



Further viability testing &  
review of proposed  
Community Infrastructure  
Levy in light of  
representations received  
by Caerphilly County  
Borough Council

Report for:

Caerphilly County Borough Council

Prepared by:

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### Introduction

1. The purpose of the instructions received from Caerphilly County Borough Council (abbreviated to "CCBC") is for DVS to undertake further viability testing in relation to CCBC's proposed Community Infrastructure Levy (CIL).
2. The need for this further viability testing is two-fold; Firstly, following completion of CCBC's draft CIL charging schedule the council has received representations from interested parties and these have led to the need for further testing to ensure that the representations are carefully considered and reflected upon. Secondly, CCBC's original CIL study was completed July 2012 (and thereafter published on the Council's website) and since then the property and development markets have seen improvements and so it is appropriate that the evidence base be refreshed and CCBC's proposed CIL charges reviewed in light of this.

### The further testing undertaken

3. The particular representations that CCBC sought my review of were received from the Home Builders Federation (via Savills' submissions of 30<sup>th</sup> April 2013; see **Appendix A** to the back of this note). These representations were provided in respect of the level of CIL charge proposed for Zone 3 (£40 per square metre is proposed within CCBC) and Zone 2 (£25 per square metre is proposed within CCBC). Savills provided indicative appraisals for "Caerphilly Basin" (Zone 3) and the "Northern Connection Corridor" (Zone 2).
4. A plan highlighting the location of the "Caerphilly Basin" and "Northern Connection Corridor" boundaries is included at **Appendix B**, and a further plan showing the proposed residential CIL Charging zones is held at **Appendix C**.

### Summary comments in respect of further testing related to representations made by Home Builders Federation and Savills

5. In respect of the appraisals undertaken, there are a number of appraisal inputs where Savills and I hold different views. In general, these differences are not substantial but cumulatively they do lead to a divergence in our overall viability views. During the consultation process these differences have been highlighted and discussed but no agreement has been reached.
6. Whilst I am unable to agree a number of Savills' viability inputs, discussions with CCBC have lead us to conclude that a positive approach in this review would be to, wherever possible, adopt Savills' general assumptions in the further viability work but focus on the inputs that lead to the greater divergences and are not easily reconciled. The inputs which cause greatest divergence in viability opinions are the allowances for Section 106 financial contributions, fire sprinklers (plus Part L of building regulations) and external works.
7. For the Section 106 input Savills include a £50,000 allowance (£1,000 per dwelling) in their appraisals. However, it is my view that this variable remains difficult to project with the interrelated s106 changes that will occur during the adoption of a CIL regime and therefore this variable is best accounted for in the development viability margin to be allowed.
8. With regard to Savills allowances for fire sprinklers and Part L, it is important to note that Savills latest submissions (to the Rhondda Cynon Taf CIL consultation process) include NO separately stated allowance for Part L. It is my view that such costs are already reflected within the construction cost allowances and as such I also exclude this element (£4,200 per dwelling, as per Savills representations).

9. The Welsh Government's proposals for fire sprinklers has led to an ongoing debate of the matter; which has no doubt played a role in the Government's decision to phase the introduction of these in January 2016, for new and converted dwellings. The Government has made it clear that the phasing is intended to;

*“Allow the house building industry to gain experience and skills, and [give] the sector the opportunity to innovate and reduce the costs of installing sprinklers” and that as a result of the phased approach it “will mean savings for the house building industry as compared to our original consultation proposals”.*

10. Given the change in the Welsh Government's timescale for introducing fire sprinklers in conventional housing, and their view that there will be savings on the costs noted within the original consultation proposals, it is considered there is no basis for including a cost of £3,075 per house. Furthermore, the CCBC CIL charging regime will have a stated review period and it is anticipated that any future regulatory changes could be considered at these junctures.
11. The final area of notable divergence between the Savills representations and myself is in respect of external works. Savills have adopted an allowance under this heading of 27% of the associated construction costs, which they have based on a sample of six development sites (ranging from 48 to 137 dwellings) brought forward by the Home Builders Federation (HBF) members in South Wales (see table forming Savills' "appendix 1" held at my **Appendix A**). The actual construction costs have not been provided but using a base rate of £70 per square foot (psf) Savills show the additional cost of external works range between 3.22% and 18.26% (average being average of 11.25%).
12. When abnormal development costs are added to the external works, the percentage additional cost range increases to 25% to 35% (with an average of 30.61%). In terms of pure external works the assumption in the original Study default of 17.5% is appears generous and it is only when other factors (i.e. abnormal costs) are included that the cost allowance increases (as shown in Savills submissions). The challenge is therefore what costs are regular enough to be considered "normal" and accordingly included in the external allowance and what abnormal elements should be accounted for using the viability buffer. In my further notional appraisals I have adopted an external works allowance of 20% (compared to Savills' 27% allowance), which I believe fairly reflects the generic and unknown nature of these notional sites now tested.
13. In connection with the above, I have undertaken four further viability appraisals and these are found at **Appendices D to G** to the back of this note. These four appraisals are based on the two Savills appraisals found in their April submissions (see Savills' "appendix 2" to back of my note at **Appendix A**). However, in addition to my previously stated input changes (to s106, fire sprinklers and external works), I have also reconfigured my appraisals to include a benchmark land value, as this is the most common approach to such viability testing (and has been adopted by Savills in their later representations to the Rhondda Cynon Taf CIL consultation process). In line with the original study assumptions, I have adopted benchmark land values of £200,000 per acre for the two notional sites.

14. My supplemental appraisals include, like Savills, a notional 50 dwelling scheme in the Caerphilly Basin area (**Appendix D**) and a 50 dwelling scheme in the Northern Connections Corridor (**Appendix E**). Unlike Savills' April submissions, I also include 100 dwelling appraisals for the Caerphilly Basin area (**Appendix F**) and Northern Connections Corridor (**Appendix G**). These larger development appraisals are included to illustrate the impact of development quantum and are in line with later submissions by Savills (to Rhondda Cynon Taf CIL consultation process).

Review of latest viability test results

15. The viability results generated from the four further viability appraisals (**Appendices D to G**) are found in the table included at **Appendix H** to the back of this note. Savills' April appraisals included no explicit viability buffer, but their latest submissions to the related Rhondda Cynon Taf CIL consultation process have included a 30% viability buffer. There are no prescribed levels for viability buffers but I understand that, where explicitly stated, other studies have adopted buffers of 10% or more. Nonetheless, for the purposes of illustrating the impact of the other differences I have adopted a 30% viability buffer in the supplemental viability testing that I have undertaken in response to Savills representations; as I believe this is the level which Savills would now propose.
16. In their Northern Connections Corridor appraisal Savills adopt a CIL rate of £20 per square metre (psm), but my versions of this appraisal show a CIL rate of £69-75 psm, which equates to £48-52 psm if a 30% viability buffer is applied. All of which appears to show the proposed £25 psm CIL rate as being very reasonable. I would also point out that the corresponding CIL charge equates to 1.59-1.60% of the total development cost (excluding the CIL charge itself).
17. In their Caerphilly Basin appraisal Savills adopt a CIL rate of £28 per square metre (psm), but my versions of this appraisal show a CIL rate of £78-87 psm, which equates to £55-61 psm if a 30% viability buffer is applied. All of which appears to show the proposed £40 psm CIL rate as being very reasonable. I would also point out that the corresponding CIL charge equates to 2.57-2.58% of the total development cost (excluding the CIL charge itself).

Conclusion

18. The Savills and HBF representations are of assistance but even if I adopt a number of their less contentious assumptions (e.g. development profit, finance costs, marketing etc) and focus my review upon the most disputed items (external works, fire sprinklers, s106) the viability testing still shows the proposed CIL rates as being reasonable.
19. I trust that the foregoing notes (and supporting appendices) are of assistance to your consideration of the representations received.

Yours faithfully

**Nick Tyldesley, BSc (Hons), MRICS**  
**Principal Development Surveyor**  
**DVS**

**List of Appendices- Overleaf>**

**List of Appendices**

**Appendix A-** Savills' Consultation response (30 April 2013) regarding CCBC CIL

**Appendix B-** Map showing boundaries to Caerphilly Basin and Northern Corridor

**Appendix C-** Map showing proposed CIL charging zones (Residential)

**Appendix D-** DVS version of Savills' Northern Corridors appraisal (50 units)

**Appendix E-** DVS version of Savills' Northern Corridors appraisal (100 units)

**Appendix F-** DVS version of Savills' Caerphilly Basin appraisal (50 units)

**Appendix G-** DVS version of Savills' Caerphilly Basin appraisal (100 units)

**Appendix H-** Tabulated summary of DVS CIL rates (with a 30% viability buffer) arising from appraisals at appendices D to G

# **Appendix A**



<b>For Office Use</b>	
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)
<b>Title</b>	HBF with consortium of house builders	Mr
<b>First name</b>		Scott
<b>Surname</b>		Caldwell
<b>Job Title (If Applicable)</b>		Director
<b>Organisation (If Applicable)</b>		Savills (UK) Ltd
<b>Address</b>		██████████ ██████████
<b>Postcode</b>		██████████
<b>E-Mail Address</b>		████████████████████
<b>Telephone Number</b>		██████████

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.



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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)

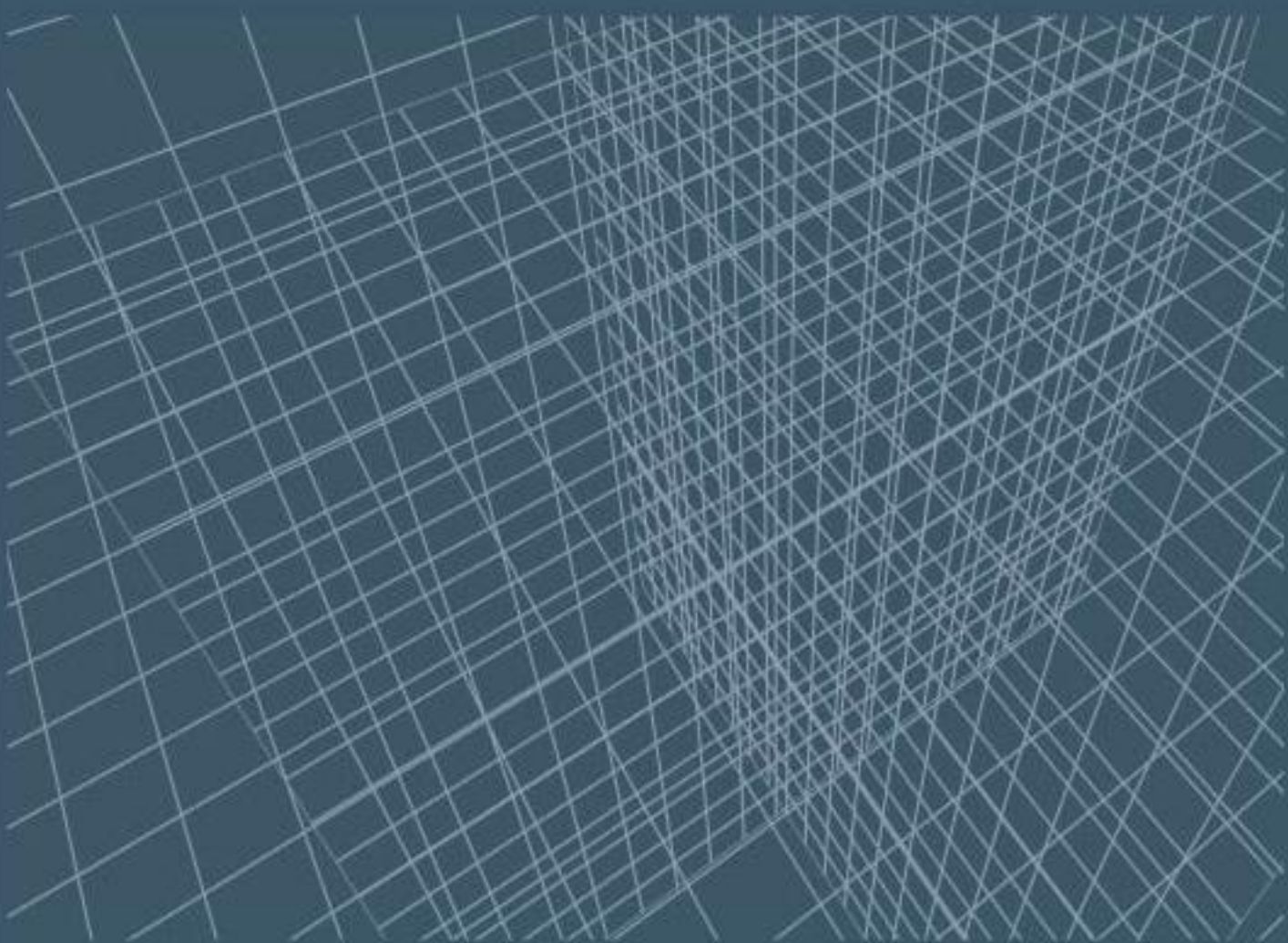
Rely upon Written Submissions to the Examination

**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 1**

## **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**

<b>Sales Valuation</b>		<b>Units</b>	<b>ft<sup>2</sup></b>	<b>Rate ft<sup>2</sup></b>	<b>Unit Price</b>	<b>Gross Sales</b>
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	
<b>Totals</b>	<b>50</b>	<b>51,765</b>			<b>7,871,192</b>	

**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**

<b>Construction</b>		<b>ft<sup>2</sup></b>	<b>Rate ft<sup>2</sup></b>	<b>Cost</b>
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	
<b>Totals</b>	<b>51,765</b>		<b>3,623,550</b>	<b>3,623,550</b>

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 <sup>2</sup>	Rate ft <sup>2</sup>	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	
<b>Totals</b>	<b>50</b>	<b>51,765</b>			<b>7,865,779</b>	

#### 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 <sup>2</sup>	Rate ft <sup>2</sup>	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	
<b>Totals</b>	<b>51,765</b>		<b>3,623,550</b>	<b>3,623,550</b>

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**

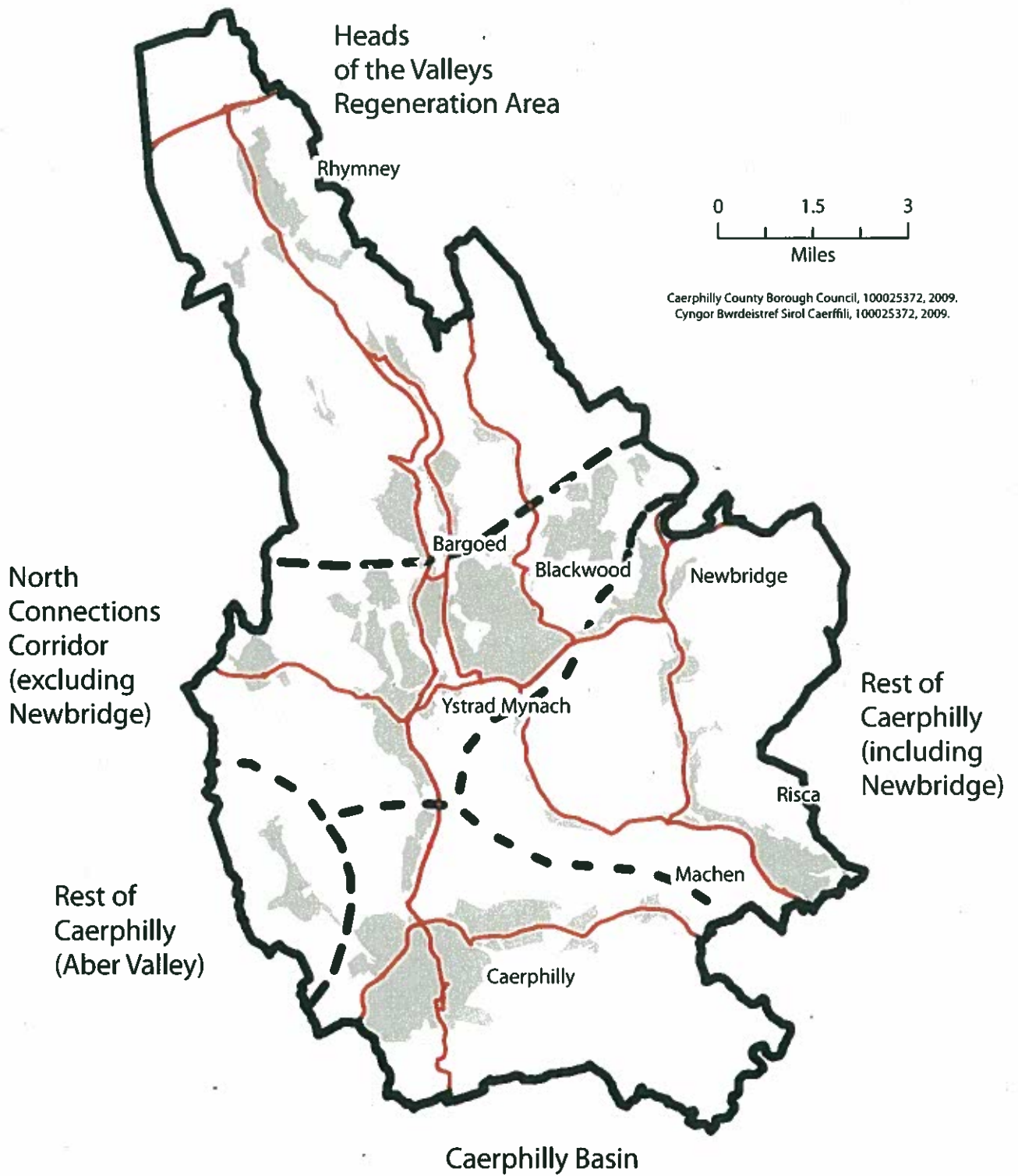
**Less CIL Levy - £134,520**

**Less S106 - £ 50,000**

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

# **Appendix B**

# Area Specific Affordable Housing Targets

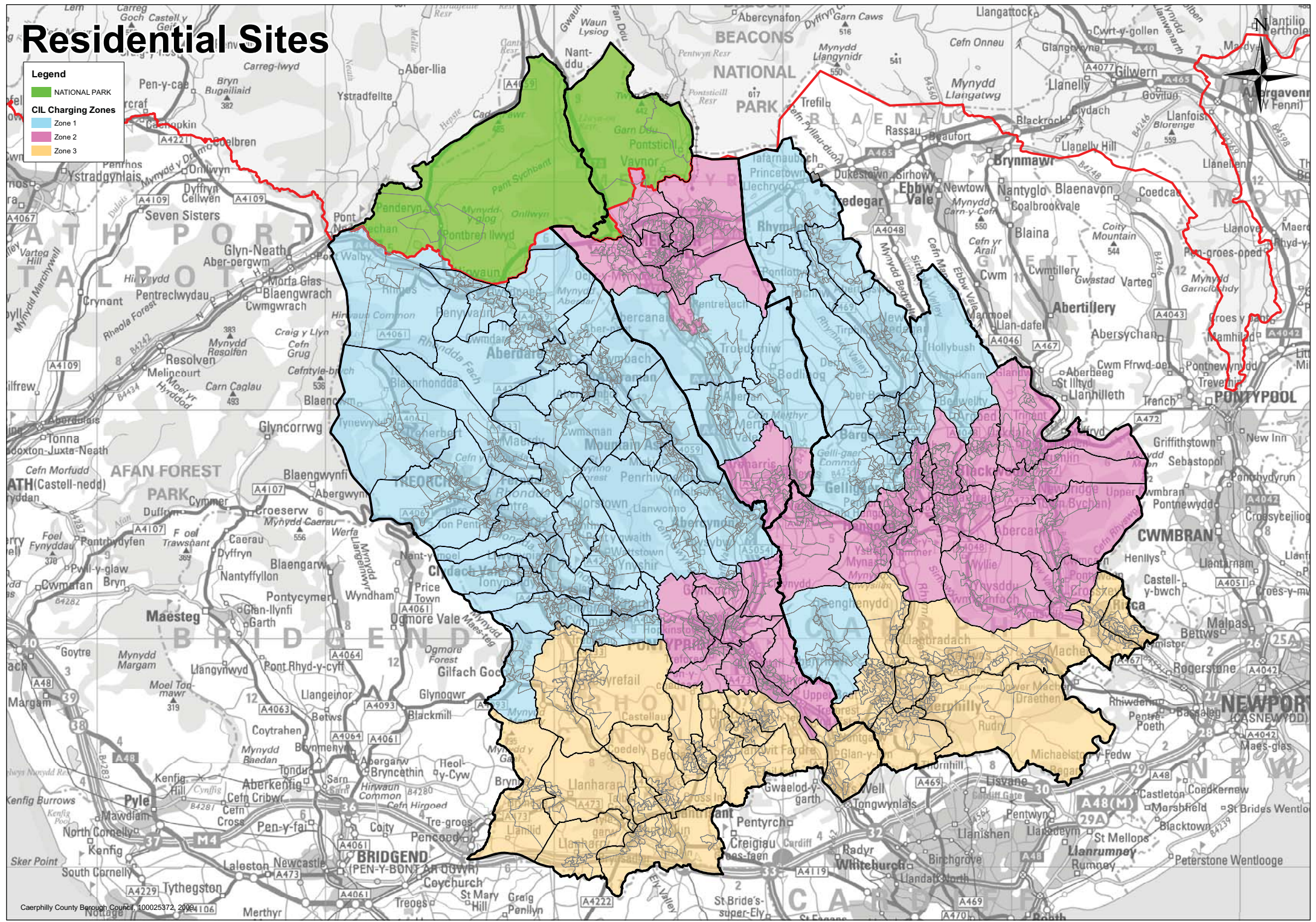


# **Appendix C**



# Residential Sites

- Legend**
- NATIONAL PARK
  - CIL Charging Zones
  - Zone 1
  - Zone 2
  - Zone 3





# **Appendix D**



# Valuation Office Agency

## Development Appraisal

DVS reproduction of Savills appraisal (30/04/13)

Caerphilly Basin-50 units (BUT 20% Ewks- No Fire)

Report Date: 29 October 2013



**APPRAISAL SUMMARY****VALUATION OFFICE AGENCY**

DVS reproduction of Savills appraisal (30/04/13)  
 Caerphilly Basin-50 units (BUT 20% Ewks- No Fire)

Summary Appraisal for Merged Phases 1 2

Currency in £

**REVENUE**

Sales Valuation	Units	ft <sup>2</sup>	Rate ft <sup>2</sup>	Unit Price	Gross Sales
Market Housing	30	36,205	185.00	223,264	6,697,925
2 bed house (AFH)	7	4,410	76.98	48,498	339,486
3 bed house (AFH)	9	6,750	79.08	59,312	533,808
4 bed house (AFH)	<u>4</u>	<u>4,400</u>	66.95	73,640	<u>294,560</u>
<b>Totals</b>	<b>50</b>	<b>51,765</b>			<b>7,865,779</b>

**NET REALISATION**

**7,865,779**

**OUTLAY****ACQUISITION COSTS**

Residualised Price (3.57 Acres 117,445.57 pAcre)		419,281		419,281
<b>Other Acquisition</b>				
Fixed price (for land)		714,000		
SDLT on fixed price		28,560		
Agent fee on fixed price		7,140		
Legal fees on fixed price		3,570		
				753,270

**CONSTRUCTION COSTS**

Construction	ft <sup>2</sup>	Rate ft <sup>2</sup>	Cost	
Market Housing	36,205 ft <sup>2</sup>	70.00 pf <sup>2</sup>	2,534,350	
2 bed house (AFH)	4,410 ft <sup>2</sup>	70.00 pf <sup>2</sup>	308,700	
3 bed house (AFH)	6,750 ft <sup>2</sup>	70.00 pf <sup>2</sup>	472,500	
4 bed house (AFH)	<u>4,400 ft<sup>2</sup></u>	70.00 pf <sup>2</sup>	<u>308,000</u>	
<b>Totals</b>	<b>51,765 ft<sup>2</sup></b>		<b>3,623,550</b>	<b>3,623,550</b>

**APPRAISAL SUMMARY****VALUATION OFFICE AGENCY****DVS reproduction of Savills appraisal (30/04/13)  
Caerphilly Basin-50 units (BUT 20% Ewks- No Fire)**

Contingency	3.00%	108,706	108,706
<b>Other Construction</b>			
External allowances	20.00%	724,710	724,710
<b>PROFESSIONAL FEES</b>			
Other Professionals (OMH)	8.00%	202,748	
Other Professionals (AFH)	8.00%	87,136	289,884
<b>MARKETING &amp; LETTING</b>			
Sales & marketing	3.00%	200,938	200,938
<b>DISPOSAL FEES</b>			
Sales Legal Fee	30 un	750.00 /un	22,500
Sales Legal Fee	20 un	500.00 /un	10,000
			32,500
<b>FINANCE</b>			
Debit Rate 7.000% Credit Rate 0.000% (Nominal)			
Total Finance Cost			246,781
<b>TOTAL COSTS</b>			<b>6,399,620</b>
<b>PROFIT</b>			<b>1,466,159</b>
<b>Performance Measures</b>			
Profit on Cost%		22.91%	
Profit on GDV%		18.64%	
Profit on NDV%		18.64%	
IRR		35.83%	
Profit Erosion (finance rate 7.000%)		2 yrs 12 mths	

**APPRAISAL SUMMARY****VALUATION OFFICE AGENCY**

DVS reproduction of Savills appraisal (30/04/13)  
Caerphilly Basin-50 units (BUT 20% Ewks- No Fire)

# **Appendix E**

# Valuation Office Agency

## Development Appraisal

DVS reproduction of Savills appraisal (30/04/13)

Northern Corridor-50 units (BUT 20% Ewks- No Fire)

Report Date: 29 October 2013





**APPRAISAL SUMMARY****VALUATION OFFICE AGENCY**

DVS reproduction of Savills appraisal (30/04/13)  
Northern Corridor-50 units (BUT 20% Ewks- No Fire)

**Summary Appraisal for Merged Phases 1 2**

Currency in £

**REVENUE**

Sales Valuation	Units	ft <sup>2</sup>	Rate ft <sup>2</sup>	Unit Price	Gross Sales
Market Housing	37	41,915	170.00	192,582	7,125,550
2 bed house (AFH)	5	3,150	76.98	48,498	242,490
3 bed house (AFH)	6	4,500	79.08	59,312	355,872
4 bed house (AFH)	<u>2</u>	<u>2,200</u>	66.95	73,640	<u>147,280</u>
<b>Totals</b>	<b>50</b>	<b>51,765</b>			<b>7,871,192</b>

**NET REALISATION**

**7,871,192**

**OUTLAY****ACQUISITION COSTS**

Residualised Price (3.57 Acres 100,681.96 pAcre)			359,435		
				359,435	
<b>Other Acquisition</b>					
Fixed price (for land)			714,000		
SDLT on fixed price			28,560		
Agent fee on fixed price			7,140		
Legal fees on fixed price			3,570		
				753,270	

**CONSTRUCTION COSTS**

Construction	ft <sup>2</sup>	Rate ft <sup>2</sup>	Cost		
Market Housing	41,915 ft <sup>2</sup>	70.00 pf <sup>2</sup>	2,934,050		
2 bed house (AFH)	3,150 ft <sup>2</sup>	70.00 pf <sup>2</sup>	220,500		
3 bed house (AFH)	4,500 ft <sup>2</sup>	70.00 pf <sup>2</sup>	315,000		
4 bed house (AFH)	<u>2,200 ft<sup>2</sup></u>	70.00 pf <sup>2</sup>	<u>154,000</u>		
<b>Totals</b>	<b>51,765 ft<sup>2</sup></b>		<b>3,623,550</b>	<b>3,623,550</b>	

**APPRAISAL SUMMARY****VALUATION OFFICE AGENCY****DVS reproduction of Savills appraisal (30/04/13)****Northern Corridor-50 units (BUT 20% Ewks- No Fire)**

Contingency		3.00%	108,706		108,706
<b>Other Construction</b>					
External allowances		20.00%	724,710		724,710
<b>PROFESSIONAL FEES</b>					
Other Professionals (OMH)		8.00%	234,724		
Other Professionals (AFH)		8.00%	55,160		289,884
<b>MARKETING &amp; LETTING</b>					
Sales & marketing		3.00%	213,767		213,767
<b>DISPOSAL FEES</b>					
Sales Legal Fee	37 un	750.00 /un	27,750		
Sales Legal Fee	13 un	500.00 /un	6,500		34,250
<b>FINANCE</b>					
Debit Rate 7.000% Credit Rate 0.000% (Nominal)					
Total Finance Cost					237,392
<b>TOTAL COSTS</b>					<b>6,344,963</b>
<b>PROFIT</b>					<b>1,526,229</b>
<b>Performance Measures</b>					
Profit on Cost%		24.05%			
Profit on GDV%		19.39%			
Profit on NDV%		19.39%			
IRR		37.83%			
Profit Erosion (finance rate 7.000%)		3 yrs 1 mth			

**APPRAISAL SUMMARY****VALUATION OFFICE AGENCY**

DVS reproduction of Savills appraisal (30/04/13)  
Northern Corridor-50 units (BUT 20% Ewks- No Fire)

# **Appendix F**

# Valuation Office Agency

## Development Appraisal

DVS reproduction of Savills assumptions (30/04/13)

Caerphilly Basin- 100 units (BUT 20% ew-no Fire)

Report Date: 29 October 2013



**APPRAISAL SUMMARY****VALUATION OFFICE AGENCY**

DVS reproduction of Savills assumptions (30/04/13)  
 Caerphilly Basin- 100 units (BUT 20% ew-no Fire)

Summary Appraisal for Merged Phases 1 2

Currency in £

**REVENUE**

Sales Valuation	Units	ft <sup>2</sup>	Rate ft <sup>2</sup>	Unit Price	Gross Sales
Market Housing	60	72,410	185.00	223,264	13,395,850
2 bed house (AFH)	14	8,820	76.98	48,498	678,972
3 bed house (AFH)	18	13,500	79.08	59,312	1,067,616
4 bed house (AFH)	<u>8</u>	<u>8,800</u>	66.95	73,640	<u>589,120</u>
<b>Totals</b>	<b>100</b>	<b>103,530</b>			<b>15,731,558</b>

**NET REALISATION**

15,731,558

**OUTLAY****ACQUISITION COSTS**

Residualised Price (7.14 Acres 105,346.02 pAcre)			752,171		
				752,171	
<b>Other Acquisition</b>					
Fixed price (for land)			1,428,000		
SDLT on fixed price			71,400		
Agent fee on fixed price			14,280		
Legal fees on fixed price			7,140		
				1,520,820	

**CONSTRUCTION COSTS**

Construction	ft <sup>2</sup>	Rate ft <sup>2</sup>	Cost		
Market Housing	72,410 ft <sup>2</sup>	70.00 pf <sup>2</sup>	5,068,700		
2 bed house (AFH)	8,820 ft <sup>2</sup>	70.00 pf <sup>2</sup>	617,400		
3 bed house (AFH)	13,500 ft <sup>2</sup>	70.00 pf <sup>2</sup>	945,000		
4 bed house (AFH)	<u>8,800 ft<sup>2</sup></u>	70.00 pf <sup>2</sup>	<u>616,000</u>		
<b>Totals</b>	<b>103,530 ft<sup>2</sup></b>		<b>7,247,100</b>	<b>7,247,100</b>	

**APPRAISAL SUMMARY****VALUATION OFFICE AGENCY****DVS reproduction of Savills assumptions (30/04/13)****Caerphilly Basin- 100 units (BUT 20% ew-no Fire)**

Contingency		3.00%	217,413		217,413
<b>Other Construction</b>					
External allowances		20.00%	1,449,420		1,449,420
<b>PROFESSIONAL FEES</b>					
Other Professionals (OMH)		8.00%	405,496		
Other Professionals (AFH)		8.00%	174,272		579,768
<b>MARKETING &amp; LETTING</b>					
Sales & marketing		3.00%	401,876		401,876
<b>DISPOSAL FEES</b>					
Sales Legal Fee	60 un	750.00 /un	45,000		
Sales Legal Fee	40 un	500.00 /un	20,000		
					65,000
<b>FINANCE</b>					
Debit Rate 7.000% Credit Rate 0.000% (Nominal)					
Total Finance Cost					467,537
<b>TOTAL COSTS</b>					<b>12,701,104</b>
<b>PROFIT</b>					<b>3,030,454</b>
<b>Performance Measures</b>					
Profit on Cost%			23.86%		
Profit on GDV%			19.26%		
Profit on NDV%			19.26%		
IRR			31.61%		
Profit Erosion (finance rate 7.000%)			3 yrs 1 mth		



**APPRAISAL SUMMARY****VALUATION OFFICE AGENCY**

DVS reproduction of Savills assumptions (30/04/13)  
Caerphilly Basin- 100 units (BUT 20% ew-no Fire)

# **Appendix G**

# Valuation Office Agency

## Development Appraisal

DVS reproduction of Savills assumptions (30/04/13)

Northern Connections- 100 units (BUT 20% ew-no Fire)

Report Date: 29 October 2013



**APPRAISAL SUMMARY****VALUATION OFFICE AGENCY**

DVS reproduction of Savills assumptions (30/04/13)  
Northern Connections- 100 units (BUT 20% ew-no Fire)

**Summary Appraisal for Merged Phases 1 2**

Currency in £

**REVENUE**

Sales Valuation	Units	ft <sup>2</sup>	Rate ft <sup>2</sup>	Unit Price	Gross Sales
Market Housing	75	83,830	170.00	190,015	14,251,100
2 bed house (AFH)	9	5,670	76.98	48,498	436,482
3 bed house (AFH)	12	9,000	79.08	59,312	711,744
4 bed house (AFH)	<u>4</u>	<u>4,400</u>	66.95	73,640	<u>294,560</u>
<b>Totals</b>	<b>100</b>	<b>102,900</b>			<b>15,693,886</b>

**NET REALISATION**

**15,693,886**

**OUTLAY****ACQUISITION COSTS**

Residualised Price (7.14 Acres 91,888.65 pAcre) 656,085  
656,085

**Other Acquisition**

Fixed price (for land) 1,428,000  
SDLT on fixed price 71,400  
Agent fee on fixed price 14,280  
Legal fees on fixed price 7,140  
1,520,820

**CONSTRUCTION COSTS**

Construction	ft <sup>2</sup>	Rate ft <sup>2</sup>	Cost
Market Housing	83,830 ft <sup>2</sup>	70.00 pf <sup>2</sup>	5,868,100
2 bed house (AFH)	5,670 ft <sup>2</sup>	70.00 pf <sup>2</sup>	396,900
3 bed house (AFH)	9,000 ft <sup>2</sup>	70.00 pf <sup>2</sup>	630,000
4 bed house (AFH)	<u>4,400 ft<sup>2</sup></u>	70.00 pf <sup>2</sup>	<u>308,000</u>
<b>Totals</b>	<b>102,900 ft<sup>2</sup></b>		<b>7,203,000</b>

**APPRAISAL SUMMARY****VALUATION OFFICE AGENCY****DVS reproduction of Savills assumptions (30/04/13)****Northern Connections- 100 units (BUT 20% ew-no Fire)**

Contingency		3.00%	216,090		216,090
<b>Other Construction</b>					
External allowances		20.00%	1,440,600		1,440,600
<b>PROFESSIONAL FEES</b>					
Other Professionals (OMH)		8.00%	469,448		
Other Professionals (AFH)		8.00%	106,792		576,240
<b>MARKETING &amp; LETTING</b>					
Sales & marketing		3.00%	427,533		427,533
<b>DISPOSAL FEES</b>					
Sales Legal Fee	75 un	750.00 /un	56,250		
Sales Legal Fee	25 un	500.00 /un	12,500		68,750
<b>FINANCE</b>					
Debit Rate 7.000% Credit Rate 0.000% (Nominal)					
Total Finance Cost					442,498
<b>TOTAL COSTS</b>					<b>12,551,616</b>
<b>PROFIT</b>					<b>3,142,270</b>
<b>Performance Measures</b>					
Profit on Cost%			25.03%		
Profit on GDV%			20.02%		
Profit on NDV%			20.02%		
IRR			33.26%		
Profit Erosion (finance rate 7.000%)			3 yrs 3 mths		

**APPRAISAL SUMMARY****VALUATION OFFICE AGENCY**

DVS reproduction of Savills assumptions (30/04/13)  
Northern Connections- 100 units (BUT 20% ew-no Fire)

# Appendix H



## Site-by-site summary of residential appraisal results

Printed: 09/01/2014

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U
Ref no.	Site	Site area (acres)	GDV	GDC (Including Land & Profit but not CIL)	Total units	% AFH	Total square feet (GIA/ EFA)	Sqft built per net acre	Dwellings per hectare	Average (OMH & AFH) £s per sqft	S106 Costs	Benchmark Land value (Reflecting vendor incentive)	BMLV- £s per ACRE	BMLV- % of GDV	Residualised value for CIL	CIL Residual- £s per square METRE	DVS CIL rate, AFTER Savills 30% buffer, expressed in £s per square METRE	Savills (April'13) assumed CIL rate- £s per SQM	CCBC draft CIL rate - £s per SQM	RCT CIL as % of development cost
1	Northern Connection Corridor- 50 units (20% externals-no fire sprinklers BUT mostly Savills' assumptions)	3.57	£7,871,192	£7,511,757	50	25%	51,765	14,500	34.61	£152	Zero	£714,000	£200,000	9.1%	£359,435	£75	£52	£20.00	£25.00	1.60%
2	Northern Connection Corridor- 100 units (20% externals-no fire sprinklers BUT mostly Savills' assumptions)	7.14	£15,693,886	£15,037,801	100	25%	102,900	14,412	34.61	£153	Zero	£1,428,000	£200,000	9.1%	£656,085	£69	£48	NA	£25.00	1.59%
3	Caerphilly Basin- 50 units (20% externals-no fire sprinklers BUT mostly Savills' assumptions)	3.57	£7,865,779	£7,446,498	50	40%	51,765	14,500	34.61	£152	Zero	£714,000	£200,000	9.1%	£419,281	£87	£61	£28.00	£40.00	2.58%
4	Caerphilly Basin- 100 units (20% externals-no fire sprinklers BUT mostly Savills' assumptions)	7.14	£15,731,558	£14,979,387	100	40%	103,530	14,500	34.61	£152	Zero	£1,428,000	£200,000	9.1%	£752,171	£78	£55	NA	£40.00	2.57%