



For Office Use	
Representor Number	4555
Accession Number	23
Representation Number	

Representation Form

CIL Draft Charging Schedule

With Draft Reg 123 List & Draft Instalments Policy

Completed Forms should be returned on or before:
Wednesday 1 May 2013

To:
The Strategic And Development Planning Team
Caerphilly County Borough Council
Pontllanfraith House, Blackwood, NP12 2YW

Further copies of this form can be obtained from the Strategic & Development Planning Team,
or you can photocopy this form.

Contact Details

	Personal Details	Agent Details (If Applicable)
Title	HBF with consortium of house builders	Mr
First name		Scott
Surname		Caldwell
Job Title (If Applicable)		Director
Organisation (If Applicable)		Savills (UK) Ltd
Address		[REDACTED]
Postcode		[REDACTED]
E-Mail Address		[REDACTED]
Telephone Number		[REDACTED]

1(a) Do you agree that the assumptions and/or methodology set out in the Viability Report are Robust?

Yes

No

(please tick as appropriate)

1(b) If not what are your reasons for this?

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

(please tick as appropriate)

3(a) Do you agree with the principal of identifying three distinct charging zones for Residential development?

Yes

No

(please tick as appropriate)

3(b) If you agree with the principle of identifying 3 zones, do you agree with the boundaries that have been drawn for each of the three Areas?

Yes

No

(please tick as appropriate)

3(c) If not can you outline what boundaries should be used for the zones, and what they are based on.

3(d) Do you agree with differential rates that have been set for each of the zones?

Yes

No

(please tick as appropriate)

3(e) If not which rates do you disagree with and what are your reasons for this?

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

4(a) Do you agree with the principle of setting flat rates across the county borough for Class A1 and A3 uses and for Primary Healthcare Development?

Yes

No

(please tick as appropriate)

4(b) If not what are your reasons for this?

4(c) Do you agree with the rate set for Class A1 Uses?

Yes

No

(please tick as appropriate)

4(d) Do you agree with the rate set for Class A3 Uses?

Yes

No

(please tick as appropriate)

4(e) Do you agree with the rate set for Primary Healthcare development?

Yes

No

(please tick as appropriate)

4(f) If not what are your reasons for this?

5(a) Do you agree with the proposed £0 rate for Class B1, B2, B8 and D2 uses?

Yes

No

(please tick as appropriate)

5(b) If not what are your reasons for this?

6(a) Do you agree that the proposed level of CIL strikes an appropriate balance between the desirability of funding necessary infrastructure and site viability?

Yes

No

(please tick as appropriate)

6(b) If not what are your reasons for this?

7(a) Do you agree with the Regulation 123 List set out in the Draft Charging Schedule.?

Yes

No

(please tick as appropriate)

7(b) If not what are your reasons for this?

8(a) Do you agree with the Council's Draft Instalments Policy?

Yes

No

(please tick as appropriate)

8(b) If not what are your reasons for this?

We would prefer to see instalments linked to housing delivery but we understand that the regulations prevent this?

9 As a representor you have the right to request to be heard by the Examiner at the Examination of the CIL. Can you please indicate whether you would like to:

Appear at the Examination to give evidence

(please tick as appropriate)

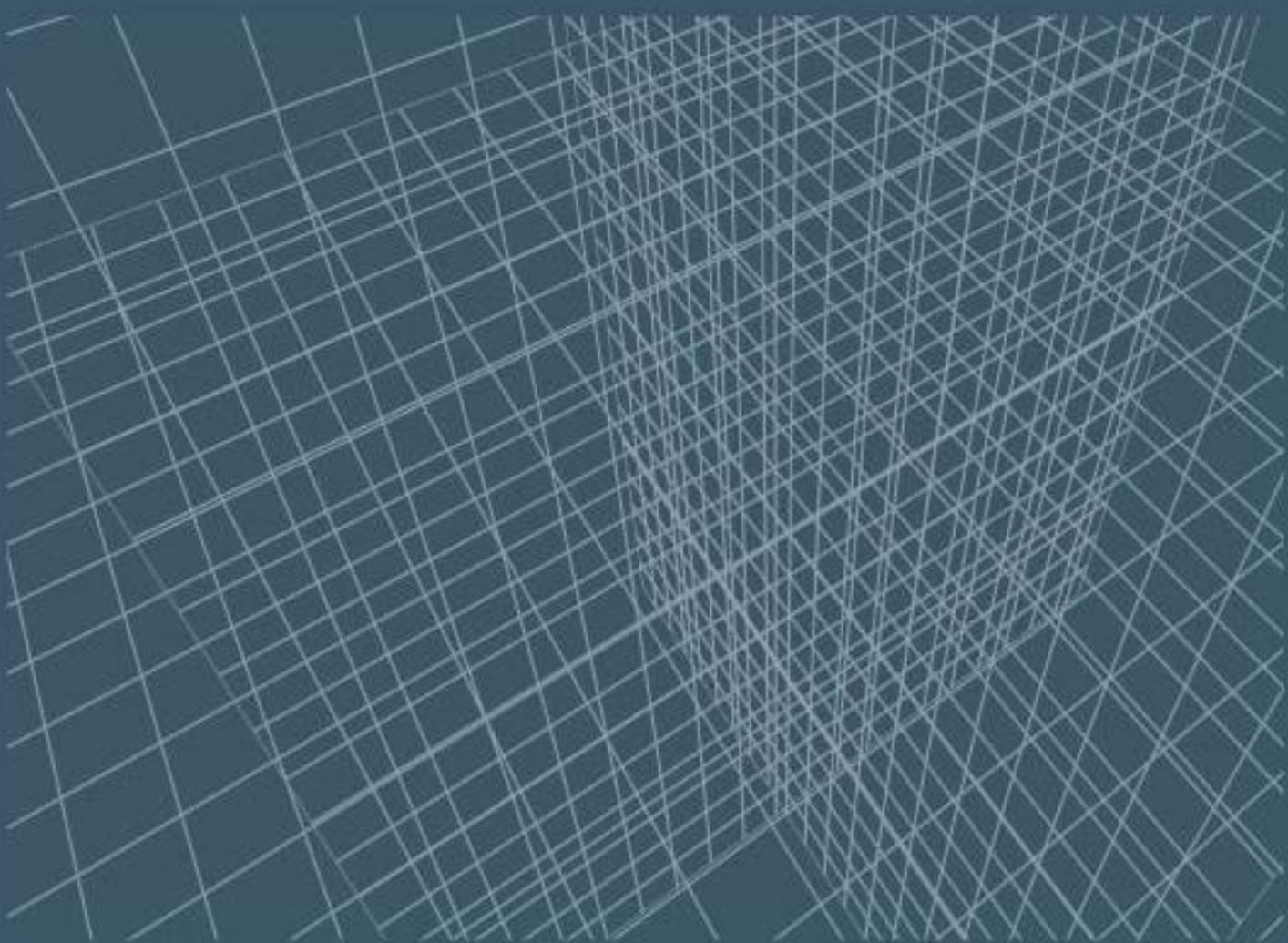
Rely upon Written Submissions to the Examination

Thank you for taking the time to comment on the Council's proposals for
Community Infrastructure Levy

Please note all representations received will be made available for public inspection and
CANNOT be treated as confidential.

NB Any commercially sensitive information submitted in support of a representation should be clearly marked as such. Such information will be treated as confidential and will only be released to the appointed Examiner as part of the examination process.

CONSULTATION RESPONSE
CAERPHILLY COUNTY BOROUGH COUNCIL
COMMUNITY INFRASTRUCTURE LEVY (CIL) DRAFT
CHARGING SCHEDULE



In Conjunction with HBF for
the Housebuilder Consortium

30 April 2013



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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 Draft Charging Schedule, Infrastructure List and Preliminary Draft Charging Schedule Report of Consultation.

Our representation relates only to residential development.

- The Consortium are pleased to see that as a result of their submission to the Preliminary Draft Charging Schedule that all Education (School) provision has been included as Social Infrastructure within the Draft Regulation 123 List of Infrastructure.
- The Consortium stand by the comments raised in response to the consultation on the Preliminary Draft Charging Schedule relating to the inputs and validity of the Councils' evidence base on development viability.
- We present further evidence as part of this submission which demonstrates the effect of the proposed CIL levy on development in the Borough taking account of realistic development costs and allowing for the costs of complying with the proposed changes to Part L and the inclusion of Fire Sprinklers, whilst providing a policy compliant affordable housing provision. The Welsh Government have stated to the industry that in acquiring land for future development, they must include the agreed Part L and Fire Sprinkler costs in their viability assessments and as such, they should be accounted for in assessing viability for CIL.
- Our assessment identifies that the impact of the proposed CIL rates on residual land values for residential development in the Borough is a 50% reduction off Greenfield benchmark land values which is likely to prevent landowners from releasing land for sale and therefore puts the delivery of sufficient housing development to meet housing demand in the Borough at risk.

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 Draft Charging Schedule placed for public consultation in the period 20 March to 1 May 2013.

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 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).

1.6 The Consortium therefore considers that it is imperative that the evidence supporting CIL provides an up to date, consistent and well informed evidence base of economic viability in order to test various scenarios against CIL rates.

2.0 Draft Regulation 123 List of Infrastructure

- 2.1 We note that the Council is seeking comments in respect of the Draft Regulation 123 List, and whilst we acknowledge that this is not subject to the same requirement for consultation as the CIL charging schedule, we set out our comments below.
- 2.2 The Consortium welcomes the inclusion of all Education (School) provision within the Draft Regulation 123 List of Infrastructure, as this creates greater certainty in the delivery of residential development.
- 2.3 The Consortium welcome the additional clarity provided in respect of the definition of Off-Site Formal Leisure Facilities which includes playing pitches and associated changing facilities, Multi-use games areas and Neighbourhood Equipped Areas of Play.
- 2.4 The Consortium also welcomes the additional clarity in respect of the relationship with S106 developer contributions.

3.0 Response to Report on Consultation (Viability)

3.1 This document does not intend to re-state the comments made in our earlier consultation response which the Consortium consider to remain valid, but instead responds to the points made in the Councils' Report of Consultation and provides additional information to support our position.

3.2 Allowance for S106 Costs within the viability appraisal

We note that the Council state that “in Caerphilly, only 1 in 5 planning applications are subject to S106 contributions. As a result, the vast majority of planning applications (80%) are unaffected by S106 costs”. However, this takes no account of the extent of applications which are considered domestic (household extensions etc) and/or are small scale in nature, and which by their nature will be largely unaffected by CIL. We expect a significant majority of planning applications fall within this category and as such, this statistic is misleading.

We accept that on implementation of CIL, the Caerphilly Basin Strategic Highway Network Obligation will no longer be payable in addition to CIL but the Councils' Draft Regulation 123 List of Infrastructure clearly states under Section 5 that “the Council will continue to secure planning obligations where they are necessary to remove obstacles to planned development and are therefore critical to the delivery of the site, for example to provide site access, flood protection and wildlife protection measures and for on-site leisure provision such as open space, local areas for play (LAPs) and local equipped areas for play (LEAPs). Further s106 contributions may still be sought for infrastructure where:

- 1) It can meet the above tests; and
- 2) The Council has indicated that this type of infrastructure item will not be funded through CIL”.

It is unrealistic therefore to assume that those schemes which are clearly more affected by CIL, such as volume residential development sites are unlikely to have any additional S106 mitigation works or obligations attached to them and as such, we remain of the view that an allowance for S106 costs should be applied within the viability assessment, before considering the viability buffer and we contend that £1,000 per dwelling remains a reasonable assumption.

3.3 Typical Development Costs – South Wales

The Councils viability analysis contends that BCIS build costs plus 17.5% is sufficient to cater for typical development costs. However, we contend that this is not a sufficient allowance for most residential development in the Borough, principally as a result of the Brownfield nature of most opportunities and that costs normally considered as “abnormal” are much more typical in the region and in most instances become normal development costs.

The Consortium have undertaken further analysis of 6 recent developments in the neighbouring authority of Rhondda Cynon Taff CBC which identifies “external and additional site costs” ranging between 25 and 35% of base build cost. A copy of this analysis is provided at **Appendix 1**.

These levels accord with the Homes and Communities Agency analysis completed by BCIS for the Housing Corporation in 2007, which 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. In addition, the viability analysis undertaken by GVA for Torfaen Council in respect of the South Sebastopol development further supports this position.

We consider it appropriate therefore to make allowances of at least 27% of base build costs within the viability appraisal to cater for typical development costs to comply with current regulatory requirements in the region.

3.4 Improvements to Building Regulations Part L and Requirement for Fire Sprinklers

The Council accept that their cost assumptions do not allow for the entire costs for providing the proposed improvements to Part L or provision of Fire Sprinklers and whilst we accept that these changes have not been confirmed to date, the Welsh Government have stated to the industry that in acquiring land for future development, they must include the agreed Part L and Fire Sprinkler costs in their viability assessments and as such, they should be accounted for in assessing viability for CIL.

The Welsh Government have agreed that the likely costs of compliance amount to £7,275 per plot (£3,075 for sprinklers and £4,200 for Part L) and have required these costs to be accounted for in recent affordable housing viability assessments. Therefore the position should be no different for CIL assessments.

4.0 Savills Viability Assessment

4.1 In order to demonstrate the impact that the proposed CIL levy will have on development, we have set out two sample appraisals, one in the Northern Connection Corridor (25% affordable), attached at **Appendix 2** and the other in Caerphilly Basin (40% affordable), attached at **Appendix 3**.

4.2 The assumptions adopted, are based upon the following:

1. **Sales Values** - £185psf (Caerphilly Basin) and £170psf (Northern Connection Corridor)
These values are considered the highest average achievable in these locations.
2. **Affordable** – No Grant available
3. **Densities** – 14 units per acre/14,500 sq ft per acre
4. **Sales Rates** – 2.5 units per month
5. **Build Costs** – BCIS (£70psf)
6. **Contingency** – 3% of cost
7. **External Costs** – 27% of base build costs (amounts to £275,000 per acre)
8. **Part L & Fire Sprinklers** - £7,275 per plot
9. **Developers Profit** – 20% of GDV (Market Housing) & 6% (Affordable)
10. **Purchasers Costs** – 5.5% (Stamp Duty, Agents & Legals)
11. **Professional Costs** – 8% of cost
12. **Sales & Marketing Costs** – 3.5% of GDV
13. **Finance Debit Rate** – 7%

4.3 The residual land value for each appraisal, prior to the deduction of the proposed CIL levy and additional S106 costs amount to between £147,000 and £167,000 per net developable acre. This is below the benchmark land values identified in the Councils' viability report.

4.4 When the proposed CIL levy and £1,000 per plot additional S106 costs are deducted from the residual value, this reduces the residual value to between £106,000 and £115,000 per net developable acre which is approximately 50% lower than the benchmark land values identified in the Council's viability report and at that level unlikely to encourage landowners to bring forward land for development, particularly where they are in an existing use.

5.0 Conclusions

- 5.1 The Consortium are pleased to see that as a result of their submission to the Preliminary Draft Charging Schedule that all Education (School) provision has been included as Social Infrastructure within the Draft Regulation 123 List of Infrastructure.
- 5.2 The Consortium stand by the comments raised in response to the consultation on the Preliminary Draft Charging Schedule relating to the inputs and validity of the Councils' evidence base on development viability.
- 5.3 It is unrealistic to assume that those schemes which are more affected by CIL, such as volume residential development sites are unlikely to have any additional S106 mitigation works or obligations attached to them and as such, we remain of the view that an allowance for S106 costs should be applied within the viability assessment, before considering the viability buffer and we contend that £1,000 per dwelling remains a reasonable assumption.
- 5.4 The Welsh Government have stated to the industry that in acquiring land for future development, they must include the agreed Part L and Fire Sprinkler costs in their viability assessments and as such, they should be accounted for in assessing viability for CIL.
- 5.5 Our assessment identifies that the impact of the proposed CIL rates on residual land values for residential development in the Borough is a 50% reduction off Greenfield benchmark land values which is likely to prevent landowners from releasing land for sale and therefore puts the delivery of sufficient housing development to meet housing demand in the Borough at risk.

Appendix 2

Savills

Development Appraisal

Caerphilly Northern Connection Corridor 50 Unit - Test Scheme for CIL

Report Date: 30 April 2013

APPRAISAL SUMMARY

SAVILLS

Caerphilly Northern Connection Corridor 50 Unit - Test Scheme for CIL**Summary Appraisal for Merged Phases 1 2****REVENUE**

Sales Valuation		Units	ft²	Rate ft²	Unit Price	Gross Sales
Market Housing	37	41,915	£170.00	£192,582	7,125,550	
2 Bed House	5	3,150	£76.98	£48,498	242,490	
3 Bed House	6	4,500	£79.08	£59,312	355,872	
4 Bed House	2	2,200	£66.95	£73,640	147,280	
Totals	50	51,765			7,871,192	

NET REALISATION**7,871,192****OUTLAY****ACQUISITION COSTS**

Residualised Price (3.57 Acres £147,713.16 pAcre)				527,336
Stamp Duty	4.00%	35,463		
Agent Fee	1.00%	8,866		
Legal Fee	0.50%	4,433		
				576,098

CONSTRUCTION COSTS

Construction		ft²	Rate ft²	Cost
Market Housing	41,915	£70.00	2,934,050	
2 Bed House	3,150	£70.00	220,500	
3 Bed House	4,500	£70.00	315,000	
4 Bed House	2,200	£70.00	154,000	
Totals	51,765		3,623,550	3,623,550

Contingency	3.00%	108,707		
External Allowances (27% of build)		978,358		
				1,087,065

Other Construction

Part L & Fire Sprinklers	37 un	7,275.00 /un	269,175	
Part L & Fire Sprinklers	13 un	7,275.00 /un	94,575	
				363,750

PROFESSIONAL FEES

Other Professionals	8.00%	256,258		
Other Professionals	8.00%	62,726		
				318,984

MARKETING & LETTING

Marketing	3.00%	213,767		
				213,767

DISPOSAL FEES

Sales Legal Fee	37 un	750.00 /un	27,750	
Sales Legal Fee	13 un	500.00 /un	6,500	
				34,250

FINANCE

Debit Rate 7.000% Credit Rate 0.000% (Nominal)				
Total Finance Cost				137,239

TOTAL COSTS**6,354,702****PROFIT****1,516,490****Performance Measures**

Profit on Cost%	23.86%
Profit on GDV%	19.27%
Profit on NDV%	19.27%

IRR 54.25%

Profit Erosion (finance rate 7.000%) 3 yrs 1 mth

Residual Value - £527,336**Less CIL Levy - £ 97,350****Less S106 - £ 50,000****Residual Value- £379,986 (£106,000 per acre)**

Appendix 3

Savills

Development Appraisal

Caerphilly Basin 50 Unit - Test Scheme for CIL with Part L & Fire Sprinklers

Report Date: 30 April 2013

APPRAISAL SUMMARY

SAVILLS

Caerphilly Basin 50 Unit - Test Scheme for CIL with Part L & Fire Sprinklers

Summary Appraisal for Merged Phases 1 2

REVENUE

Sales Valuation		Units	ft ²	Rate ft ²	Unit Price	Gross Sales
Market Housing	30	36,205	£185.00	£223,264	6,697,925	
2 Bed House	7	4,410	£76.98	£48,498	339,486	
3 Bed House	9	6,750	£79.08	£59,312	533,808	
4 Bed House	4	4,400	£66.95	£73,640	294,560	
Totals	50	51,765			7,865,779	

NET REALISATION

7,865,779

OUTLAY

ACQUISITION COSTS

Residualised Price (3.57 Acres £166,964.54 pAcre)				596,063	
Stamp Duty		4.00%	46,777		
Agent Fee		1.00%	11,694		
Legal Fee		0.50%	5,847		
				660,382	

CONSTRUCTION COSTS

Construction		ft ²	Rate ft ²	Cost
Market Housing	36,205	£70.00	2,534,350	
2 Bed House	4,410	£70.00	308,700	
3 Bed House	6,750	£70.00	472,500	
4 Bed House	4,400	£70.00	308,000	
Totals	51,765		3,623,550	3,623,550

Contingency		3.00%	108,706		
External Allowances (27% of build)			979,274		
				1,087,980	

Other Construction

Part L & Fire Sprinklers	30 un	7,275.00 /un	218,250		
Part L & Fire Sprinklers	20 un	7,275.00 /un	145,500		
				363,750	

PROFESSIONAL FEES

Other Professionals		8.00%	220,208		
Other Professionals		8.00%	98,776		
				318,984	

MARKETING & LETTING

Marketing		3.00%	200,938		
				200,938	

DISPOSAL FEES

Sales Legal Fee	30 un	750.00 /un	22,500		
Sales Legal Fee	20 un	500.00 /un	10,000		
				32,500	

FINANCE

Debit Rate 7.000% Credit Rate 0.000% (Nominal)					
Total Finance Cost				109,228	

TOTAL COSTS

6,397,312

PROFIT

1,468,467

Performance Measures

Profit on Cost%	22.95%
Profit on GDV%	18.67%
Profit on NDV%	18.67%

IRR 64.14%

Profit Erosion (finance rate 7.000%) 2 yrs 12 mths

Residual Value - £596,063

Less CIL Levy - £134,520

Less S106 - £ 50,000

Residual Value- £411,543 (£115,000 per acre)