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## Representation Form Preliminary Draft Charging Schedule & Draft Infrastructure List

Completed forms should be returned on or before  
**Wednesday 28th November 2012** to:

**The Strategic and Development Plans Team  
Caerphilly County Borough Council,  
Pontllanfraith House, Blackwood, NP12 2YW.**

Further copies of this form can be obtained from the  
Local Development Plan Team, or you can photocopy this form.

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Landowner and developer Consortium comprising:  
i) Llanmoor Homes  
ii) Persimmon Homes/Charles Church  
iii) Redrow Homes  
iv) Taylor Wimpey

1(a) Do you agree that the assumptions and/or method set out in the viability report are robust?

Yes  No  (please tick as appropriate)

(b) If not what is your justification?

Please see separate consultation response submitted with this form as supporting evidence.

2 Do you agree that the viability study represents an appropriate basis for determining the level of CIL that would be viable in the Borough?

Yes  No

3 If you support the differential residential rate do you think the boundary between the different zones as shown is an appropriate boundary?  
If not please say what boundaries should be used instead and your justification for these boundaries.  
(Please attach map illustrating your boundary amendments)

Irrespective of the residential rate proposed, we consider the proposed residential charging zones appropriate having taken account of the economic differences between the sub-regions.

4 Do you agree with the different rates for residential development proposed within each charging zone? If not which do you not agree with and what is your justification?

No. Please see separate consultation response submitted with this form as supporting evidence.

5(a) If given the choice and subject to any updated Regulations, do you think that Affordable Housing should be delivered through CIL or through Section 106 Obligations?

CIL  Section 106 Obligation

(b) What is your justification for this?

Please see separate consultation response submitted with this form as supporting evidence.

6(a) Do you agree with the proposal to set a flat rate levy for A1, A3 & D1\* uses across the whole of the County Borough?

\* Excludes all other uses within Class D1 of the Town & Country Planning (Use Class) Order 1987

Yes  No

(b) If not, what is your justification?

Our clients have not requested us to consider the level of CIL proposed for uses other than residential.

7(a) Do you agree with the different rates for A1, A3 & D1\* uses?

Yes  No

(b) If not which do you not agree with and what is your justification?

N/A – See comment under Section 6.

8 Do you agree with the proposed £0 charge for B1, B2, B8 and D2 Use?

If not what do you believe the charge should be and what is your justification?

N/A – See comment under Section 6.

9(a) Do you agree that the proposed level of CIL represents an appropriate balance between the desirability of funding infrastructure through CIL and ensuring that development remains viable?

Yes  No

(b) If not, what is your justification for this?

Please see separate consultation response submitted with this form as supporting evidence.

10(a) Do you agree with the Infrastructure List Identified?

Yes  No

(b) If not, please specify how the list should be modified and your reason/s for this?

Please see separate consultation response submitted with this form as supporting evidence.

11(a) Do you agree with the use of Discretionary Relief in exceptional circumstances where it can be demonstrated that a Section 106 planning obligation attached to a development exceeds the cost of the CIL amount levied, whereby CIL would have an unacceptable impact on the economic viability of a development?

Yes  No

(b) If not, what is justification?

12(a) Subject to any updated Regulations it is proposed that a proportion of the net CIL receipts be passed to local communities (e.g. the Town Council or Community Council). Do you agree with this approach?

Yes  No

(b) If so, what do you believe the percentage should be and what is your justification?

It is considered that priorities should be set so that significantly important strategic infrastructure is funded through CIL as an enabler to development prior to local priorities.

**Thank you for your comments on Preliminary Draft Charging Schedule & Draft Infrastructure List.**

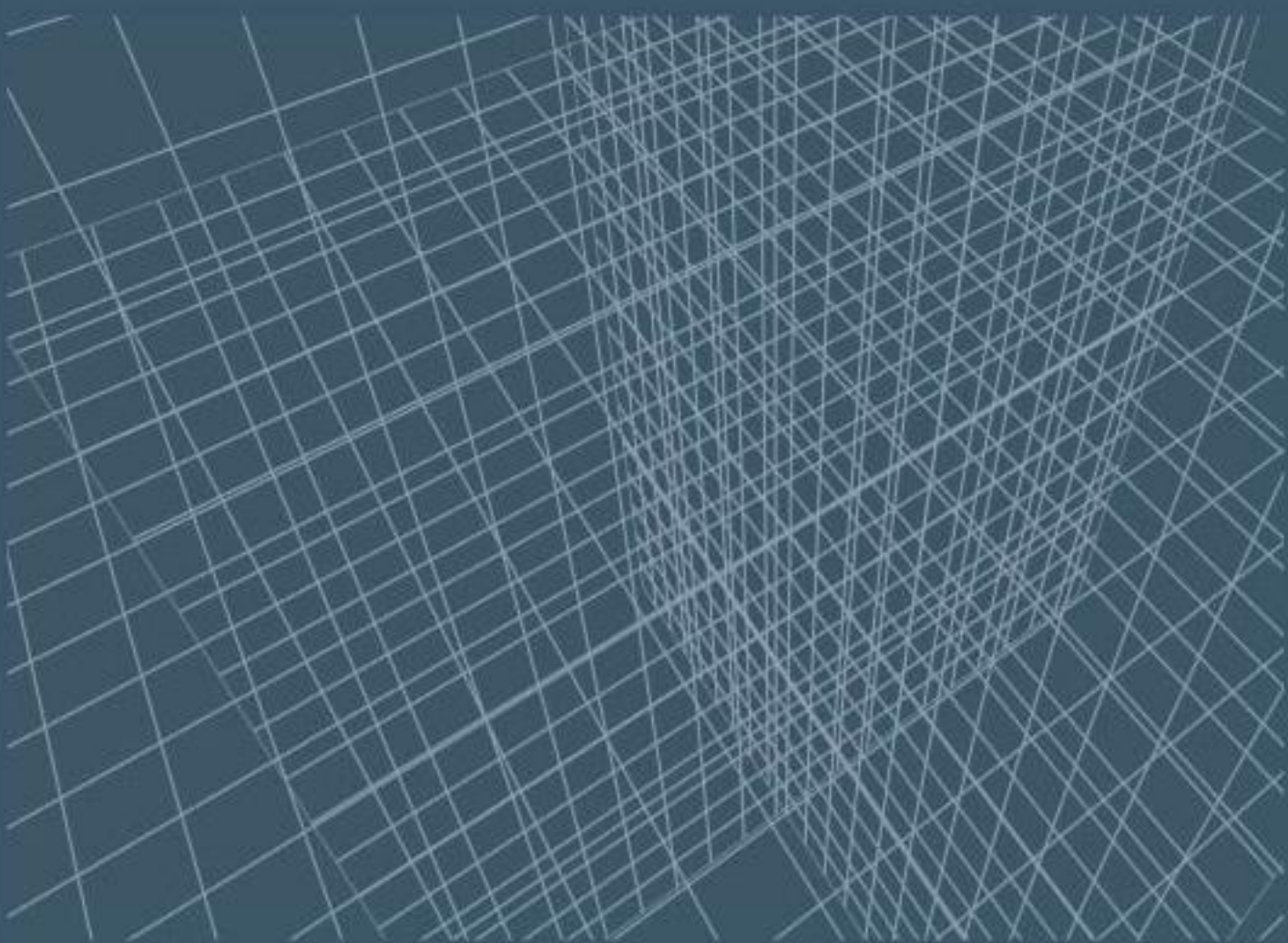
REPRESENTATIONS RECEIVED AFTER **WEDNESDAY 28 NOVEMBER 2012**  
WILL NOT BE CONSIDERED

PLEASE NOTE THAT ALL REPRESENTATIONS RECEIVED WILL BE MADE  
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**Look on the Council's Website** [www.caerphilly.gov.uk](http://www.caerphilly.gov.uk)  
**e-mail the LDP Team** [ldp@caerphilly.gov.uk](mailto:ldp@caerphilly.gov.uk)  
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CONSULTATION RESPONSE  
CAERPHILLY COUNTY BOROUGH COUNCIL  
COMMUNITY INFRASTRUCTURE LEVY (CIL)  
PRELIMINARY DRAFT CHARGING SCHEDULE



In Conjunction with HBF for  
the Housebuilder Consortium

28 November 2012



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## Executive Summary

This representation has been prepared by Savills in conjunction with the Home Builders Federation (HBF) on behalf of a developer and landowner consortium (the Consortium) to influence the emerging Community Infrastructure Levy (CIL) Charging Schedule proposed by Caerphilly County Borough Council (the Council). The representation is made in respect of the Preliminary Draft Charging Schedule and Infrastructure List.

Savills recognises that Local Authorities in setting the rate of CIL need to strike an appropriate balance between the desirability of funding from CIL against the potential effects of the imposition of CIL on the economic viability of development (Regulation 14(1) of the 2010 Community Infrastructure Levy, England and Wales Regulations (as amended)). Based on this, the Consortium is of the view that a number of considerations which are addressed within our consultation response need to be made in respect of the Economic Viability Assessment provided by District Valuer Services (DVS) before it can be considered as sufficient evidence to justify its conclusions and those of the Council in setting its draft charging schedule.

Our particular concern is in addressing these comments, the viability buffer between the rates proposed in the DVS report and those charges set by the Council in the preliminary draft charging schedule are significantly eroded and place the delivery of sufficient housing development in the Borough at risk.

The objectives of CIL are fundamentally to assist with the delivery of development by providing receipts to fund new major infrastructure and to improve the predictability and certainty for developers as to what they will be asked to contribute in terms of planning obligations, which will increase fairness by broadening the range of developments asked to contribute, allowing the cumulative impact of small developments to be accounted for. Our clients are supportive of the necessary investment to 'unlock' and assist with development delivery. However, they are concerned that the proposed CIL levy will not go toward the funding of English Medium Education (both secondary and primary) or Welsh Primary Education in the Borough which is able to be planned on a strategic basis. The exclusion of these Education contributions from CIL increases the uncertainty of development as this will still need to form part of a S106 negotiation, whereas its inclusion would create greater fairness, enabling all developments to contribute on an equitable basis to the provision of education provision across the Borough.

The consortium agree that due to the economic differences across the Borough, it is appropriate to levy a range of charges and we are broadly in agreement, notwithstanding the level of CIL levy, that

the three zones proposed reflect appropriate boundaries having taken account of the differing viability challenges of each sub-region.

The Consortium supports the implementation of an instalments policy, but consider that in order not to negatively impact on cash flow viability, particularly where there are delays in delivery, larger sites being delivered on phased bases or in times of market instability, that the instalments should be closely linked to the delivery of housing units as opposed to fixed timescales.

CIL relief and the circumstances under which this would be offered should also be set out by the Borough Council to ensure the viability of schemes are not negatively impacted and to ensure that the proposed CIL does not choke off proposed future development.

The Consortium members are very keen to meet with the Council and its advisors, DVS, to discuss amendments to the approach taken.

## 1.0 Introduction

1.1 This Representation has been prepared by Savills in conjunction with HBF on behalf of a landowner and developer consortium comprising:

- Llanmoor Homes
- Persimmon Homes/Charles Church
- Redrow Homes
- Taylor Wimpey

hereafter known as ‘the Consortium’.

1.2 The Consortium represents a significant proportion of the residential developers present in the Borough.

1.3 This representation has been submitted to influence the emerging Community Infrastructure Levy (CIL) Charging Schedule and Infrastructure List proposed by Caerphilly County Borough Council (the Council). The representation is made in respect of the Preliminary Draft Charging Schedule placed for public consultation in the period 17 October to 28 November 2012. The Consortium’s particular comments relate to the robustness of the inputs into the Economic Viability Assessment provided by District Valuer Services (DVS) and whether in its current form it can be considered as sufficient evidence to justify its conclusions and therefore whether there is a sufficient viability buffer between the rates proposed in the DVS assessment and those charges set by the Council and consequently whether this places the delivery of sufficient housing development to meet housing demand in the Borough at risk.

1.4 The Consortium has significant land interests across the Borough, all of which will likely contribute to the maintenance and delivery of the housing land supply (to meet identified housing needs). The rate of CIL and proposed implementation/ operation is therefore of critical importance to the Consortium.

1.5 With regard to the current consultation, it is questioned whether DVS sought the involvement of landowners, agents and developers in formulating its evidence as the Consortium is not aware of any consultation until after completion of their study. Landowners and developers have a large amount of up to date evidence on current market conditions and development considerations, and as such are key stakeholders in the formulation of CIL rates. The

Consortium is very keen to be involved in future discussions concerning the formulation of CIL.

1.6 Where relevant this representation provides comment on the following supporting evidence/ existing guidance:

- Caerphilly County Borough Community Infrastructure Levy Preliminary Draft Charging Schedule and Draft Infrastructure List – October 2012
- Caerphilly County Borough Delivery Agreement of a Community Infrastructure Levy Charging Schedule – October 2011
- Caerphilly County Borough Local Development Plan up to 2021 Infrastructure Assessment Report June 2012
- Study into the Economic Viability of Charging Community Infrastructure Levy in Caerphilly, Merthyr and Rhondda Cynon Taff CBCs prepared by DVS
- Proposed instalment Policy and Relevant Extract from CIL Regulations

1.7 In setting the rate of CIL, Regulation 14(1) of the 2010 Community Infrastructure Levy, England and Wales Regulations (as amended) (No. 948) states that **“an appropriate balance”** needs to be struck between **“a) the desirability of funding from CIL (in whole or in part)”** against **“b) the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development”**. There is a clear requirement to ensure that **most** developments are able to proceed. The Government provides further guidance on the meaning of the appropriate balance from paragraph 7 of the Community Infrastructure Levy Guidance – Charge Setting & Charging Schedule Procedures (March 2010).

1.8 Likewise, the purpose of CIL must be to positively fund the infrastructure required to enable growth. This is clearly outlined by Regulation 59(1) which states **“A charging authority must apply CIL to funding infrastructure to support the development of its area”**. Section 216 of the Planning Act 2008 defines infrastructure as:

- **“(a) roads and other transport facilities,**
- **(b) flood defences,**
- **(c) schools and other educational facilities,**
- **(d) medical facilities,**
- **(e) sporting and recreational facilities,**
- **(f) open spaces, and**

- ***(g) affordable housing (being social housing within the meaning of Part 2 of the Housing and Regeneration Act 2008 (c. 17) and such other housing as CIL regulations may specify)***

1.9 There is a requirement under Regulation 123 to provide a list of **“relevant infrastructure”** to be wholly or partly funded by CIL. It is also possible under Regulation 60(1) for CIL to be used to reimburse expenditure already incurred on infrastructure, a tool which could have useful implications.

1.10 The Consortium therefore considers that it is imperative that the evidence supporting CIL:

- clearly identifies the key infrastructure projects required to support development (this being the key test of the Regulations);
- provides an up to date, consistent and well informed evidence base of economic viability in order to test various scenarios against CIL rates.

1.11 It is the Consortium’s view that the present Preliminary Draft CIL Charging Schedule potentially fails the second test and further consideration of the inputs into the viability assessment are required before it can be considered as sufficient evidence to justify the rates of CIL proposed in the Preliminary Draft Charging Schedule.

1.12 Given the focus of CIL as being supportive of development it is important that the test of viability considers those sites/ areas which are central to the delivery of the Council’s strategy as set out in the adopted LDP. It would not be acceptable to simply dismiss some sites as being rendered unviable purely because some are considered to be viable without due consideration of wider planning and corporate objectives of the Council. There needs to be a reasonable ‘viability buffer’ so that development at the margin of viability is not unduly prejudiced.

It should be noted that the housing strategy comprised in Caerphilly’s LDP is one of a **Brownfield priority** particularly across those areas where viable development is more likely to take place and as a result, it is essential that abnormal costs are accounted for in any viability appraisals which inform the CIL charging schedule.

1.13 Three of the key tests of the examination of a Charging Schedule are that 1) **“the charging authority’s draft charging schedule is supported by background documents containing appropriate evidence”**, 2) **“the proposed rate or rates are informed by and**

**consistent with, the evidence on economic viability across the charging authority’s areas” and 3) “Evidence has been provided that shows the proposed rate would not put at serious risk overall development of the area” (Sections 212(4) and 221 of the Planning Act 2008).** The assessment of planned development and its viability is therefore an inherent test of the Examination and consequently it is important to ensure that too high a CIL rate for the area does not put at risk the delivery of the development plan. This is discussed in further detail in later sections of this representation.

- 1.14 The power to seek Section 106 contributions in addition to CIL remains, albeit reduced in scope. However our clients are concerned about the scale of Section 106 contributions which will be sought alongside CIL, therefore rendering the delivery of the LDP unviable.

## 2.0 The Approach of National Policy

- 2.1 With regard to the preparation of Charging Schedules and supporting documentation it is important to have due regard to the available Government guidance and law, notably, the CLG Community Infrastructure Levy – an Overview (May 2011), CLG Community Infrastructure Levy Guidance – Charge Setting & Charging Schedule Procedures (March 2010), CLG Community Infrastructure Levy Relief (May 2011), the 2008 Planning Act and CIL Regulations 2010 (as amended 2011). It is also important that the preparation of CIL is in the spirit of the National Planning Policy Framework (NPPF) notably that it is delivery focused and ‘positively prepared’. **It is important to note that only two parts of the NPPF are non devolved and apply to Wales, the CIL regulations being one of those.** As such, the Consortium comments are based on these publications and the Regulations.
- 2.2 The National Planning Policy Framework (NPPF) outlines 12 principles for both plan making and decision taking, notably (criterion 3), that planning should **“proactively drive and support sustainable economic growth”**. Furthermore, that plan making should **“take account of market signals such as land prices and housing affordability”**. Furthermore, paragraph 19 outlines that **“the Government is committed to ensuring that the planning system does everything it can to support sustainable economic growth”**.
- 2.3 Within Chapter 7 of Planning Policy Wales (PPW) supports this by committing to sustainable development within the planning system and ensuring that sufficient land is genuinely available or will become available to provide a 5-year supply of land for housing which is economically feasible for development, so as to create and support sustainable communities where people want to live.
- 2.4 Paragraph 7.1.3 states that the planning system should support economic and employment growth alongside social and environmental considerations within the context of sustainable development. To this end, the planning system, including planning policies, should aim to ensure that growth of output and employment in Wales as a whole is not constrained by a shortage of land for economic uses.
- 2.5 Paragraph 7.1.5 states that effective planning for the economy requires local planning authorities to work strategically and co-operatively steering development and investment to the most efficient and most sustainable locations and Paragraph 7.2.1 state that realistic assumptions should be made about resources (including financial and natural environmental resources) likely to be available for putting planning policies and proposals into effect.



- 2.6 PPW also provides CIL guidance which sits alongside the various pieces of national guidance.
- 2.7 In addition, the Ministerial Statement of Greg Clark (Planning for Growth) (March 2011) remains current guidance to decision makers. It has a clear ‘get on with’ development message and makes clear Local Planning Authorities should not impose unnecessary burdens on development.
- 2.8 The steer from Central Government is very much angled toward facilitating development, which should have a major material bearing on the preparation of CIL and the balance applied when considering Regulation 14(1).
- 2.9 The Government has also confirmed through Community Infrastructure Levy Guidance – Charge Setting and Charging Schedule Procedures (March 2010) guidance on the preparation of CIL, notably:
- The need for balance (as per Regulation 14)
  - The need for ‘*appropriate available evidence to inform the draft Charging Schedule*’ (as per Schedule 212(4) (b)) of the 2008 Act)
- 2.10 The Guidance states at paragraph 7 that “***CIL is expected to have a positive economic effect on development across an area in the medium to long term***”. The Government also makes clear that it is up to Local Authorities to decide ‘how much’ potential development they are willing to put at risk through CIL. Clearly this judgement needs to consider the wider planning priorities; it does however seem obvious that a large degree of discretion is being afforded to the Borough Council in making this judgement. Comments in relation to this and the buffer required are outlined in Sections 3 and 5.
- 2.11 The Guidance also makes clear the evidently narrow focus of the CIL Examination process permitted by the Regulations, paragraph 9 states: “***The Independent Examiner should check that:***
- ***The charging authority has complied with the required procedures set out in the Planning Act 2008 and the CIL Regulations;***
  - ***The charging authority 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 would not put at serious risk overall development of the area”***

- 2.12 This representation outlines concerns with the Viability Appraisal prepared by DVS (Section 5), and owing to these concerns, the proposed residential rates of CIL.
- 2.13 In conclusion to this representation the Consortium comments on how the proposed approach to CIL should be reviewed so that it meets the forthcoming tests of Examination.
- 2.14 Despite the narrow Regulatory requirements of the Examination, our clients urge the Council to enter into meaningful dialogue with developers and landowners prior to the publication of the next stage Draft Charging Schedule. This we feel is critical to allow for the successful implementation of CIL and to obtain developer/ stakeholder buy in to the process.
- 2.15 The Consortium notes that a number of matters related to the implementation of CIL provided by the Regulations are optional. Our clients strongly suggest that the Council permits the maximum possible flexibility available, otherwise it places at risk the successful delivery of the adopted LDP.
- 2.16 It is unclear from the Preliminary Draft Charging Schedule whether the Council intends to implement any discretionary exceptions/ CIL relief. However the ability of the Council to offer this could be critical to the viability of schemes and we would urge the Council to give further consideration to this option, and would draw their attention to the comments of the Examiner in his report on the Mayoral CIL, where the refusal to make exceptional circumstances relief available came under particular criticism for being dogmatic, inflexible and reactive. In addition it is important that an instalment policy for the payment of CIL is proposed and that the Council considers more appropriate phasing arrangements for the payment of this to avoid rendering development unviable and allowing cash flow, which is a major consideration in proposing development, to be managed.

### 3.0 Planning & Infrastructure Delivery

- 3.1 Ascertaining the level of CIL is essentially a development viability exercise and owing to this it is critical that the level of CIL is based on robust and credible evidence. The CIL – An Overview document outlines that **“Charging Authorities wishing to introduce the levy should propose a rate which does not put at serious risk the overall development of their area”** (Paragraph 23). It will therefore be important that the rate is based on reality and the viable level of funding towards the planned provision of infrastructure needed to deliver the development plan. It is clear from the evidence that CIL alone will not be able to fund the predicted £157.5 million that is said to be required for outstanding infrastructure. This makes it more important to set the level of CIL based on what can be afforded rather than what may theoretically be desired, to reduce the risk of the shortfall being even greater.

We understand that the Infrastructure that CIL will go towards funding once adopted comprises the following:

**Table 1: Infrastructure Costs Schedule**

<b>Physical Infrastructure</b>
Policy TR5 Transport Improvement Schemes – Northern Connections Corridor
Policy TR6 Transport Improvement Schemes – Caerphilly Basin
Policy TR9 Highway Corridor Safeguarding – Caerphilly South East Bypass
Policy TR8.1 Regeneration Led Highway Improvements – Heads of the Valleys Area
Strategic public transport infrastructure
Waste transfer/recycling bulking infrastructure
Upgrade of existing Civic Amenity Sites
Strategic Drainage Network
Air Quality Action Plan Schemes
Network Connections – Superfast Broadband
<b>Social Infrastructure</b>
Welsh Medium Secondary Education Provision
Youth and Community Facility Provision & Upgrade to existing facilities
Cemetery Provision
Leisure Centre Provision & Upgrade to existing facilities
<b>Green Infrastructure</b>
Off-Site Formal Leisure Facilities

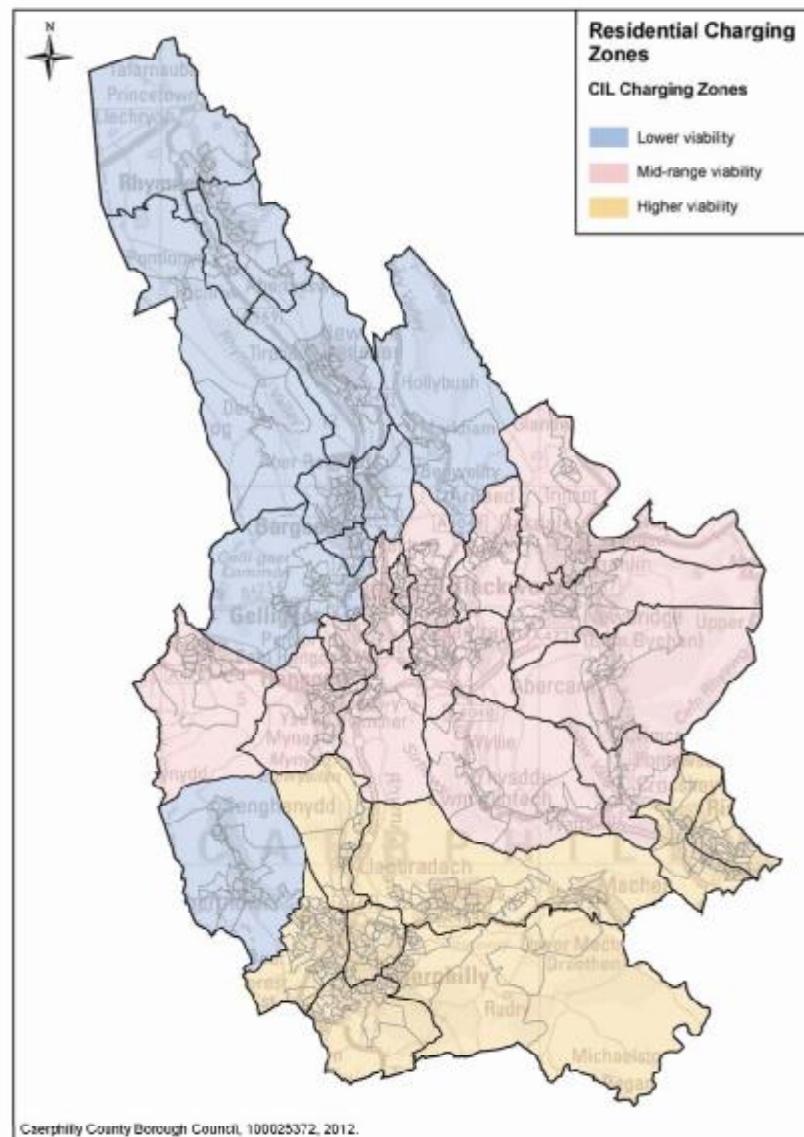
- 3.2 The Consortium does not dispute the fact that an infrastructure funding gap exists, and hence that in principle CIL is justified in the Borough. However, we question the need for the inclusion of the following infrastructure to be provided through CIL:-
- Waste transfer/recycling bulking infrastructure
  - Upgrade of existing Civic Amenity Sites
  - Strategic Drainage Network
  - Network Connections – Superfast Broadband
- 3.3 The supporting evidence should clearly justify the need for the stated infrastructure and identify and set out an appropriate balance for infrastructure priorities.
- 3.4 The objectives of CIL are fundamentally to assist with the delivery of development by providing receipts to fund new major infrastructure and to improve the predictability and certainty for developers as to what they will be asked to contribute in terms of planning obligations which will increase fairness by broadening the range of developments asked to contribute, allowing the cumulative impact of small developments to be accounted for. Our clients are supportive of the necessary investment to ‘unlock’ and assist with the development delivery. However, they are concerned that the proposed CIL levy will not go toward the funding of English Medium Education (both secondary and primary) or Welsh Primary Education in the Borough which is able to be planned on a strategic basis. The exclusion of these Education contributions from CIL increases the uncertainty of development as this will still need to form part of a S106 negotiation, whereas its inclusion would create greater fairness, enabling all developments to contribute on an equitable basis to the provision of education provision across the Borough.
- 3.5 At Section 5.34 of the Economic Viability Study, DVS acknowledge that the public sector need to deliver strategic objectives and provide the wider infrastructure that new development will necessitate which include inter alia increasing demand for school places. The reasons for including education requirements within CIL appears entirely appropriate, allowing the Council to strategically plan education provision in the Borough.
- 3.6 The Consortium also seek clarification on the definition of Off Site Leisure Facilities contained in the Draft Infrastructure List and confirmation that it includes sports fields, pitches and formal recreation provided in association with new school provision, so that land acquisition and provision is funded through CIL.

## 4.0 Effective Operation of CIL

### Geography

- 4.1 The geography of the planned development is an important consideration, notably as differential rates are proposed. As outlined, the present proposed CIL Levy would result in the highest rates of residential CIL being levied to the south of the Borough in the area defined as “Caerphilly Basin”.
- 4.2 The consortium agree that due to the economic differences across the Borough, it is appropriate to levy a range of charges and we are broadly in agreement, notwithstanding the level of CIL levy, that the three zones proposed reflect appropriate boundaries having taken account of the differing viability challenges of each sub-region.

**Figure 1: Residential Charging Zones**



- 4.3 It is noted from the Preliminary Draft Charging Schedule that a proportion of CIL will be allocated back to neighbourhoods to spend in accordance with their priorities so that communities can benefit from development in their area. Consideration will therefore need to be provided in formulating the CIL Regulation 123 list to ensure the local infrastructure requirements are aligned with the wider strategic requirements. In formulating the Regulation 123 List the focussed set of infrastructure priorities will likely have to fund strategic improvements owing to the importance in delivering the wider Borough Plan objectives. The objective will therefore need to be balanced against the ‘meaningful proportion’ required back to the local community.

#### **Payment of CIL – Installments**

- 4.4 With regard to the payment of CIL, the Regulations (69B(1)) and CIL – An Overview (paragraphs 45 - 48) are clear that the charging authority has the flexibility to request the timing of the charge and hence to outline the payment procedure. This flexibility extends to:
- Levy payment deadlines
  - Instalments policy
- 4.5 With regard to the phasing of CIL payments, the Preliminary Draft Charging Schedule states that the Council propose that the levy will become payable from the date that development is commenced but that they propose introducing an Instalment Policy which depends on the total amount of liability and sets out the time periods over which payments will be required.
- 4.6 The Consortium supports the implementation of an instalments policy, but consider that in order not to negatively impact on cash flow viability, particularly where there are delays in delivery, larger sites developed over phases and in periods of market instability, that the instalments should be linked to the delivery of a certain percentage of housing units as opposed to fixed timescales. This is particularly important in secondary markets/regeneration areas where fixed instalment methods will prove detrimental to the delivery of these sites.
- 4.7 As highlighted, developers only have access to certain levels of funding throughout the construction process and this is often dependant on sale volumes, market conditions and lending criteria. The benefit of the Section 106 system (as was), was the ability to negotiate

phasing of payments and if necessary renegotiate via a deed of variation. The imposition of CIL effectively removes this flexibility.

- 4.8 The timing of CIL payments is therefore of critical importance, particularly as the definition of chargeable development (Regulation 9) makes it clear that in instances of full planning approval the chargeable development is that entirely consented. Whilst Regulation 9(4) effectively permits a staged payment approach to outline consents (where phasing is proposed), it is normally the practice to only pursue outline (or hybrid) applications for the largest and most complex sites. The majority of planning proposals will still be submitted in full.
- 4.9 It will be larger schemes which generate the greatest CIL payments and as such phasing of payments should be tailored to recognise funding constraints and cash flow of such schemes. Larger scale development normally requires significant upfront infrastructure costs to ‘unlock’ development and the additional early burden of CIL would prove prohibitive.
- 4.10 It is therefore advised that any phasing of CIL payments should align closely with the delivery of housing units on any development which will ensure that the CIL payment mechanism does not prejudice scheme viability.

### **Relief**

- 4.11 The Community Infrastructure Levy Relief – Information Document (CLG, May 2011) outlines the Government’s position on “**exceptional circumstances**” which could warrant exception from CIL (paragraph 66 onward). The first matter to note from the Regulations is that the offer of relief is discretionary on the charging authority (Regulation 55(3) (a)). As outlined, the Consortium considers it important that the Borough Council makes available relief from the date of the adoption of CIL, and that it clearly outlines its approach to doing so (in conformity with the Regulations).
- 4.12 The Preliminary Draft Charging Schedule documentation is unclear as to whether the Council intend introducing discretionary exceptions/ CIL relief. It is however considered that ability to offer this could be critical to the viability of schemes.
- 4.13 Guidance on the level of detail required for the viability assessment to qualify for relief should also be provided.

## **CIL Regulation 122 – Double Counting**

- 4.14 With regard to the relationship with Section 106 the CIL Charging Schedule should be clear that ‘double counting’ of Section 106 contributions and CIL is not permitted by law. The Consortium are therefore concerned that the S123 List is clear as to what is subject to CIL levy and that which continues to be the subject of S106 and that the opportunity for confusion and interpretation is removed as much as possible.
- 4.15 The key tests of CIL Regulation 122 should be outlined within the supporting documentation. In practical terms, owing to the need to publish a Regulation 123 List, it is likely that only site specific or immediately adjacent measures will continue to be funded by Section 106 (i.e. site access or immediately adjacent open space).
- 4.16 The Government’s position on the role of Planning Obligations is clearly outlined in the Overview document at paragraphs 59 and 60, notably the statutory basis that they must be directly related to mitigating the impact of development, and that CIL payments and planning obligations do not overlap. What is clear is that Section 106 may still be sought post CIL adoption which therefore needs to be factored into viability. However, the viability appraisals undertaken by DVS within their study have made no allowance for additional S106 or Section 278 costs which is totally unrealistic. We understand that the Council have made their own arbitrary allowances for this in setting their CIL rates toward the lower end of the range recommended by DVS, but this raises concerns about whether the ranges recommended by DVS were appropriate in the first instance and therefore whether a sufficient viability “gap” has been allowed in setting the proposed CIL rates.
- 4.17 The Consortium request clarification as to the remaining S106 obligations that the Council will be able to seek in addition to CIL following implementation.
- 4.18 For the avoidance of doubt, affordable housing provision is incapable under the current CIL regulations of being provided through CIL. However, this may alter through future regulation and because of this, DVS were commissioned to address the impact of this and make recommendations as to a proposed charging schedule to include affordable housing.
- 4.19 Policies on affordable housing are always adopted with ‘aspiration’ in mind and the Welsh Government believes that affordable housing policies should be ‘challenging’ in order to ensure that margins of viability are squeezed to enable the maximum amount of affordable housing to be delivered. For this reason, and to ensure that development can be delivered throughout the Borough, the Consortium consider it essential that flexibility remains on the



ability to negotiate the level of affordable provision based on the viability of individual development schemes. A fixed levy which is imposed on the basis of the current policy requirements for affordable housing can only lead to stymied development and an inevitable failure to meet the housing needs of the Borough. For this reason the Consortium strongly recommend that the Council continue to seek affordable housing commitments through S106 negotiations as opposed to CIL if and when the ability for them to do so arises.

### **Administration Costs**

- 4.20 With regard to administration costs, the CIL Regulations and CIL – An Overview (paragraph 11) outlines that “**up to 5%**” of CIL receipts can be used to administer the process. This is potentially a considerable element of funding and likely in excess of what is required. The Preliminary Charging Schedule is silent on whether the proposed CIL rates are inclusive of administration costs. The consortium seek clarity on the level of fees that will be sought and strongly suggest that double fees should be avoided in the event that both CIL and S106 obligations are levied in respect of any particular scheme. Our suggestion would be to limit fees to 1% of the total CIL and S106 contribution or a maximum of £5,000 whichever is the higher.
- 4.21 The Borough Council will also be in receipt of pre-application fees and planning application fees which need to be factored with resourcing of planning administration. The Council should be efficient in the collection of CIL in order that the majority of funding be spent on Infrastructure.

### **Reviewing CIL**

- 4.22 With regard to reviewing CIL, the Consortium strongly encourage the Council to proactively outline a review mechanism for CIL as part of annual monitoring (required by both the CIL and Local Development Regulations). The CLG CIL Charge Setting and Charging Schedule Guidance outlines that the Government ‘strongly encourages’ reviews to ensure that CIL is fulfilling its aim and responds to market conditions. It may therefore be prudent to outline on adoption of CIL, a suitable review period, but our clients suggest that this first review should not take place until at least 36 months following adoption in order to allow sufficient time to monitor performance of CIL and to ensure enough clarity and consistency to developers in the short term. An earlier review period should only be considered appropriate in

exceptional circumstances where either market or new regulatory changes create significant implications to the delivery of viable development in the Borough.

- 4.23 Given the delicate market conditions that currently prevail, we consider it wholly inappropriate to base the CIL rate on any predicted uplift in the market and would prefer to see any market improvement adjustment in CIL rates dealt with as part of the review mechanism when other viability factors can also be fully considered.

## 5.0 Viability Appraisal

- 5.1 The proposed CIL rate has been supported by evidence produced by DVS. Owing to the key test of Regulation 14(1) it is important that the viability appraisal prepared is fit for purpose. It is clear that at Examination, the Charging Schedule will need to be supported by **“relevant evidence”** (Regulation 11(1) (f) / 19(1) (e)).
- 5.2 Following a detailed review, the Consortium considers that the Council should update and review the evidence produced by DVS as outlined by this representation.
- 5.3 Our clients are willing to meet with the Council and DVS to discuss and review their concerns in respect of some of the inputs to the viability appraisal and to provide clarity between the parties.
- 5.4 It is not the intention of the Consortium to stand in the way of the adoption of CIL into the Borough, but to ensure that the proposed CIL rate and conditions are reasonable and appropriate in order to encourage development.

### The Requirement for a Viability Study

- 5.5 The requirement to justify the Charging Schedule with evidence of viability is outlined by CIL – An Overview paragraphs 25 and 26, which notably also makes reference to setting differential rates. The CLG CIL Charge Setting and Charging Schedule Guidance (2010) at paragraph 21 refers to taking an **“area based approach”**, further of notable importance paragraph 29 outlines **“charging authorities should avoid setting a charge right up to the margin of economic viability across the vast majority of sites in their area”**. The NPPF also refers to ‘competitive returns’ (para 173).
- 5.6 The viability exercise must also be aimed to demonstrate a need for flexibility in seeking CIL payments. It should not be assumed that all development can afford to pay or that all development should be charged the same levy. It must also be recognised that in certain circumstances relief may be offered where viability is an issue.
- 5.7 **The fundamental premise is that to enable delivery, sites must achieve a credible land value for the willing landowner and the required return on investment for a willing developer, otherwise development will not be delivered.**

## The DVS Study

- 5.8 The DVS viability assessment was based on 69 sample development sites across the study area which included the neighbouring authorities of Rhondda CynonTaff and Merthyr Tydfil. Whilst the study considered actual sites which are committed development within the respective development plans, the identity of these sites has been kept confidential. Furthermore, whilst actual sites have been reviewed, the development costs are based on assumptions as opposed to actual costs which puts the value of assessing actual sites in doubt and has also made analysis and referencing of the assumptions adopted in their study very difficult. Viability is the very cornerstone of this exercise and by its nature needs to be open and transparent.
- 5.9 Whilst 69 sites have been reviewed, only one commercial and residential appraisal has been provided as an appendix with the treatment of some costs and revenue streams difficult to interpret. There is also some confusion in respect of the content of appendices F,H and J. The example appraisal at Appendix I is obviously site reference 7 in Appendix F for 137 dwellings, whereas, rather confusingly, it is labeled as site reference 8 in appendix J for 140 dwellings. In addition, there is no way of establishing the assumptions on development timescales within the report.
- 5.10 Whilst the study examines 69 sites, many are located outside of the Borough in neighbouring authorities. We understand that a total of 13 sites in the Caerphilly Borough have been tested. If we consider the Southern part of Caerphilly (higher viability area) only three sites have been tested, one is a Greenfield site (site 2), which is contrary to Caerphilly's current Brownfield priority in the LDP, and another (site 3) only has a 10% affordable housing commitment (as opposed to the Council's 40% policy in this part of the Borough). We therefore question the appropriateness of the test sites being representative of the committed housing development forming part of the Council's LDP and we do not consider that the test regime that has been undertaken to be robust.
- 5.11 Notwithstanding this, in principle, our clients consider the overall methodology of seeking to determine viability on a residual valuation exercise as being appropriate and our specific comments relate to the inputs and assumptions made
- 5.12 According to the DVS viability study, the following charges are deemed viable across a range of residential scenarios:

- Higher Viability Area - £25 - £125 per square metre
- Mid Viability Zone - £10 - £60 per square metre
- Lower Viability Zone – £0

The DVS report provides little detail of the development appraisals that they have undertaken and our comments herein are based primarily on the comments in respect of the assumptions that DVS have made in undertaking their appraisals.

## **Methodology and Assumptions**

### Land Value

- 5.13 The DVS study suggest at Para 5.38 that where CIL is charged it will almost certainly universally place downward pressure on land values, and this was echoed in the Examiner's report on the Mayor of London's CIL charging schedule, stating that reduction in land value is an inherent part of the CIL concept. This however should be seen in the context of the RICS guidance, in which it is stated that:

*“There must, however, be a “boundary” placed on the effect on land, to reflect new policy or the burden of CIL charge, in terms of restricting any reduction so that it does not go below what land would willingly transact at in order to provide competitive returns to a willing landowner (referencing NPPF para 173). The above definition is therefore not prescriptive and leaves the practitioner to make an appropriate judgment which must be reasonable, having regard to the workings of the property market. Clearly, if sites are not willingly delivered at competitive returns to the market, development will not take place, i.e. it will not be deliverable.”*

- 5.14 It appears from the information available that a range of benchmark land values have been adopted dependent on location, existing use and whether they represent a Greenfield or Brownfield opportunity. However, it appears from the schedule at Appendix L that the following Greenfield benchmark land values have been adopted:-

- Eastern, Central and Southern Areas - £200,000 - £225,000 per net acre
- Northern Areas - £80,000 to £90,000 per net acre
- Western Areas - £100,000 per net acre

- 5.15 The Consortium, based on their own direct evidence which is supported by market evidence held by Savills, consider this range of values to be very much at the lower end of land owner expectations and prices paid for Greenfield residential development land in Caerphilly and does not account for the higher values supported by existing use values for previously developed land.
- 5.16 This indicates that the viability assessment should use a higher benchmark land value to test whether the CIL charging schedule will put housing delivery at serious risk and our evidence points to benchmark land values which represent the net average value per net developable acre (including the affordable housing land) for the site as a whole of:
- Eastern, Central and Southern Areas - £200,000 - £250,000 per net acre
  - Northern Areas - £100,000 to £150,000 per net acre
  - Western Areas - £150,000 - £200,000 per net acre

#### Sales Values

- 5.17 We understand that DVS have based their average sale prices on extensive comparable evidence which is available to them via Stamp Duty Land Tax Returns. Based on the sample sites within the Councils geographical area the range of sales rates adopted is as follows:-
- Eastern, Central and Southern Areas: £1,505 - £1,777 psm (£140 - £165 psf)
  - Northern Areas - £1,253 - £1,260 psm (£116 - £117 psf)
  - Western Areas - £1,302 psm (£121 psf)

We concur that the sales rates adopted are reasonable and appropriate as average sales values in each geographical area.

#### Sales Rates

- 5.18 It is not clear what sales rates assumptions DVS has included in its viability assessment, and whilst sales rates will depend on a number of influencing factors, based on evidence available from the consortium members it is concluded that a reasonable estimate of sales rates is between 25 and 35 dwellings per annum, but with the likelihood that this could decrease to 20 dwellings per annum in the northern part of the Borough.

- 5.19 The sales rate assumptions will affect the cash flow of a development and therefore the residual land value and the viability of the proposed CIL rates, particularly for larger schemes.

#### Build Costs & Infrastructure

- 5.20 The principle of estimating the build costs from the RICS Build Cost Information Service after adjusting for location and allowing a contingency is accepted.
- 5.21 BCIS costs do not allow for the costs of external works and infrastructure and whilst DVS suggest that some of the evidence forming the BCIS construction rates already reflect the additional rates required to build to Code for Sustainable Homes Level 3 requirements, it must be remembered that (i) the sample is taken from England and Wales and as a result the requirements in England are lower than in Wales and (ii) the number of dwellings constructed to Code 3 plus is currently very limited. As a result, we are firmly of the view that BCIS build costs are insufficient to cover the additional costs for building new homes to Level 3 + 1 credit ENE1.
- 5.22 Full regard must also be given to the additional costs which will result from the Welsh Governments (WG) stated policy intentions for proposed improvement in Part L (40% improvement) and providing fire sprinklers into new homes in Wales from 2013. Despite WG confirming that developers seeking land for development beyond 2014/15 should take a cautious approach and should plan for both the inclusion of a 40% improvement and residential sprinklers in their bid assumptions, the DVS viability study has made no allowance for these additional costs which we consider entirely inappropriate.
- 5.23 As part of the consultation document for the proposed change to Part L of Building Regulations and Fire Sprinklers, there was documentation that provided information on potential additional construction costs for the proposed changes. The average additional costs per dwelling are set out below:-
- 25% Reduction - £3,300
  - 40% Reduction - £4,200
  - Sprinklers - £3,075

- 5.24 In their appraisal, DVS have applied an additional 17.5% of core construction costs for external works and infrastructure costs, to include the additional sustainability requirements of the Welsh Government (to Level 3 + 1 credit ENE1) but with no separate allowance for abnormal development costs or additional costs reflecting the above proposed changes.
- 5.25 According to the Homes and Communities Agency, analysis completed by BCIS for the Housing Corporation in 2007 indicated that the average cost of external works and infrastructure on residential schemes started since 2003 was equivalent to an additional 27% of building costs, including a wide range of site specific circumstances.
- 5.26 The Communities and Local Government Agency undertook a “Code for Sustainable Homes Cost review in August 2011 which considered the “extra over” amount for complying with various Code levels. This provided a mean average additional cost for all house types of £2,601 to meet Code level 3 and £5,300 to reach Code level 4. WG also make allowances within their viability analysis for developing to the Welsh Government’s Standard set out by TAN 22 which allows an average of £3,833 per dwelling.
- 5.27 Given the requirement for Sustainable Urban Drainage (SUDS) on virtually all development sites in Wales, we consider it important to make a cost allowance for providing SUDS solutions and again the WG viability analysis assumed an average cost of £500 per dwelling, which the Consortium members consider to be a conservative estimate.
- 5.28 Whilst it is accepted that it is difficult to predict the level of abnormal costs on any given site, the reality is that given the very nature of the location and the Brownfield priority of the LDP, a significant number of sites in the Caerphilly area will be subject to abnormal development costs.
- 5.29 HBF have recently undertaken consultation with their membership in respect of costs associated with site remediation and addressing abnormal constraints. Some of the costs were estimates, whilst others were actual costs taken from recently developed sites. The costs ranged from £115,000 per gross acre for more straightforward sites, to over £400,000 per gross acre for more difficult sites. On average, from the list of sample sites provided, and from comments received, the average costs was considered to be approximately £220,000 per gross acre. A schedule of the sample sites is attached at **Appendix 1**.
- 5.30 Further to the above, HBF also received reports from Integral Geotechnique and Arup outlining a summary of the typical costs of remediating sites in Wales. We enclose a copy of both reports in **Appendices 2 and 3**. As you can see from these reports, the organisations are professional consultancies that specialise in site remediation and the



redevelopment of housing sites. Both organisations have extensive experience and expertise in developing land in many areas of Wales for a variety of different clients and therefore, we have no doubt that the cost estimates provided within these reports are robust and accurate. As can be seen from the reports, the typical costs range between £175,000 to £325,000 per gross acre, which on average works out at £250,000 per gross acre. However, it is evident from the advice given within the reports that due to topography and the general nature of development sites in Wales, the actual costs could be well in excess of the figures quoted. As such, we believe this should be considered a conservative estimate and given the Brownfield priority comprised within the Council's LDP, it is imperative that abnormal costs are fully accounted for in undertaking viability studies for informing CIL charging schedules.

5.31 Based on this information, we consider that an allowance of 17.5% only allows for a proportion of site costs and we consider the appropriate basis of assessment would be to allow the following costs:-:

- A base allowance of 15% of core costs to cover site wide infrastructure and utilities
- An additional cost of £3,833 per dwelling to cater for Level 3 + 1 credit ENE1
- An additional cost of £4,200 per dwelling to cater for proposed Part L improvements
- An additional cost of £3,075 per dwelling to cater for proposed fire sprinklers
- An additional cost of £500 per dwelling to cater for SUDS
- An additional average cost of £250,000 per acre to cater for abnormal costs

#### Other Costs

5.32 No allowance has been made in the DVS appraisal for marketing costs. It is normal practice for housebuilders to provide showhomes, sales staff and marketing material to aid disposal and the Consortium consider that an allowance of at least 4% of GDV is allowed for within the appraisal to reflect sales and marketing costs.

5.33 No allowance for planning promotion costs has been made within the DVS viability assessment, and whilst the extent of this will vary depending on the nature of the site, cost allowances should be reflected within the appraisal.

### Developer Profit

- 5.34 Developer profit in the DVS study has been assumed at 17.5% on GDV for the private housing and 4.76% on GDV on the affordable housing for all site typologies. The LHDG guidance states (on page 36) that:

*“As with other elements of the assessment, the figures used for developer return should also be considered in light of the type of sites likely to come forward within the plan period. This is because the required developer return varies with the risk associated with a given development and the level of capital employed. Smaller scale, urban infill sites will generally be regarded as lower risk investments when compared with complex urban regeneration schemes or large scale urban extensions.”*

- 5.35 The levels reflected in the DVS study are lower than the returns required by the vast majority of developers and, as importantly, their funding partners are able to accept, because of the scarcity and cost of development finance. A more realistic developer profit on market sales, based upon the current risks in house building is a minimum of 20% of GDV, with higher figures more appropriate for riskier sites.
- 5.36 The profit level suggested by DVS for the affordable housing element of 4.76% is set at a totally unacceptable level. Given that grant is no longer available in the majority of cases, the private housing element of any development is subsidising the provision of affordable housing with the affordable land element having a negative land value. Based on the fixed transfer values set at appendix 3 of Caerphilly’s SPG on affordable housing, the transfer value of a 4P3B dwelling is £56,185, which based on the DVS assumption would yield a profit to the developer of £2,674. This is an untenable position and as a result, the profit level of the affordable element should be the same as that for the private element of the scheme.

### Finance Costs

- 5.37 The DVS adopt a debit finance rate of 6%, which when taking account of entry, exit and monitoring fees we consider to be slightly lower than the current market dictates and we consider a rate of 7% to be more appropriate. In addition, the DVS adopt a credit rate of 5.2% based on the “opportunity cost” of scheme revenue and we consider this level of credit rate to be wholly unacceptable in the current lending markets where there has to be a

reasoned balance between the amount of reserves used to pay down debt and that reinvested into the housebuilding business.

### S106 Costs

- 5.38 Whilst the DVS viability assessment has assumed policy compliant affordable housing provision in some instances, this is not consistent throughout the study. Also, no additional Section 106 costs have been included, whereas in reality there are likely to be site specific circumstances where Section 106 payments are sought to mitigate the impact of development.
- 5.39 Whilst it is appreciated that a number of the existing planning obligations will no longer be sought via S106 contributions from April 2014 (including the Caerphilly Basin Strategic Highway Network Contribution), other obligations such as on-site provision of Play Space, site access improvements and education contributions will still be sought where appropriate and this should therefore be catered for within the viability appraisals that inform the CIL rates. In previously providing affordable housing viability assessments, the Council made assumptions of what S106 obligations and associated costs would be required in addition to affordable housing requirements and concluded that a rate of £8,500 per plot would be appropriate in the Caerphilly Sub Market and £5,000 per plot in other areas.
- 5.40 It is recognised that these costs will include strategic infrastructure provision, especially the Caerphilly Sub Market obligation as this will include a provision of £5,500 for the Strategic Highway Network Contribution, but based on this information it is reasonable to allow within a viability appraisal a S106 obligation of between £3,000 and £3,500 per dwelling in addition to the CIL provision and these costs should be factored into the appraisal so that their full impact on the cashflow can be recognised.

### Overall

- 5.41 The Consortium consider that there are a number of considerations that need to be made in respect of the Economic Viability Assessment provided by DVS as outlined in this submission before it can be considered as sufficient evidence to justify its conclusions and those of the Council in setting its Draft Charging Schedule. They are particularly concerned that in addressing these comments that the viability buffer between the rates proposed in the DVS report and those draft charges set by the Council are significantly eroded to place the delivery of sufficient housing development in the Borough severely at risk.

## 6.0 Conclusions

6.1 This Representation has been prepared by Savills in conjunction with HBF on behalf of a landowner and developer Consortium comprising:

- Llanmoor Homes
- Persimmon Homes/Charles Church
- Redrow Homes
- Taylor Wimpey

known as the 'Consortium'.

6.2 Savills recognises that Local Authorities in setting the rate of CIL need to strike an appropriate balance between the desirability of funding from CIL against the potential effects of the imposition of CIL on the economic viability of development (Regulation 14(1) of the 2010 Community Infrastructure Levy, England and Wales Regulations (as amended)). Based on this, our clients are of the view that a number of considerations which are addressed within our consultation response need to be made in respect of the Economic Viability Assessment provided by District Valuer Services (DVS) before it can be considered as sufficient evidence to justify its conclusions and those of the Council in setting its Draft Charging Schedule.

6.3 There are a number of matters which need to be addressed before the publication of the next stage Draft Charging Schedule. It would therefore be prudent and essential for the following actions to be pursued:

- A review of the inputs into the DVS viability assessment to consider their robustness and therefore the appropriateness of the proposed charging rates for CIL.
- Outline the necessary supporting documentation to ensure the effective implementation and operation of CIL (for example policy on relief and instalments) and consider the linking of instalment payments to the delivery of housing numbers as opposed to fixed timescales.
- Provide clarity on whether administration costs have been factored as additional to the CIL rate and whether this is in the spirit of the Regulations and CLG guidance.

- Consider the inclusion of English Medium Education (Primary & Secondary) and Welsh Primary Education on the S123 Infrastructure List.
- Clarify the definition of Off Site Leisure Facilities and confirm that it includes sports fields, pitches and formal recreation provided in association with new school provision, so that land acquisition and provision is funded through CIL.
- Meet with consortium members prior to the next stage of Draft Charging Schedule.

## **APPENDIX 1**

## Appendix 1

### Evidence from HBF members on the average cost of remediating sites and addressing abnormal constraints

#### Developer no.1

- Site 1 - A former steelworks - £263k per acre.
- Site 2 – Industrial site without contamination - £130 per acre.
- Site 3 - Site in Aberdare including raising site - £205k per acre.
- Site 4 - Site in the Vale of Glamorgan - approx £400k per acre.
- **Average £250k per acre**

#### Developer no.2

Sites are relatively straightforward and some have benefited from prior remediation

- Site 1 - Park Road - £115k per acre
- Site 2 - Bagworth - £134k per acre
- Site 3 - Cleobury Mortimer - £147k per acre
- Site 4 - Yatley - £169k per acre
- Site 5 - Humberstone - £227k per acre
- **Average - £159 per acre**

#### Developer no.3

- £250k per acre is reasonable

#### Developer no.4

- Site 1 – Former factory, contaminated site - £439335 per acre
- Site 2 – Sloping site, largely made ground - £192908 per acre
- Site 3 – Sloping greenfield site - £164500 per acre
- **Average - £265581 per acre**

## **APPENDIX 2**



## Appendix 2

# Evidence to support the estimated cost of remediating sites and addressing abnormal constraints

## Report from Arup

Your ref  
Our ref  
File ref



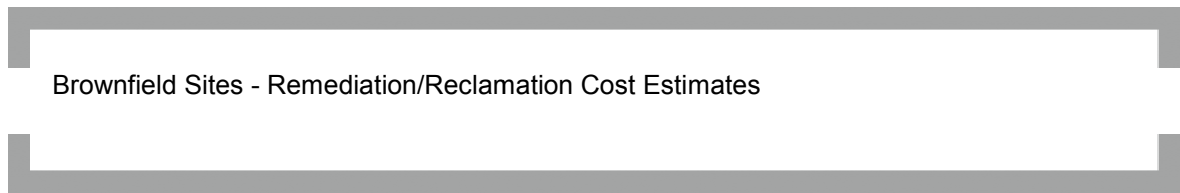
### **By Post & Email**

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For the attention of Richard Price

Dear Sir



Brownfield Sites - Remediation/Reclamation Cost Estimates

Along with Integrale Geotechnique we have been approached by a number of major house builders in South Wales to confirm to you typical costs for the remediation/reclamation works on brownfield sites.

Arup has been involved in the remediation and redevelopment of many of the brownfield sites in South Wales. We have assisted a number of clients e.g. BP, ABP, Welsh Development Agency, in the investigation and development of remediation strategies for approval by the relevant Authorities; subsequently the detailed design, construction supervision and validation of the remediation works. Many of these sites have been or will be developed for housing such as Rhoose Point, Waterfront, Barry, Coed D’Arcy, Maesteg Washery and Llanilid.

We have successfully developed remediation proposals to address various types and quantities of contamination using appropriate methods agreed with the regulatory authorities.

Due to this variation in the nature of the contamination methods used the consequent cost varied from site to site. This cost was also affected by the size of the site (smaller the site, the higher the cost per acre), the historic use of the site and the risk posed to the environment. Reclamation/remediation costs for sites where residential development was proposed were generally higher than for other uses, particularly where domestic gardens were proposed.

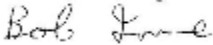
As such, from our experience, the reclamation/remediation costs, including demolition of disused buildings varied between typically £100K to £250K per acre. In exceptional circumstances with highly contaminated sites the remediation costs could exceed £250K/acre.

The above costs do not include for special measures to be incorporated by the developer to address the specific ground conditions. Based on an average of 15 units per acre, a typical cost per acre for these abnormalities would be circa £75K. This covers raft foundations at £2,500 per unit extra over normal strips, £750 per unit for gas barrier in the slab and importation of 600mm thick clean subsoil/topsoil in the gardens.

Therefore, the total cost of remediation/reclamation works and developers' abnormalities for development of brownfield sites for housing would be circa £175K to £325K per acre.

If you require further clarification or information please contact us. Hopefully the above provides a reasonable guide.

Yours faithfully



Bob Irvine  
Director

## **APPENDIX 3**

VZ/JL

22 October 2012

Planning and Policy Advisor - Wales  
Home Builders Federation  
PO Box 2512  
Cardiff  
CF23 0GB

**For the attention of Mr Richard Price**

Dear Sir,

## **Brownfield Sites – Remediation/Reclamation Cost Estimates**

We have been approached by a number of major house builders in South Wales to write and confirm to you typical costs for the remediation/reclamation works of brownfield sites.

For many years our company has been acting as the Geotechnical and Geoenvironmental Consultant to a great number of house builders for the regeneration and redevelopment of brownfield sites. We have a good track record for dealing with many types of brownfield sites including iron and steelworks, chemical works, scrap yards, shipyards, railway sidings, disused factories, colliery sites, mine spoil heaps, gasworks, landfills, paint and tar works etc.

The typical remediation/reclamation cost per acre depends on the following:

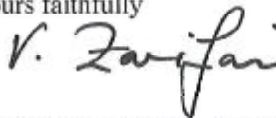
1. The size of site (the smaller the site, the higher the cost per acre).
2. The type/category of the sites historic use.
3. The level of risk that the site poses to the environment (e.g. if the site is adjacent to a river or near to controlled waters, then there is a potentially high risk of environmental impact).

However from our experience, the reclamation/remediation costs, including the demolition of disused buildings, could vary between typically £100k and £250k per acre. In the case of highly and extensively contaminated sites such as oil refineries and tar plants, the remediation costs could be much greater than £250k per acre.

In addition to the above remediation/reclamation costs, many brownfield sites have additional abnormal development costs associated with the need for other requirements such as piled/reinforced concrete raft foundations, ground gas protection barriers, importation of clean subsoil/topsoil etc.

We trust that the above is a useful guide. If you should have any queries or require any further information, please do not hesitate to contact us.

Yours faithfully



**Vahe Zarifian B.Sc., M.Sc., D.I.C., M.I.C.E., C.Eng.**