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Savills Additional Response



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Dear Ian

Warwick District Council - Community Infrastructure Levy Post Examination Council Response

Thank you for allowing us an opportunity to respond to the Council's response. We thank the Council for providing a response to our additional queries as a result of the additional evidence provided by themselves. We feel there may have been some misunderstanding as to some of our points raised, and take this opportunity to address these further.

Section 106 and Section 278 typologies

We have examined the evidence provided (the information provided as at Appendix 1 and 2, and in accordance with the PPG, which states that the charging authority should provide information about the funding collected through section 106 agreements – Paragraph 018, Community Infrastructure Levy, PPG), but find it difficult to draw a robust conclusion based on this limited information provided. We acknowledge that these are historic, but since the choice of the section 106 assumptions (c. £13,000 per dwelling for strategic sites (i.e. those over 300 dwellings) and £1,500 per dwelling for non-strategic sites (below 300 dwellings)) seem to be based on this evidence as stated in the Examination, we have attached weight to this.

In Appendix 1 there are a selection of sites that have agreed section 106 agreements under the different site typologies tested. As noted in the Council's evidence there is a wide range of headline s106 costs per dwelling (which we summarised) that would be removed under CIL, as they would be covered by the Regulation 123 list. However, it is our opinion that there is a danger that some of these costs will continue to be included as a s106 item rather than on the Regulation 123 list. This is particularly relevant for the "grey areas", which in Appendix 2 appear to be largely education and highway contribution. The Council state in paragraph 10 that there are a "number of instances where it depends on specific circumstances and it is therefore difficult to draw firm conclusions about the appropriate assumptions". Whilst we understand this is the case, the inclusion of these costs within a s106 agreement can have a significant cost, and may put the overall viability of a site in question.

For example, in the site typology 100 – 300 dwellings, the example of the site at Land North of Harbury Lane is used as an example. In this case, with CIL in place, there would have been a s106 package total of £2.7 million (£12,000 per dwelling) if the highways and education contribution had been included. If they were excluded, the s106 package would be £800,000 (£1,500 per dwelling), there is thus almost a £2 million difference (c. £10,000 per dwelling) if these costs are included or not, and may have a significant impact on the viability of the site.

We note that the education contributions in the CIL12a - Draft CIL Regulation 123 List (revised May 2017) that the education contribution totals £5.04 million with £2.5 million of this attributable to "unspecified expansion to primary and secondary education". In the evidence provided at Appendix 2, the total education



contribution for the eight sites examined was £13,977,247, which is in excess of the total education contribution identified on the Draft CIL Regulation 123 List by almost £9 million. If, as would seem to be the case, there are additional education requirements not currently identified on the Draft List, these would either need to be added to the list or secured by a section 106 agreement. Of those previously education contributions identified in Appendix 2 as being a “grey area”, they equate on average to c. £8,000 per dwelling.

It is our understanding that the Council have chosen to adopt a s106 cost of £1,500 for the non strategic sites. This excludes the grey areas of education and highways. If those costs are able to be included within a future Regulation 123 list, and thus covered by CIL then this would appear to be viable. However, as explained above, if those costs are not able to be included within a Regulation 123 list and would be a site specific cost, an additional £8,000 per dwelling (just for education provision), could add a substantial cost into the development cost, and may render a previously viable scheme unviable. For example, on a 200 unit scheme, this would be an additional £1.6 million of costs. This would be contrary to paragraph 173 of the NPPF. We are also unclear as to how this relationship will continue with the pooling regulations of section 106 items.

Re-Run of the Viability Study Model covering Additional Site Typologies

The Council rightly states that “much of Savills’ responses restates comments that the Council has already responded to”, however, this is because the response has not been satisfactory. We highlight that our February 2017 representation, which totalled c. 60 pages, was responded to by a one paragraph statement that appeared to be relevant to our covering note, not the representation. We have continually pressed for the updated appraisals, not just the results, to be presented, as they were done in the 2015 Viability Study (CIL8), so that we can fully assess the impact of the changes between the 2015 Study and those published in November 2016 (CIL7).

Without the working behind the results, it is therefore difficult for us to fully comment, and thus it maybe that there is some confusion as to how some of the results are arrived at. Nonetheless, our concerns relating to the viability of the some of the site typologies tested in different areas remains.

We have made our point within our representations, and at Examination, that even if our market led approach to land values is to be ignored, that the development land values put forward by the Council should be increased to reflect current values and costs. This is consistent with guidance for testing Viability (RICS Guidance Note – Financial Viability in Planning and the Local Housing Delivery Group’s Viability Testing Local Plans).

We certainly agree with the statement made by the Council that sites should make a modest contribution towards infrastructure that will support new housing, but have concerns that the proposed CIL rate is at the expense of meaningful affordable housing provision. For example, in Appendix 1 of BNP Paribas further evidence (CIL 22), site type 11 (150 units brownfield) for Warwick, where the proposed CIL rate is £70 per sq m, is shown only able to support an affordable housing provision of 10% when a CIL rate of £60 is applied to BLV1 (which is the commercial land value adopted). This implies that should a CIL rate of £70 per sq m be applied for brownfield sites in Warwick (which are more likely to come forward on sites where the land value is higher), that an affordable housing provision of less than 10% will be attained. This is clearly some way short of the Council’s target policy of “up to 40%”.

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

On this point we acknowledge that there may just be a misunderstanding of what the Examiner sought.

I hope that this provides further clarification as to our concerns, but if there are any additional concerns, please do not hesitate to let me know.

Yours sincerely

A handwritten signature in dark ink, appearing to be "Sarah Gregory". The signature is fluid and cursive, with a long, sweeping underline.

Sarah Gregory
Associate Director