate sought from these sites makes a modest but important contribution towards these requirements. Conversely, the ‘benefit’ (in terms of additional affordable housing provided if CIL is not levied) is very modest at circa 3%.

Given that sites of this size will make a significant contribution towards housing supply, it is vital that they make a modest contribution towards infrastructure that will support new housing.

***“Provision of an Expanded Version of Table 4.4.3 in the 2016 Viability Study”***

The Council’s understanding is that the Examiner requested that the Table be expanded to include the maximum and minimum values, which has been provided in the Council’s further evidence. We do not recollect Savills’ suggestion that there was a request for “*a more detailed expansion of the areas rather than the average prices*”.

**Representation 2: Savills on behalf of “Lioncourt Strategic Land Limited”**

This representation concerns the proposed development at Kings Hill, which will attract a CIL rate of £55 per sqm under the Draft Charging Schedule.

***“Further evidence regarding the underlying s106 and s278 assumptions”***

***“£13,000 per dwelling S106 assumption”***

It is unclear why Savills suggest that the 2015 VS made an allowance of £5,000 per dwelling and then draws a comparison with the £16,000 average indicated by the historic Section 106 agreements. As discussed during the Examination, a significant part of the Section 106 requirement for the Kings Hill is education, which was allowed for separately in the 2015 appraisals. Savills fail to acknowledge that the most significant infrastructure requirement has been allowed for as an explicit input into those appraisals and is **not** part of the overall S106 budget.

**“Education costs”**

Savills point to “another urban extension project” they are working on where the equivalent education requirement is between £1 - £6 million higher than those used in the 2015 VS. The location and nature of the site and the education requirement is unspecified and the weight the Council considers should be placed upon this commentary is limited. However, the comments do indicate that the costs are broadly correct, being £1 million higher than those assumed (£250 per unit).

**“BNP Paribas Viability Appraisal”**

Savills suggest that “*the s106 assumptions have increased from the £5,000 per dwelling assumed in the viability appraisal to £13,000 without any further work being undertaken to assess the impact of these changes*”.

This statement underlines the apparent misunderstanding identified by the Examiner during the hearing. Savills have, again, disregarded the explicit allowance in the appraisals for Education, which form an integral and significant part of the £13,000 Section 106 allowance used in the 2017 VS.

To summarise, the 2015 VS for Kings Hill includes the following allowances:

**Table 1: S106 allowances included in Kings Hill appraisal (2015 VS)**

|  |  |  |
| --- | --- | --- |
| **Cost heading** | **Total** | **Amount per unit** |
| S106 (exclusive of education) | £20,000,000 | £5,000 |
| Education | £28,000,000 | £7,000 |
| CIL (at previously proposed rate of £110 psm) | £25,080,000 | £10,540 (private only)  £6,270 (private and affordable) |
| **Total** | **£73,080,000** | **£18,270** |

Savills suggestion that there has been an increase in the total S106/CIL from £20,000 to £52 million is incorrect and again underlines their misunderstanding of the approach to the testing.

If we take the figures in Table 1 and bear in mind that the actual CIL liability on this development would be half that shown (as a result of halving of the rate from £110 to £55 per sqm), the total remaining for Section 106 would be £60,540,000, which amounts to £15,135 per unit. Savills suggestion of a £19.5 million difference in costs is completely erroneous.

**Table 2: S106 allowances included in Kings Hill appraisal (2015 VS) with CIL liability removed**

|  |  |  |
| --- | --- | --- |
| **Cost heading** | **Total** | **Amount per unit** |
| S106 (exclusive of education) | £20,000,000 | £5,000 |
| Education | £28,000,000 | £7,000 |
| Reduction in CIL arising from halving of previously proposed rate – now available to cover S106 instead | £12,540,000 | £3,135 |
| **Total** | **£60,540,000** | **£15,135** |

The remaining comments in this section of Savills representation on the impact on land values are also incorrect as a result of their misunderstanding as set out above. Development costs will NOT be £20 - £25 million higher as Savills incorrectly suggest, as sufficient allowances have already been built into the appraisals.

With regards to the comparisons of land values arising from the Kings Hill site (£247k per gross hectare) to the other sites (ranging from £597k to £954k per gross hectare), it is important to consider the scale of the other developments in comparison to Kings Hill:

* Westwood Heath: 850 units
* Crewe Gardens: 300 units
* Woodside training centre: 100 units
* Kenilworth Golf Club: 875 units
* Land East of Kenilworth: 100 units

Savills will of course be aware of the factors that impact on the land values of very large strategic sites (most importantly being the long build out periods which have a significant impact on cashflow) that do not impact on the other sites, which are significantly smaller. To draw a comparison between a site providing a 100 units and one of 4,000 is highly misleading.

Interestingly, Savills do not refer to the land value generated by the other large site tested in the 2015 VS (Hurst Farm which provides 1,400 units) which generates a residual land value of £264k per gross hectare.

**“Assumptions on infrastructure requirements”**

The contributions to be sought for other community infrastructure will be determined through detailed examination of requirements and through negotiations between the Applicant and the Planning Authority. One of the key features in these negotiations will be the circa £12.54 million CIL charge which (assuming the CS is found sound) will be levied on this site. This is a relatively modest amount against the scale of Section 106 allowances already built in and there will be opportunities for discussions on the application of CIL to on-site infrastructure and CIL in kind.