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The Planning Inspectorate
c/o Helen Simmonds, Programme Officer

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Dear Sir

Caerphilly & Merthyr Tydfil County Borough Council – Community Infrastructure Levy Examination

We are in receipt of Post Hearing Documents 1 and 2 (P.H 1 and P.H 2) and in accordance with your invitation for us to make brief representations, we have tried not to repeat our views, but herewith set out below our additional comments in relation to these documents together with our comments in relation to the further viability testing submitted by DVS to the inspector just prior to the hearing.

1. In relation to the further viability testing submitted, DVS has adopted some of our '*less contentious*' viability inputs, but not those issues that have the largest impact on viability. As a result, the adjustments made by DV in their further viability testing only touch on the margins of our overall argument, and therefore in no way go far enough to fully test the viability of development in these locations.
2. To demonstrate this, within the revised appraisal, DVS have applied a benchmark land value of £200,000 per net developable acre whereas, in their earlier appraisals (forming part of their original viability report) they adopted a higher benchmark land value of £225,000 per net acre for Brownfield land in the Caerphilly Basin (40% affordable housing) Higher Viability Zone. Applying this rate adds a further £94,158 (inclusive of fees) to the bottom line cost of the development.
3. The DVS state that in their further notional appraisals, '*they have adopted an external works allowance of 20% on base build costs which they believe fairly reflects the generic and unknown nature of the notional sites*'. However, there is no basis or evidence provided to justify this position. Applying the 27% allowance as demonstrated as a reasonable average cost in our previous submission for external works and abnormal costs increases the costs by a further £253,648.
4. Allowing for these costs reduces the CIL residual to £20.50 per sq m in the Caerphilly Basin (40% AH zone), and this is prior to any allowance for the additional costs associated with Fire Sprinklers.
5. Dealing with P.H 2, we note that the CIL residual has been re-calculated, and is now based on the sq m rate of the market units only.
6. What the updated results clearly identify is that caution must be shown when considering an "average" across the charging zones, particularly where there are significant changes in affordable housing provision within each viability zone. This is particularly evident in both the higher and viability zones of Caerphilly.
7. The viability buffers identified in the schedule are based on averages throughout the viability zones but this is clearly not appropriate where in the higher viability zone, the result of one site (the only one

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where 10% affordable housing is provided) is approximately 2.5 times greater than the results of the other two sites (where 40% affordable housing is required).

8. It must be remembered that the revised CIL residual amounts are still based upon the DVS original viability inputs which we consider to be insufficient to take account of the Brownfield strategy adopted by each local authority.
9. Appendix M of DVS's original viability report provides a sensitivity analysis on the residual for CIL where developer profit is increased to 20% of GDV for market housing (and 5% for affordable). This identifies that the residual for CIL in the Higher Viability Zone for Caerphilly where there is a 40% affordable housing provision reduces by 54% and 69% on the two test sites, as a result of the increased profit levels. Applying the same methodology to the revised residual figures reduces the residual for CIL to between £20 and £34.50 per sq m which is clearly below the £40 per sq m suggested rate.
10. In the Caerphilly Mid Viability Zone, the updated results clearly show that two of the sites provide a CIL residual below the suggested £25 per sq m rate, and one other only provides a 17% buffer based on the proposed rates and the original viability inputs of DVS. The effect of 20% profit provision appears even more dramatic in the Mid Viability Zone than the Higher Viability Zone and whilst sensitivity on the updated results is not provided by DVS it is bound to have a significant impact on the results.
11. In Merthyr, three of the test sites in the Mid Viability Zone (50% of the sample) remain unviable based on a £25 per sq m CIL charge, even based upon DVS's original viability inputs.

Overall, therefore, we are still of the view that the evidence base does not sufficiently demonstrate that the proposed CIL rates, particularly in Merthyr and the Higher Viability Zone of Caerphilly (where 40% affordable housing is required), will not render the majority of development un-viable.

Yours sincerely



Scott Caldwell MRICS
Director