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# Suffolk Coastal District Council's Community Infrastructure Levy Draft Charging Schedule

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Consultation response on behalf of a  
Housebuilder Consortium



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## Executive Summary

This representation has been prepared by Savills (UK) Limited on behalf of a local housebuilder consortium, hereafter known as 'the Consortium'. It is made in respect of Suffolk Coastal District Council's (SCDC) emerging Community Infrastructure Levy (CIL) Draft Charging Schedule.

The Statutory CIL Guidance is clear on the narrow focus of the CIL Examination process permitted by the Regulations: -

***"The Examiner should establish that:***

- ***The charging authority has complied with the required procedures set out in Part 11 of the Planning Act 2008 and the CIL Regulations;***
- ***The charging authority's 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 (or rates) would not threaten delivery of the relevant Plan as a whole."***<sup>1</sup>

The Consortium has fundamental concerns with the approach proposed by the Council notably:

- **Unviable Rates** - The current proposed CIL rates are unviable and risk rendering a significant proportion of the housing supply across the District undeliverable;
- **Incorrect Assumptions** - A number of the key viability inputs adopted by PBA are incorrect. This results in an over-estimation of the maximum CIL rates that can be supported;
- **Code for Sustainable Homes** - The viability testing does not include an allowance for Code for Sustainable Homes (Level 4) despite being referenced in the Viability Study. This input alone is shown in our alternative viability appraisals to reduce the maximum CIL rates by **19%**<sup>2</sup>;

<sup>1</sup> Paragraph 038, Reference ID 25-038-20140612, CIL Guidance (revision date 12<sup>th</sup> June 2014)

<sup>2</sup> Based on analysis of 50 unit house in mid value area

- **Alternative Viability Appraisals** - We have undertaken alternative viability appraisals looking at the impact of build costs, profit margin, Code for Sustainable Homes and Section 106 obligations on the level of CIL that can be supported. This illustrates that the proposed CIL rates are too high and suggests that the CIL rates should be as follows:

Zone	Recommended CIL Rate (£psm)	
	1 – 5 Dwellings	6+ Dwellings
Low	£0	£0
Mid	£10	£0
High	£25	£0

- **Charging Zones** - SCDC have proposed three differential CIL rates by 'zone' (or geography) and scale of development. Whilst the principle of applying differential rates is not questioned, the proposed Charging Zone Map prepared by Peter Brett Associates ("PBA") does not correlate to the supporting sales values evidence; and
- **Housing Supply** - The Council does not currently have a Site Allocations Document or a recognised five year land supply. The CIL rates have therefore been formulated and tested on sites that may not come forward for development in the plan period.

We have subsequently prepared the following representation, which can be split up as follows:

- **Section 1** - provides an introduction to the representation.
- **Section 2** - looks at the "three-way trade-off" and Savills research;
- **Section 3** - provides an overview of planning and infrastructure delivery in the District;
- **Section 4** - provides first scrutiny of the available viability evidence (PBA, May 2014) and includes alternative viability appraisals;
- **Section 5** - outlines the position of the Consortium in respect of the effective operation of CIL; and
- **Section 6** - provides conclusions.

Where relevant this representation provides comment on the supporting evidence/ existing guidance and also makes reference to policy documents, a list of which can be found at **Appendix 1**.

## 1. Introduction

### Overview

1.1 This representation is submitted by Savills (UK) Limited (hereafter known as 'Savills') in respect of the Suffolk Coastal District Council ("SCDC") Community Infrastructure Levy ("CIL") Draft Charging Schedule ("DCS") consultation, on behalf of the following (in alphabetical order):

- i. Bloor Homes;
- ii. Gladman Developments;
- iii. Hopkins Homes;
- iv. Persimmon Homes; and
- v. Taylor Wimpey Homes.

1.2 Hereafter referred to as the "Consortium".

1.3 The purpose of this representation is to set out our responses to the specific questions set out in the DCS Representation Form. It is intended to supplement the comments previously submitted to SCDC and does not reiterate our representations submitted to the Preliminary Draft Charging Schedule consultation<sup>3</sup> (included at **Appendix 2**). This representation subsequently builds upon the issues we have previously raised and, where available, provides further evidence to support these concerns.

1.4 Our clients' particular comments relate to the proposed rates for residential development.

### Purpose

1.5 The following representation is made in the context of the Community Infrastructure Levy (Amendment) Regulations 2014 and relevant statutory guidance (February 2014). These Regulations and associated guidance came into force on 24<sup>th</sup> February 2014. The Draft Charging Schedules (DCSs) will subsequently be subject to the requirements of these latest set of Regulations and Guidance.

1.6 The desirability of funding from CIL is a key test of the Regulations. The purpose of CIL is to facilitate the delivery of development, including new housing to meet the key National Planning Policy Framework (NPPF) objective for a significant boost in the supply of housing. This NPPF objective provides perspective on how **desirable** CIL funding may or may not be, in relation to the range of legal and planning mechanisms available to secure infrastructure delivery. There is no obligation on the Councils to pursue

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<sup>3</sup> Savills Preliminary Draft Charging Schedule Representation, July 2014



CIL; should they do so, they should be minded that the initiative is new, and that existing tools are available to secure site specific mitigation costs.

- 1.7 The objective of this representation is not to oppose CIL; it merely seeks to ensure a reasonable rate, based on the evidence and a collective interest to deliver well planned, viable and feasible development in the respective Councils' areas. The opportunity has been taken to provide further evidence to SCDC, which it is hoped is used to inform modifications to the DCS prior to submission for Examination.
- 1.8 In submitting this representation, the Consortium is only commenting on particular key areas of the evidence base. The lack of reference to other parts of the evidence base cannot be taken as agreement with them and the Consortium reserves the right to make further comments upon the evidence base at the Examination stage.

## 2. Savills Research – The ‘Three-Way Trade Off’

- 2.1 In Section 4 of our PDCS representation, we provided details of the Savills Benchmarking Model and the results of its application to Suffolk Coastal. The Consortium noted that in the Responses to Preliminary Draft Charging Schedule Document<sup>4</sup> the Council raised concerns that the model had been applied to sites of 5 or more dwellings.<sup>5</sup> We would therefore like to take the opportunity to address this point, as we believe the Council has misinterpreted our analysis.
- 2.2 The Savills Benchmarking Model is based on a hypothetical large scale residential development<sup>6</sup>. In our PDCS representation, the illustrative example used the lowest proposed CIL rate of **£50 per sq m**<sup>7</sup>, which is applicable to developments of 6 or more net dwellings in the low value area, and applied it to a large residential development. This showed that there was limited capacity to support CIL.
- 2.3 To aid this point, we have now prepared additional graphs reflecting the CIL rates that would apply to large residential sites across all of the proposed Charging Zones. The box below explains how to interpret the results.

### How to interpret the Savills Benchmark Land Model

- The **pink bars** indicate the cost of CIL per unit (across all tenures);
  - The **red line** illustrates the maximum viable combined ‘pot’ for Section 106 and CIL assuming policy compliant affordable housing provision;
  - The dotted **blue lines** show how the ‘pot’ for Section 106 and CIL increases as the affordable housing requirement is reduced to 10 and 20%.
- ✓ **Viable CIL rate** - a proposed CIL rate is therefore viable where the **pink bar** is **below** the **red line**, leaving headroom for residual Section 106 and 278 costs.
- ✗ **Unviable CIL rate** – where the **pink bar** is **above** the **red line**, the proposed CIL rate is unviable.
- ? **Marginal CIL rate** – where the **pink bar** is **level** with the **red line**, the proposed CIL rate is viable, but there will be no additional capacity for Section 106 or 278 obligations.

<sup>4</sup> October 2014

<sup>5</sup> Page 43

<sup>6</sup> The key assumptions are contained within the CIL – Getting it Right, Savills (UK) Ltd document (January 2014)

<sup>7</sup> Applicable to residential development (low value) on sites of 6+ net new dwellings.

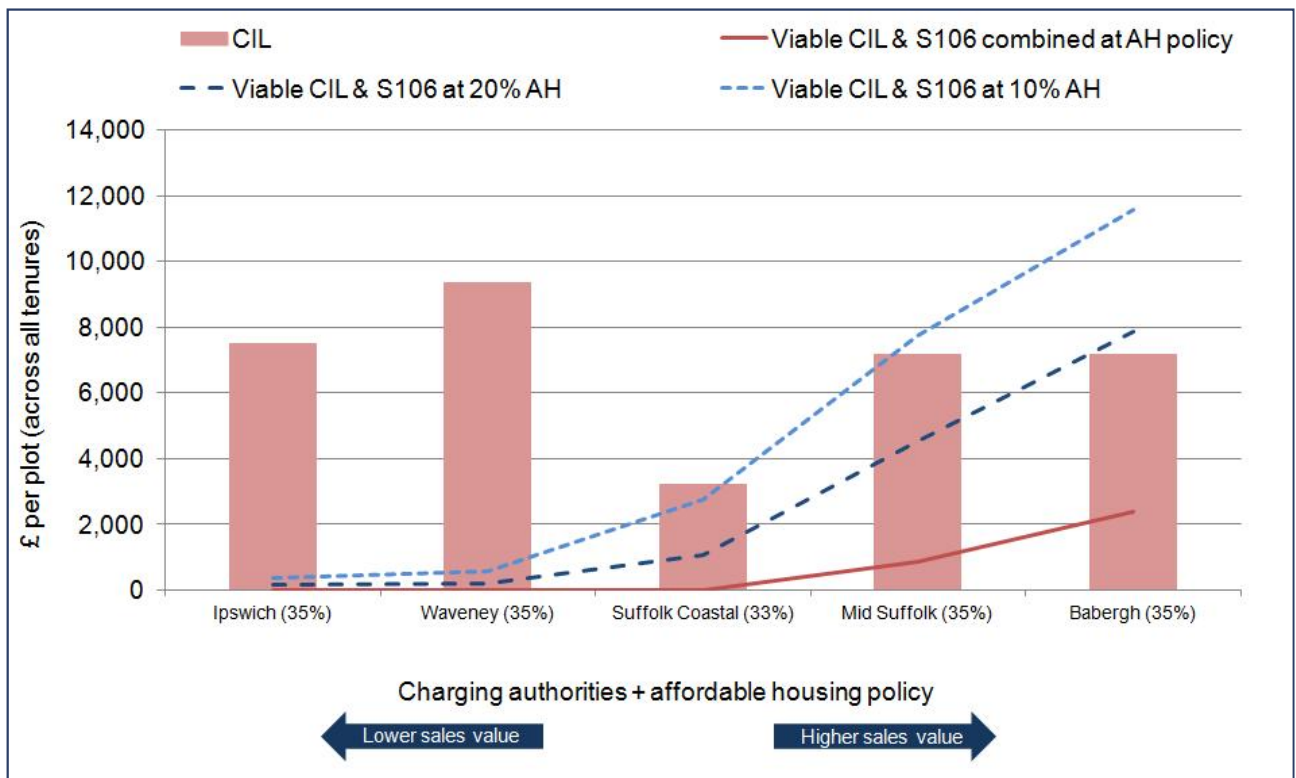


**Low Value Areas**

2.4 The DCS states that residential development in the **low value areas** with 6 or more net new dwellings will be subject to a CIL rate of **£50 per sq m**. In Graph 1 below, we have therefore applied this CIL rate to the Savills Benchmarking Model to assess the impact of this rate on the viability of large residential development.

2.5 In doing this we have applied policy compliant 33% affordable housing and reflected the low value sales value of **£2,050 per sq m** (£190 psf) adopted in the Viability Study<sup>8</sup>. This is plotted alongside the equivalent CIL rates in neighbouring authorities that have published a Charging Schedule; to assess the viability of the proposed rates.

**Graph 1 – Savills Benchmark Land Model for Suffolk Coastal, assuming £50 psm CIL, 33% affordable housing and £2,050 psm sales values**



Source: Savills analysis (November 2014)

<sup>8</sup> PBA, Suffolk Coastal Viability Study Final Report, May 2014

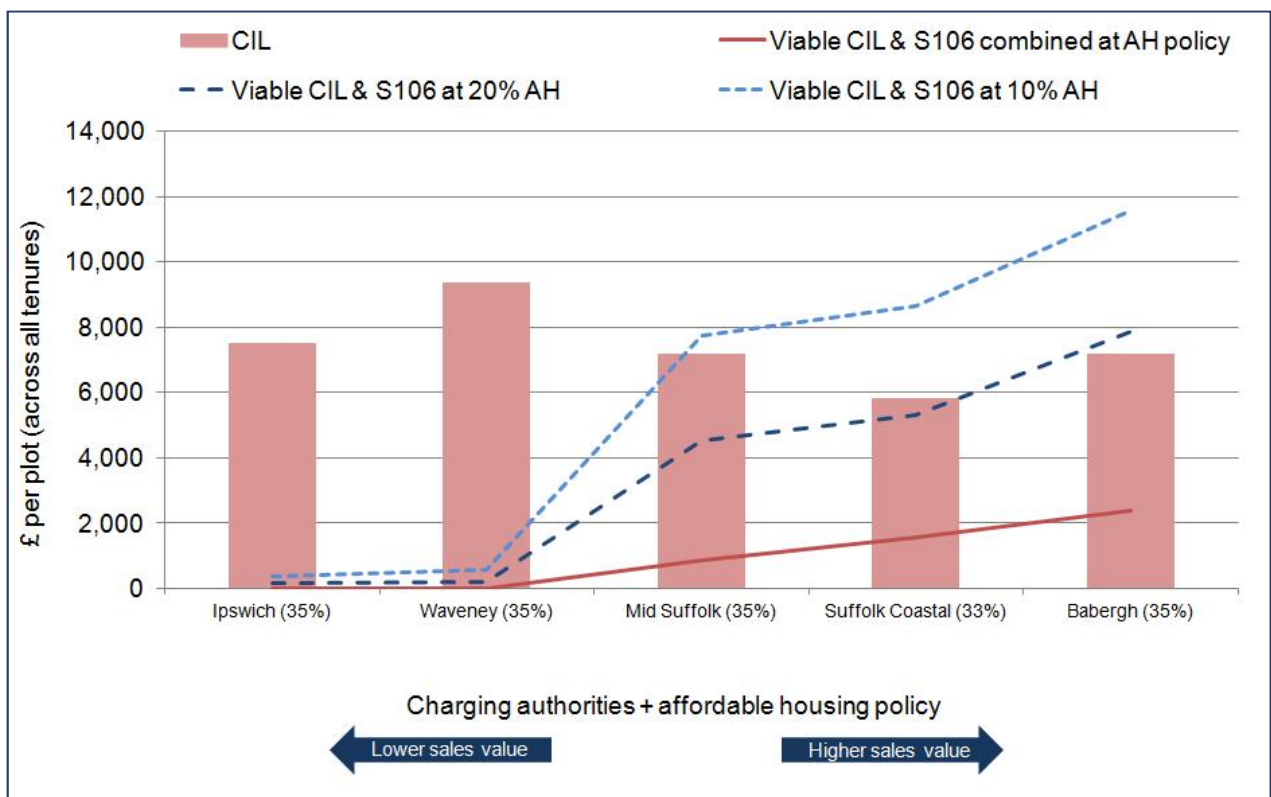




**Mid Value Areas**

2.6 Similarly, development of 6 or more net new dwellings in the **mid value areas** will be subject to a CIL rate of **£90 per sq m**. In Graph 2 below, we have therefore applied this CIL rate to the Savills Benchmarking Model assuming 33% affordable housing and **£2,350 per sq m** (£218 psf)<sup>9</sup>.

**Graph 2 – Savills Benchmark Land Model for Suffolk Coastal, assuming £90 psm CIL, 33% affordable housing and £2,350 psm sales values**



Source: Savills analysis (November 2014)

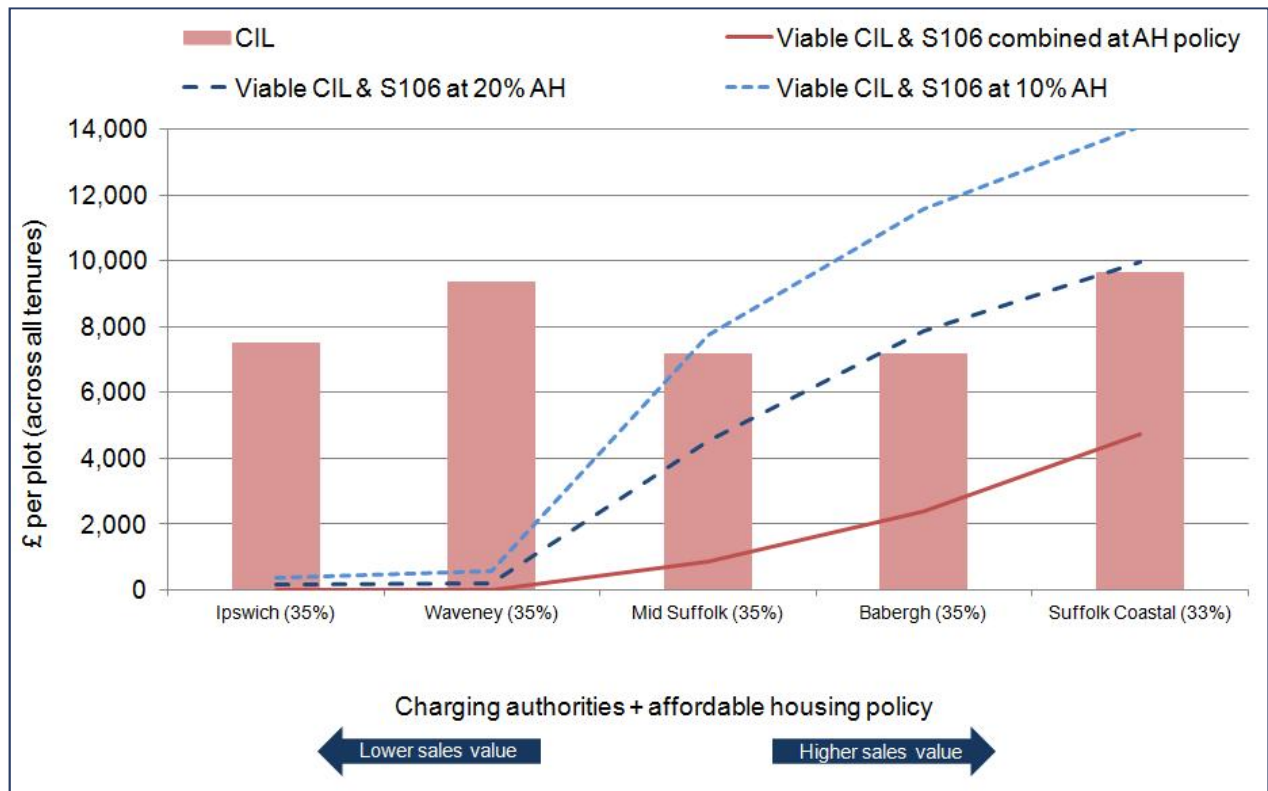
**High Value Areas**

2.7 Finally, the DCS states that all new residential development in the **high value areas** will be subject to a CIL rate of **£150 per sq m**. In Graph 3 below, we have therefore applied this CIL rate to the Savills Benchmarking Model with 33% affordable housing and a sales value of £2,600 per sq m (£242 psf)<sup>10</sup>.

<sup>9</sup> PBA, Suffolk Coastal Viability Study Final Report, May 2014

<sup>10</sup> PBA, Suffolk Coastal Viability Study Final Report, May 2014

**Graph 3 – Savills Benchmark Land Model for Suffolk Coastal, assuming £150 psm CIL, 33% affordable housing and £2,600 psm sales values**



Source: Savills analysis (November 2014)

2.8 This indicates the following:

- **Neighbouring Authorities** – All of the neighbouring authorities in Suffolk that have published a Charging Schedule are proposing a rate in excess of the viable level indicated by the Benchmarking Model;
- **Viable Rates** – In all three zones, the proposed CIL rates applicable to large residential sites is above the viable “pot” for Section 106 and CIL (indicated by the red line) assuming 33% affordable housing and the sales value indicated by PBA in the Viability Study. This is likely to result in the level of affordable housing being reduced on these sites if they are to come forward for development; and
- **Low Value Area** – Based on this analysis, large-scale residential development in the low value area would be unable to support a CIL rate in addition to 33% affordable housing. This is improved

in both the mid and high value areas where increased sales values increase the capacity for CIL and Section 106 obligations. However, in all cases this is shown to be at relatively low levels.

- 2.9 In the absence of a Site Allocations document, there is a degree of uncertainty over the location of future development in the District. Taking this in to account, and looking at the analysis set out above, we would strongly recommend that the Council carefully considers the CIL rates that will be applicable to future large residential allocations. Given the Council's current lack of a five year land supply this is particularly poignant, as it is possible that additional large housing sites will need to come forward during the plan period. These sites are likely to be able to deliver a large number of dwellings; therefore the proposed CIL rates could have a significant implication on the deliverability of housing numbers within SCDC. It is therefore of paramount importance that the CIL rates are set at a viable level.

### Strategic Sites

- 2.10 The Consortium acknowledges that SCDC have taken a pragmatic approach to setting CIL rates in respect of Adastral Park, a strategic greenfield site, choosing to pursue a £0 per sq m CIL rate. We understand that this is as a direct result of the Council acknowledging that the introduction of a CIL rate to a site of this scale, in addition to Section 106/278 obligations and affordable housing, will make the development unviable - *'once site specific costs have been taken into account, the introduction of CIL charges in addition to the S106 costs would make the development unviable'*<sup>11</sup>.
- 2.11 The Council is not alone in proposing such an approach, with in excess of 30 other Local Authorities across England and Wales pursuing £0 per sq m CIL rate on strategic sites. In each case, the Council has recognised that these strategic sites, which comprise a significant proportion of their future housing supply, would be unable to support a CIL rate in addition to the large "site-mitigation" Section 106 obligations that will remain post-CIL, in addition to delivering policy compliant levels of affordable housing. A point that is of particular relevance in areas with lower sales values (such as Suffolk Coastal) where the CIL – Getting it Right research shows that large-scale development will struggle to support a CIL, in addition to residual Section 106 costs and on-site affordable housing provision.
- 2.12 We would therefore highlight the importance of the results of the above analysis and strongly advise that the Council undertakes a similar exercise for all planned, or potential, strategic sites to ensure that future greenfield strategic sites are not prevented from coming forward.

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<sup>11</sup> SCDC CIL DCS Background Document, October 2014

## 3. Planning and Infrastructure Delivery

### The Development Plan & Housing Delivery

#### Five Year Housing Supply

- 3.1 SCDC's Core Strategy was adopted in July 2013. It can therefore be considered as being 'up-to-date', as it was prepared and examined in accordance with the National Planning Policy Framework (NPPF). However, the Council cannot currently demonstrate a five year housing land supply (5YHLS) as required by the NPPF<sup>12</sup>.
- 3.2 Since 2009, SCDC has demonstrated a persistent under delivery of housing in relation to Regional Spatial Strategy and adopted Core Strategy housing target. There are two ways the Council can address the shortfall resulting from this persistent under delivery. In the majority of cases, the Sedgefield methodology is considered the preferred approach. The Sedgefield methodology ensures that the shortfall from persistent under delivery is addressed within the first five years of the plan period (i.e. within the 5YHLS). It is also important to note that where a persistent under delivery has occurred paragraph 47 of the NPPF requires a 20% buffer should be added to the OAN figure to ensure that delivery can be achieved (the buffer would be 5% in other circumstances). Given SCDC's historic records of persistent under delivery, extra care needs to be taken when setting a CIL charge to ensure that delivery is not further threatened by the added pressure of CIL.
- 3.3 The Housing Land Supply Assessment (2013) states that the Council currently has 3.7 years of supply for the period 2014/5 – 2018/9. This is largely on account of the anticipated delivery timescales for Adastral Park, which represents the majority of the Council's housing supply and is not planned for development until the latter stages of the plan period. As such the Council's policies in respect of housing supply are considered to be out-of-date, as SCDC will be unable to deliver their annual housing target in the first part of the plan period. For decision-making in relation to housing applications, the Council is subsequently reliant on the presumption in favour of sustainable development as set out in the NPPF.

#### Housing Targets

- 3.4 The Core Strategy sets out a requirement for the delivery of 7,900 new homes between 2010 and 2027, which is significantly lower than the 11,000 dwellings requirement set out in the former East of England Plan. It is also significantly lower than the 11,000 dwellings estimated by the Council at the time of the Core Strategy Examination as being the District's OAN. The table below reproduces the Council's housing supply calculation for the plan period:

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<sup>12</sup> Paragraph 47

**Table 1 – SCDC Housing Supply Calculation (2010 – 2027)**

Development Type	Total
(a) Outstanding planning permissions deemed deliverable as at April 2010 (discounted by 10%)	1480
(b) Identified brownfield potential (sites within existing physical limits boundaries)	230
(c) Outstanding housing allocations from previous Local Plan	80
(d) Estimated windfall (unidentifiable supply)	850
(e) SHLAA theoretical capacity	7730
<b>TOTAL (a + b + c + d + e)</b>	<b>10,370</b>

Source: Table 3.2, SCDC Adopted Core Strategy and Development Management DPD 2013

- 3.5 This reflects an annual housing requirement of **465 dwellings** per annum over the plan period. As discussed above, this target cannot be achieved in the first five years as the Council is reliant on the delivery of Adastral Park to achieve its housing target. The Consortium acknowledges that the Council is taking a pragmatic approach and is proposing a £0 per sq m CIL rate for Adastral Park. However, given the Council's current lack of a five year housing land supply, we would recommend more testing is undertaken in relation to CIL, based on realistic scenarios using the scale and level of obligations identified in the emergent planning policy as a basis for the testing assumptions.

### Windfall Sites

- 3.6 Suffolk Coastal are also reliant on windfall development to meet their housing targets. Windfall development is unpredictable and we consider that care should be taken to ensure that the introduction of CIL does not adversely impact upon these unique and sporadic developments.
- 3.7 In Suffolk Coastal approximately 11% of housing over the next five years is expected to be delivered through windfall development. Given the unique and broad range of constraints that exist across the District, it is important therefore that adequate testing is undertaken across a range of smaller development scenarios, with a range of values and affordable housing levels, in addition to the testing required for the identified strategic greenfield sites to protect delivery through these types of development.

### Emerging Regulation 123 List

- 3.8 The new Community Infrastructure Levy (Amendment) Regulations 2014 require the Regulation 123 list to form part of the evidence base<sup>13</sup>. We therefore welcome the publication of a draft list of infrastructure for SCDC in response to the PDCS stage of consultation. Whilst we acknowledge this is not the final version,

<sup>13</sup> Regulation 14 (5)

nor will it ever be exhaustive, it does serve as a useful guide as to the direction that the Council envisages taking in providing for the delivery of infrastructure to support the Plan.

3.9 The items currently listed on the draft Regulation 123 list are broad ranging and indicate generic types of infrastructure:

### **Suffolk Coastal District Council (SCDC) Infrastructure that may be funded by CIL and will not be sought through planning obligations**

- a) *Strategic highway improvements including strategic cycling and pedestrian infrastructure*
- b) *Provision of library facilities*
- c) *Provision of additional pre-school places at existing establishments*
- d) *Provision of primary school places at existing schools*
- e) *Provision of secondary, sixth form and further education places*
- f) *Provision of health facilities*
- g) *Provision of police infrastructure*
- h) *Provision of fire service infrastructure*
- i) *Provision of ambulance service infrastructure*
- j) *Provision of leisure and community facilities*
- k) *Provision of off site open space*
- l) *Maintenance of open space*
- m) *Strategic green infrastructure*
- n) *Strategic flooding and coastal defence works*
- o) *Provision of waste infrastructure*
- p) *Adastral Park – it is expected that the proposed development at Adastral Park will provide the following infrastructure which will be delivered through planning obligations (and not CIL) relating specifically to that development:*
  - a. *Pre-school provision*
  - b. *Primary school provision*
  - c. *Secondary school provision*
  - d. *Electricity network undergrounding and upgrading*
  - e. *Sewerage pumping station*
  - f. *Health centre*
  - g. *Community hall/ facilities*
  - h. *Library provision*
  - i. *Indoor sports hall*
  - j. *Allotments*
  - k. *Play areas*

- l. Open space provision to mitigate impact of development on designated European nature conservation sites*
- m. Improvements to highway network*
- n. Improvements to public transport linkages*

*Please note – the inclusion of an item on this list does not signify a commitment from the Council to fund all the projects or types of infrastructure listed, or the entirety of any project through funds generated by CIL. The order of items in the table does not imply any order of preference for spend.*

### Generic vs. Specific

- 3.10 The Consortium is concerned that the Council's draft Regulation 123 list only includes generic 'types' of infrastructure rather than specific projects. We would therefore recommend that the Council produce a supporting Planning Obligations SPD to give the development industry a clearer indication of what specific items of infrastructure will be delivered through CIL and what will remain through Section 106.

### "Double Dipping"

- 3.11 Under the CIL Regulations, the Regulation 123 list should only include infrastructure necessary to deliver the objectives set out in the Council's development plan. Infrastructure specific to a development therefore should **not** be included on this list, as set out in the Planning Practice Guidance (PPG) which states –

*"Charging authorities should work proactively with developers to ensure they are clear about the authorities' infrastructure needs and what developers will be expected to pay for through which route. **There should be no actual or perceived 'double dipping', with developers paying twice for the same item of infrastructure.**"<sup>14</sup>*

- 3.12 The Consortium is therefore concerned over the following wording in the Regulation 123 list, which we believe gives rise to "double dipping":

- a) Provision of additional pre-school places at existing establishments*
- b) Provision of primary school places at existing schools*

- 3.13 This suggests that where pre-school and primary school places cannot be provided at existing establishments that Section 106 obligations will be sought. This is concerning, as it would result in developers funding primary school places by Section 106 **and** CIL, which is expressly prohibited by the CIL Regulations and PPG. It is therefore essential that the Council re-drafts the List to offer a clearer distinction

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<sup>14</sup> Paragraph 095, Reference ID 25-095-20140612, CIL Guidance 2014 (as amended)

between what is to be funded by CIL and Section 106 obligations. Housing delivery is likely to be threatened unless clarity can be provided for developers in this respect.

### “Site-Specific” Infrastructure

3.14 Finally, we welcome that SCDC acknowledge that this list is not exhaustive and will need to be reviewed and updated, as stated by the Council; “*at least once a year, as part of the ongoing and continuous monitoring of CIL collection and spend*”<sup>15</sup>. SCDC will therefore continue to seek site specific infrastructure, which is necessary to make the development acceptable in planning terms, through Section 106 Agreements on a site by site basis. It is therefore important that the Council considers the cost of providing this infrastructure in addition to CIL and Section 278 costs when calculating their CIL rates.

3.15 It is therefore of paramount importance that the Council produces a draft Planning Obligations SPD document to set out how CIL and Section 106 will work alongside one another on all sites. This will provide certainty to the development industry and ensure that no “double-dipping” occurs. This should be prepared in conjunction with the draft Regulation 123 list to ensure that no items included on the list are items that the Council anticipates wanting to collect through Section 106. In doing so, we would also advise that the Council has suitable regard to the provisions of Regulation 122 of the CIL Regulations, which states:

*“A planning obligation may only constitute a reason for granting planning permission for the development if the obligation is –*

- (a) Necessary to make the development acceptable in planning terms;*
- (b) Directly related to the development; and*
- (c) Fairly and reasonably related in scale and kind to the development.”*

### **Section 106 Obligations vs. CIL**

3.16 The power to seek Section 106 obligations remains under CIL, as discussed in the PPG CIL Guidance which states that “*section 106 requirements should be scaled back to those matters that are **directly related to a specific site***”<sup>16</sup> (emphasis added). The Consortium is therefore pleased to note that the Council is aware of the inter-relationship between CIL and Section 106<sup>17</sup> and the need to scale back Section 106 -

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<sup>15</sup> SCDC CIL Draft Regulation 123 List , October 2014

<sup>16</sup> Paragraph 097, Reference ID 25-097-20140612, CIL Guidance (2014)

<sup>17</sup> Page 9, 4<sup>th</sup> paragraph, SCDC DCS CIL Background Document, October 2014



*'Once the CIL charging schedule is in place, a section 106 planning obligation can not be used to fund the same piece of infrastructure, so developers will not pay for the same piece of infrastructure through site specific section 106 planning obligation and CIL.'*<sup>18</sup>

3.17 Nonetheless, we remain concerned about the scale of Section 106 obligations that will continue to be sought alongside the proposed CIL rates, which may render the delivery of some sites difficult.

### Residual Section 106 Assumptions

3.18 The Council comments in the Background Document that -

*'Given the small scale nature of most development proposals in the district, the vast majority of development are unlikely to pay no financial contribution for infrastructure through section 106 planning obligations once CIL is adopted'*<sup>19</sup>.

3.19 However, having now had the opportunity to review the draft Regulation 123 list, the Consortium maintains the position expressed in the PDCS representations<sup>20</sup> that the assumption within the PBA viability appraisals for Section 106 and 278 obligations (£1,000 per unit)<sup>21</sup> is too low<sup>22</sup>.

3.20 For example, the following items are expressly excluded from the Regulation 123 list:

- Provision of public on-site open space;
- Provision of pre-school places where places are not available at existing establishments;
- Provision of primary school places where places are not available at existing schools; and
- Section 278 costs.

3.21 To provide further evidence in support of £1,000 per dwelling being insufficient to cover non-CIL items, Table 2 below sets out data provided by the Consortium detailing the cost of providing on-site open space -

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<sup>18</sup> SCDC CIL DCS Background Document, October 2014

<sup>19</sup> SCDC CIL DCS Background Document, October 2014

<sup>20</sup> Paragraphs 4.25 – 4.30, Savills PDCS Representation on behalf of a Housebuilder and Developer Consortium, July 2014

<sup>21</sup> Section 5.3, Suffolk Coastal Viability Study Final Report, May 2014

<sup>22</sup> With the exception of Adastral Park, which was modelled at £14,551 per dwelling for Section 106 to reflect site-specific requirements.

**Table 2 – Cost of On-site Public Open Space Provision**

Suffolk Coastal Site	Total No. Homes	On Site POS Cost	On Site POS Cost (Per Plot)
Framlingham, Station Road	100	£275,000	£2,750
Framlingham, Castle Brooks	65	£200,000	£3,077
Leiston, Aldeburgh Road	119	£150,000	£1,261
Woodbridge, Melton Grange Hotel (part)	24	£50,000	£2,083
Saxmundham, Church Hill	145	£600,000	£4,138
Saxmundham, Phase 2	170	£200,000	£1,176
Yoxfold, Old High Street	26	£75,000	£2,885
Felixstowe, Tower Road	57	£50,000	£877
Snape, Church Road	26	£75,000	£2,885
Wenhaston, St Michaels Way	26	£25,000	£962
Wickham Market, Featherbroom Gardens	65	£120,000	£1,846
<b>AVERAGE (£/plot)</b>			<b>£2,176</b>

Source: Consortium Members

3.22 The clearly illustrates that the Public Open Space alone exceeds the £1,000 per dwelling assumption modelled in the Viability Study. Taking the comment above, in respect of additional Section 106 costs (pre-school and primary school places) and site-specific Section 278 costs, it would appear that this allowance is a gross underestimate of the residual obligations that will be sought on sites. We would therefore ask that SCDC review this assumption in light of the above.

### Historic Section 106

3.23 We note that in the Responses to PDCS document, the Council comments that, in relation to our historic Section 106 contribution evidence, *'some infrastructure would now be covered by CIL, rather than all by*

S.106<sup>23</sup>. The Consortium accepts this statement. However, in light of the evidence presented above, we are still of the view that the cost of providing residual Section 106 and 278 works will be in excess of the £1,000 per dwelling assumed for the purposes of the Viability Study.

- 3.24 The Consortium would therefore ask that the Council review their figures and assumptions in respect of residual Section 106 obligations (post-CIL) to ensure that combined future CIL and planning obligations liabilities are not in excess of the total 'pot' previously delivered on sites; as failure to do so poses a substantial risk to the housing supply.

### Supporting Documents

- 3.25 In addition to progression of the CS a number of supplementary documents can also be produced to support and expand understanding and expectations with regard to key areas of focus within the CS. One of these documents would be a Planning Obligations SPD. Section 106 and CIL are inextricably linked and as such should not be considered in isolation. We recommend that a Planning Obligations SPD is produced to support and enhance the development of the CIL charging regime and to ensure that the combined impact of CIL and Section 106 will not threaten the delivery of housing in the District.

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<sup>23</sup> SCDC CIL Responses to PDCS, October 2014

## 4. Viability Evidence

4.1 As raised at the start of this representation we highlighted that at Examination the Council will be required to demonstrate that the DCS is supported by “background documents containing appropriate available evidence” and that the proposed rate(s) are “informed by and consistent with, the evidence on economic viability”.<sup>24</sup> It is therefore essential that the viability appraisals are fit for purpose and strike an appropriate balance.

### The PBA Viability Assessment

4.2 For the purpose of the DCS we have assumed that SCDC is relying on the Suffolk Coastal Community Infrastructure Levy (Final Report) prepared by PBA<sup>25</sup>. We have therefore reviewed the viability evidence prepared by PBA and split our response in respect of the viability work in to the following:

- **Part 1** - outlines the areas that the Consortium still has concerns over and justification for any differences.
- **Part 2** - includes our revised appraisals taking the points discussed in Part 1 in to account.

### Part 1 – Areas of Concern

#### “Up-to-date” Evidence

4.3 It is fundamental that the appraisals are run with assumptions reflective of the current market to ensure that the rates are set as viable levels. The Consortium is therefore concerned that the Viability Study<sup>26</sup> has not been updated since its original production in May 2014. This is important; as by the time the DCS is examined the data and assumptions used to formulate these rates could be almost 12 months out of date. We would therefore challenge the Council’s statement that *‘the Viability Study is up to date and provides a robust and credible evidence base on which to progress CIL within Suffolk Coastal’*.<sup>27</sup> We would therefore strongly advise that SCDC update their Viability Study to ensure that the data and inputs are appropriate.

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<sup>24</sup> Paragraph 038, Reference ID 25-038-20140612, CIL Guidance (revision date 12<sup>th</sup> June 2014)

<sup>25</sup> May 2014

<sup>26</sup> Ibid, May 2014

<sup>27</sup> Page 42, Responses to PDCS, October 2014

### Appraisal Assumptions

4.4 In principle, the Consortium considers the overall methodology of seeking to determine viability on a residual valuation exercise as being appropriate. However, the Consortium is disappointed to note that none of the comments made in our previous representations (attached at **Appendix 2**) in respect of the viability assumptions and inputs have been reflected in the revised viability assessment.

4.5 The Consortium continues to fundamentally disagree with a number of the assumptions made by PBA in the Viability Study<sup>28</sup>, notably:

- **Affordable Housing** – as stated in our previous representations<sup>29</sup>, we do not believe that PBA has correctly applied the affordable housing policy thresholds to all of the typologies. We note that within SCDC's Response Document<sup>30</sup> it is stated that '*all of the appropriate policy requirements have been reflected (including geographical sensitive ones) in the viability study testing*'. We do not believe that this is the case for 'Scenario 2' as in some locations (Major Centres and Market Towns) affordable housing will be triggered, whereas in some it will not (Key Service Centres and Local Service Centres). We would therefore recommend that a scenario in Key Service Centre and Local Service Centres is also tested for this typology;
- **Professional Fees** – as discussed previously<sup>31</sup>, we would advocate an allowance of 12% for professional fees on all typologies. We note that SCDC have responded that '*professional fees typically fall within a range of 8% to 12%*'<sup>32</sup>. We therefore question why SCDC have adopted the lower allowance of this range. In light of the uncertainty of the nature of the sites coming forward in the District over the plan period, we would recommend that a minimum allowance of **10%** would be a suitable allowance;
- **Abnormals** - we note that SCDC have confirmed in the response document<sup>33</sup> that abnormal costs have been factored into the appraisals through an allowance of 5% of build costs for archaeology and ecological works. However, this fails to take into account the additional abnormal costs typically experience on sites in the District, such as non-standard foundations and flood mitigation. We would therefore expect a higher allowance to be included in reflect this on all typologies;

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<sup>28</sup> Ibid, May 2014

<sup>29</sup> Paragraphs 4.13 – 4.14

<sup>30</sup> SCDC CIL Responses to Preliminary Draft Charging Schedule, October 2014

<sup>31</sup> Paragraph 4.31

<sup>32</sup> Page 41, Ibid, October 2014

<sup>33</sup> Page 42, Ibid, October 2014

- **Benchmark Lane Values** – in our PDCS representation we questioned the methodology and assumptions relating to the BLVs<sup>34</sup>. Whilst the Consortium welcomes confirmation from the Council that the BLVs are on a net serviced basis, we are still concerned that the net to gross ratios for each typology (this can be as low as 40% on large greenfield sites) has not been taken in to account. It is also unclear how PBA has established which BLVs are appropriate in the absence of a Site Allocations Document to understand what type of site will be coming forward for development in each value area.

4.6 However, for the purpose of reaching a consensus on an appropriate residential CIL rate, and to enable to Examiner to make direct comparisons between our evidence and that of the Council, we have focused on three key points which the Consortium feel are of the utmost importance:

- Developer's Profit;
- Section 106 obligations; and
- Build Costs.

4.7 In doing so, we have examined the impact of each of these points on the ability of sites to support a CIL levy by preparing alternative viability appraisals (see paragraphs 4.17 – 4.23 below).

### Developer's Profit

4.8 As stated in our previous representations<sup>35</sup>, the blended profit rate adopted by PBA in the Viability Study is below the minimum level required by national housebuilders.

4.9 The NPPF states that to ensure viability developments should provide competitive returns to a willing land owner and willing developer. A competitive return to a developer is one that provides a sufficient return for the developer to continue a successful business through the economic cycle, taking account of the risk profile of the business. We are therefore concerned that the profit margin included in the Viability Study is 20% on GDV for the private housing and 6% on GDV for the affordable housing, reflecting a blended rate in the region of 17.5% on GDV. This assumption is too low and does not take account of the minimum returns required by shareholders of quoted Plc housebuilders.

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<sup>34</sup> Paragraph 4.15- 4.17, Ibid, July 2014

<sup>35</sup> Paragraphs 4.5 – 4.10, April 2013

- 4.10 We have attached a report on Competitive Developer Return (**Appendix 3**), which provides evidence on the minimum profit margins required by Plc housebuilders. The key focus is the distinction between gross (site level) margin and net operating margin. A point discussed in the Harman Report, which suggests that “Overheads for house-building typically lie in the range of 5%-10% of gross development value”. This is particularly relevant for large Greenfield sites and regeneration areas, where large up-front costs have an impact on a developer’s required Return on Capital Employed (ROCE), as a higher margin is required to reflect the higher risk.
- 4.11 Taking this in to account, we would therefore ask that a **minimum** profit level of 20% on GDV (blended) plus 25% ROCE across all tenures, subject to consideration of the risk profile of the scheme, is adopted in the viability testing.

### Section 106 Costs

- 4.12 As discussed previously<sup>36</sup>, and as set out above at paragraphs 3.24 – 3.28 above, the generic allowances included in the viability appraisals underestimate the costs associated with on-site open space provision.
- 4.13 The Consortium is therefore of the view that insufficient and unrealistic allowances have been included within the Viability Assessment for residual Section 106 obligations. We would therefore recommend that a minimum of **£2,500 per dwelling** is tested to reflect the continued use of Section 106 for the provision of public open space. Please note that this figure is exclusive of Section 278 and additional infrastructure costs that may be required on a site specific level.

### Build costs

- 4.14 As raised in our PDCS representation<sup>37</sup>, build costs have increased rapidly over the past 12 months as a result of rising material and labour costs. This impact of this is highlighted in Table 3 below, which highlights the movement since 2013:

**Table 3 – Movement in BCIS Build Costs** (Comparison of PBA Build Costs and Savills Build Costs)

	December 2013 <sup>38</sup>	June 2014 <sup>39</sup>	Movement	November 2014	Movement
	(£/m <sup>2</sup> )	(£/m <sup>2</sup> )	%	(£/m <sup>2</sup> )	%
<b>Houses</b>	£861	£985	14% ↑	£1,009	17% ↑
<b>Flats</b>	£986	£1,183	20% ↑	£1,204	22% ↑

Source: Viability Study, and updated figures from BCIS online

<sup>36</sup> Ibid. Paragraphs 4.25 – 4.30, July 2014

<sup>37</sup> Paragraph 4.35 – 4.37, Ibid, July 2014

<sup>38</sup> As reported on page 19 of the Viability Study May 2014 report

<sup>39</sup> Table 4, PDCS representation (figures quoted are mean figures)

4.15 This indicates an average increase of **19.5%** in build costs for houses and flats since December 2013. It is therefore imperative that SCDC updates their Viability Study to reflect current build cost estimates. It should also be highlighted that as the build costs link to a number of other inputs (i.e. 'Abnormals' are calculated as a percentage of the build cost); an incorrect base build costs risks a significant underestimation of the true costs of development.

4.16 We note that the Council has responded to this point<sup>40</sup> commenting that *'although build costs have increased house prices have also increased in the intervening period since the viability testing was undertaken'*. Although we can broadly agree with this statement, we would highlight that build costs have increased at a much faster and higher rate than the sales values within Suffolk. As illustrated by Chart 1, which highlights the disparity between the two factors, with the BCIS<sup>41</sup> and BIS<sup>42</sup> build cost figures lying well above the House Price Index for Suffolk and indeed the average house price across England and Wales.

**Chart 1: Tender Price and House Price Indices Suffolk**



Source: HM Land Registry, BCIS, Department for Business Innovation and Skills

4.17 In light of this, we further emphasise that the Viability Study should appraise up to date assumptions to ensure that the costs are not being underestimated. We note that SCDC have stated that the viability

<sup>40</sup> Page 42, Ibid, October 2014

<sup>41</sup> BCIS All-in TPI (UK), November 2014

<sup>42</sup> Department for Business, Innovation and Skills tender price index figure, November 2014





buffer applied to the CIL charges rates allows for these levels of build costs increase, whilst still leaving a margin for viability. We do not believe this is the case, as illustrated in Part 2 below.

4.18 Finally, we note that the Viability Report states the following:

*“In line with the Council’s instructions we have adopted an additional cost over BCIS to allow for achieving Code of Sustainable Homes – Code Level 4. The following costs have been allowed in line with DCLG’s Housing Standards Review Consultation – Impact Assessment (August 2013):*

**Houses** - £2,004 per unit

**Flats** - £1,319 per unit”

4.19 However, looking at the summaries in Appendix 1 this does not appear to have been included in the viability testing. We would therefore ask that PBA re-run their appraisals to include an allowance for achieving Code for Sustainable Homes Level 4.

### Part 2 - Alternative Viability Appraisals

4.20 Given the concerns set out above, we have produced a set of alternative viability appraisals in order to demonstrate the impact of the underestimation of the following on the calculation of the maximum CIL rate:

- 1) **Code for Sustainable Homes (Level 4);**
- 2) **Developer’s Profit;**
- 3) **Section 106 Allowance; and**
- 4) **Build Costs**

4.21 For simplicity, using the same assumptions PBA has used for the 50 unit scenario (mid value), we have prepared a base appraisal and then undertaken subsequent sensitivity testing on alternative assumptions as set out below.

**Table 4 – Alternative Viability Appraisal Assumptions**

Appraisal	Assumption	PBA Assumption	Savills Assumption
A	Base Appraisal	As set out within the Viability Assessment	<p>Since PBA has undertaken sensitivity testing we have prepared our base appraisal on the following:</p> <ul style="list-style-type: none"> <li>• 33% affordable;</li> <li>• Sales value of £2,350 (sq m)</li> </ul>



Appraisal	Assumption	PBA Assumption	Savills Assumption
			All other assumptions are as set out in the Viability Assessment.
<b>B</b>	Code for Sustainable Homes (Level 4)	<ul style="list-style-type: none"> <li>£2,004 per house</li> <li>£1,319 per flat</li> </ul> <i>NB: not included in PBA appraisals</i>	As set out in PBA report
<b>C</b>	Developer's Profit	17.5% on GDV (blended)	20% on GDV (blended)
<b>D</b>	Section 106	£1,000 per unit	£2,500 per unit
<b>E</b>	Build Costs	£861/sq m	£1,009/sq m
<b>F</b>	Combined	As above	Incorporating A-E

Source: Savills

4.22 PBA have provided their viability appraisals in Appendix A of the Viability Study. We have therefore been able to use the appraisal summary of the 50 unit (mid value) typology to re-create, as close as possible, the residual land value reported by PBA. In doing so we have used ARGUS Developer appraisal software and incorporated the assumptions set out in **Table 4** above.

**Table 5 – Base Appraisal Residual Land Value**

Base Appraisal	Savills	PBA	% Difference
<b>RLV</b>	<b>£1,355,046</b>	<b>£1,359,211</b>	0.31%
<i>Less BLV</i>	<i>£1,000,000</i>	<i>£1,000,000</i>	
<i>Capacity for CIL</i>	<i>£355,046</i>	<i>£359,211</i>	<i>£4,165</i>
<i>Private GIA</i>	<i>2098</i>	<i>2098</i>	
<b>Max. CIL Rate (£psm)<sup>43</sup></b>	<b>£169</b>	<b>£171</b>	<b>£2</b>

Source: Savills

4.23 We have subsequently used the above RLV as our baseline position and used for comparison purposes for the alternative assumptions as follows:

<sup>43</sup> Calculated by dividing the capacity for CIL by the private GIA.



Table 6 – Alternative Viability Appraisal Results

Appraisal	Assumption	Residual Land Value (per net Hectare)	Difference from Baseline
A	Base Appraisal	£1,355,046	-
B	Code for Sustainable Homes (Level 4)	£1,290,196	4.8%↓
C	Developer’s Profit	£1,216,971	10.2%↓
D	Section 106	£1,306,506	3.6%↓
E	Build Costs	£794,913	41.3%↓
F	<b>Combined</b>	<b>£543,448</b>	<b>59.9%↓</b>

Source: Savills (see **Appendix 4** for copies of the 50 houses, mid value ARGUS Developer appraisals)

4.24 The results above highlight the impact that individual inappropriate assumptions can have on the residual land value. When all of these assumptions are combined, in appraisal F, the cumulative impact is significant and will render delivery of such a site difficult given that the RLV (per net hectare) is below the PBA BLV of £1,000,000 (per net hectare).

4.25 We have also calculated the maximum CIL rates that can be supported for each of these scenarios in the table overleaf.

Table 7 – Alternative Maximum CIL Rates

	B - Code for Sustainable Homes	C - Developer's Profit	D - Section 106	E - Build Cost	F – Combined
Savills RLV	£1,290,196	£1,216,971	£1,306,506	£794,913	£543,448
Less BLV	£1,000,000	£1,000,000	£1,000,000	£1,000,000	£1,000,000
Capacity for CIL	£290,196	£216,971	£306,506	-£205,087	-£456,552
Private GIA	2098	2098	2098	2098	2098
Max. CIL Rate (£psm)	£138.33	£103.42	£146.10	-£97.76	-£217.62
Say	£138	£103	£146	£0	£0
PBA Max. CIL Rate (£psm)	£171	£171	£171	£171	£171
Difference	19%↓	40%↓	15%↓	100%↓	100%↓

Source: Savills analysis (November 2014)

4.26 This illustrates that incorporating the revised inputs discussed above has a significant impact on the ability of a 50 unit housing scheme to support CIL, even before a viability buffer is applied. We have therefore undertaken the same exercise for all of the housing typologies tested within the PBA report. We have not tested the flatted schemes, as in all but one scenario (3 flats, high value) the viability testing demonstrated minimal or no viability. The results of our additional testing (incorporating assumptions B-E) is set out below:

**Table 8 – Alternative Maximum CIL Rates, housing typologies**

Dwellings	Zone	Net Site Area (Ha)	RLV (£/ha)	BLV (£/ha)	Max. CIL Capacity	Private GIA (Sq M)	Private GIA per Ha (Sq M)	Max. CIL	Say	30% Buffer
1	Low	0.03	£610,626	£750,000	-£139,374	90	3000	-£46	£0	£0
5	Low	0.14	£628,766	£750,000	-£121,234	450	3214	-£38	£0	£0
10	Low	0.29	£89,060	£500,000	-£410,940	600	2069	-£199	£0	£0
25	Low	0.71	£20,402	£500,000	-£479,598	1500	2113	-£227	£0	£0
50	Low	1.43	£0	£500,000	£0	3000	2098	£0	£0	£0
1	Mid	0.03	£1,261,905	£1,250,000	£11,905	90	3000	£4	£4	£3
5	Mid	0.14	£1,320,634	£1,250,000	£70,634	450	3214	£22	£22	£15
10	Mid	0.29	£687,734	£1,000,000	-£312,266	600	2069	-£151	£0	£0
25	Mid	0.71	£617,538	£1,000,000	-£382,462	1500	2113	-£181	£0	£0
50	Mid	1.43	£543,448	£1,000,000	-£456,552	3000	2098	-£218	£0	£0
1	High	0.03	£1,804,638	£1,750,000	£54,638	90	3000	£18	£18	£13
5	High	0.14	£1,897,191	£1,750,000	£147,191	450	3214	£46	£46	£32
10	High	0.29	£1,180,804	£1,250,000	-£69,196	600	2069	-£33	£0	£0
25	High	0.71	£1,111,513	£1,250,000	-£138,487	1500	2113	-£66	£0	£0
50	High	1.43	£1,026,455	£1,250,000	-£223,545	3000	2098	-£107	£0	£0

Source: Savills analysis (November 2014)

4.27 These results can be summarised as follows:

**Table 9 – Summary of Results**

Zone	Savills Max. CIL Range (£psm)		Recommended CIL Rate (£psm)	
	1 – 5 Dwellings	6+ Dwellings	1 – 5 Dwellings	6+ Dwellings
Low	£0	£0	£0	£0
Mid	£3 – 15 psm	£0	£10	£0
High	£13 - £32 psm	£0	£25	£0

Source: Savills analysis (November 2014)

- 4.28 We would therefore advise that the Council reviews their viability evidence and resulting CIL rates to ensure that they are not set at the margins of viability.

### Site Specific Testing

- 4.29 The CIL Guidance states that –

*“The sampling should reflect a **selection of the different types of sites included in the relevant Plan, and should be consistent with viability assessment undertaken as part of plan-making.**”*

*Charging authorities that decide to set differential rates may need to **undertake more fine-grained sampling**, on a higher proportion of total sites, to help them to estimate the boundaries for their differential rates. Fine-grained sampling is also likely to be necessary where they wish to differentiate between categories or scales of intended use.*

***The focus should be in particular on strategic sites on which the relevant Plan relies and those sites (such as brownfield sites) where the impact of the levy is likely to be most significant.***<sup>44</sup>  
(Emphasis added)

- 4.30 In light of this, the Consortium have fundamental concerns that site specific testing of the sites contained within Table 12.1 of the Viability Study<sup>45</sup> has been undertaken for SCDC despite there not being a Site Allocations Document or a five year land supply document. It is therefore not certain that the specific sites that were tested will come forward within the plan period.
- 4.31 The Consortium would therefore highlight that generic site testing would be more appropriate for SCDC and therefore request that larger generic sites are tested which incorporate the appropriate inputs and assumptions. We refer you to our Preliminary consultation document<sup>46</sup> where we explored this in more detail.

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<sup>44</sup> Paragraph 019, Reference ID 25-019-20140612, CIL Guidance (2014)

<sup>45</sup> Page 51, Ibid, May 2014

<sup>46</sup> Paragraph 4.12, Ibid, July 2014



## 5. Effective Operation of CIL

5.1 In our PDCS representation, we highlighted the importance of the Council publishing supporting documents to outline how CIL will work in practice. We therefore provide further comment on some of these points below.

### Instalments Policy

5.2 The Consortium would reiterate the importance of an Instalments Policy reflecting, as closely as possible, the timing of delivery of the development, to ensure that the CIL does not put unnecessary pressure on cashflow and viability.

5.3 We therefore reiterate our concern over the proposed Instalments Policy and would ask that this be amended to reflect the following (as set out in our previous representation<sup>47</sup>):

**Table 10 – Alternative Instalments Policy**

Sum	Number of Instalments	Payments
Up to £25,000	1	Full payment within 120 days of commencement
£25,001 - £100,000	2	120 days after commencement 50% 240 days after commencement 50%
£100,001 - £250,000	3	120 days after commencement 20% 240 days after commencement 40% 360 days after commencement 40%
£250,001 - £500,000	4	120 days after commencement 10% 240 days after commencement 30% 540 days after commencement 40% 720 days after commencement 20%
Greater than £500,001	4	120 days after commencement 10% 360 days after commencement 30% 720 days after commencement 40% 900 days after commencement 20%

Source: Savills

<sup>47</sup> Paragraph 5.7, Savills Representation on behalf of Housebuilder and Developer Consortium PDCS, July 2014

### Relief

- 5.4 It remains unclear whether SCDC are proposing to implement Discretionary Charitable or Social Housing Relief. We note that SCDC has not provided any further information on relief since the Preliminary Draft Charging Schedule which that '*no locally specific exemptions are expected to be introduced*'<sup>48</sup>.
- 5.5 We would remind SCDC again that such policies can only be applied if they are in force prior to an application being submitted, therefore the need for the policy will arise prior to it being made available.
- 5.6 We do not consider there to be any detriment arising from the Councils making available such reliefs within policies as part of their Charging Schedules, as the Councils will still retain control over the application of the policies. There are strict tests surrounding the availability and applicability of Exceptional Circumstances Relief. It would therefore only be applicable to those schemes that can justify the need for it and meet those strict tests.
- 5.7 There may well be instances where CIL (even with a buffer) would render development, which the Councils may otherwise want to support, unviable. For example, there can be instances where enabling development is permitted to support the delivery of some other planning objectives, such as ensuring the future of listed buildings or to facilitate the relocation of particular uses. With the lack of flexibility under CIL compared to Section 106, it is likely that such developments will simply not happen and important policy objectives might be undermined. It is also the case that where residential development is rendered unviable, by the cumulative impact of CIL and Section 106, that the only option open to the Councils will be to negotiate on affordable housing. That may not always be the most appropriate planning balance.
- 5.8 The Consortium therefore considers it imperative that SCDC make both Discretionary and Exceptional Circumstances Relief available from the adoption of CIL. We would therefore ask that relief is included in the Charging Schedule and that the intended approach to doing so is outlined prior to Examination.

### Payment in Kind

- 5.9 Our comments in respect of this are unchanged from our response to the PDCS consultation<sup>49</sup>.

### Reviewing CIL

- 5.10 As above, our comments in respect of this are unchanged from our PDCS response<sup>50</sup>.

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<sup>48</sup> Section 5.5, PDCS, May 2014

<sup>49</sup> Paragraphs 5.12 – 5.14

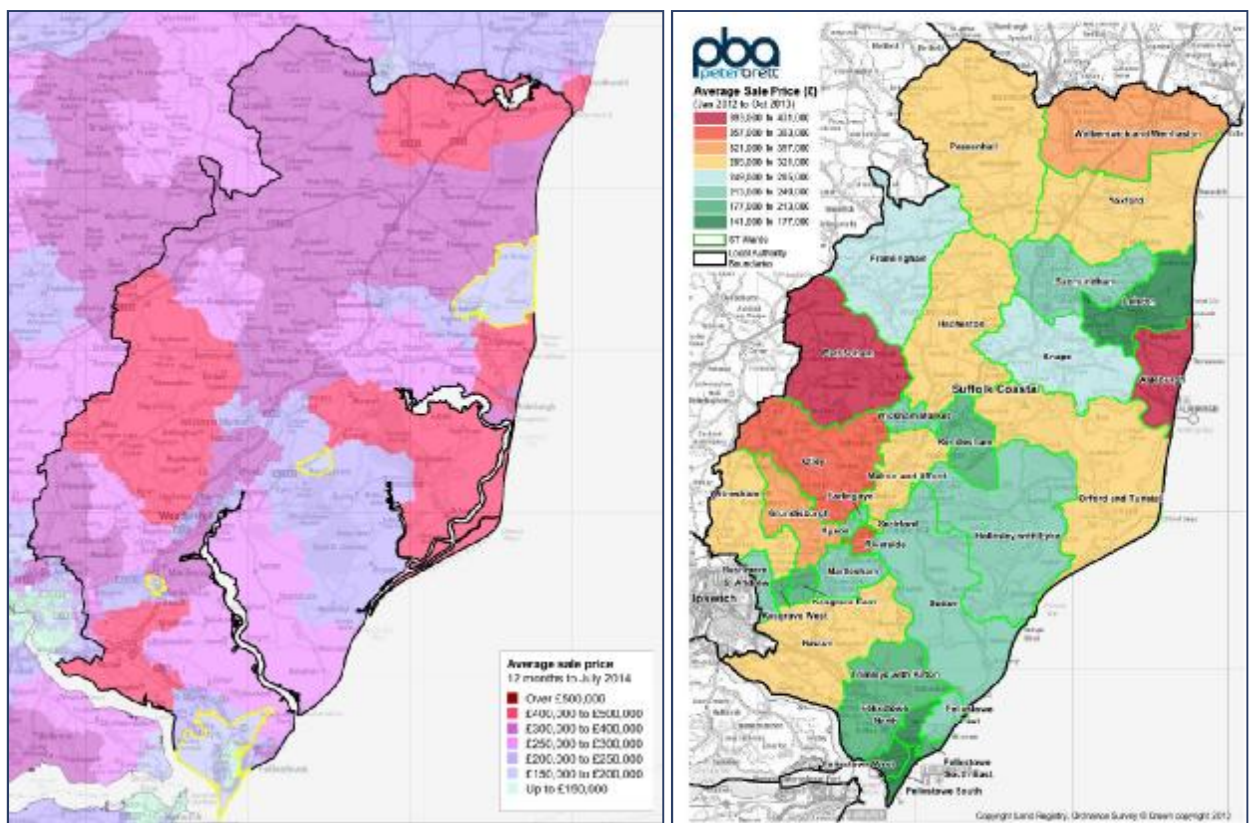
<sup>50</sup> Paragraph 5.15

### Application of Differential Rates

5.11 Within our PDCS representation<sup>51</sup>, we recommended that SCDC review their CIL Charging Zones map to reflect the market value areas within the District. In light of the uncertainty of the location of future housing sites, it is essential that the CIL rates are applied correctly across the District in accordance with the identified value areas.

5.12 PBA have produced an Average House Price map within their Viability Study which we have sense-checked against Savills Average House Price heat map (**Figure 1**). Please note that for clarity the lowest values areas have been highlighted with a yellow outline. Comparing the two maps, we broadly agree with the value areas that PBA have identified.

**Figure 1 – Comparison of Average House Price Map produced by PBA and Savills**



Source: Savills (November 2014)

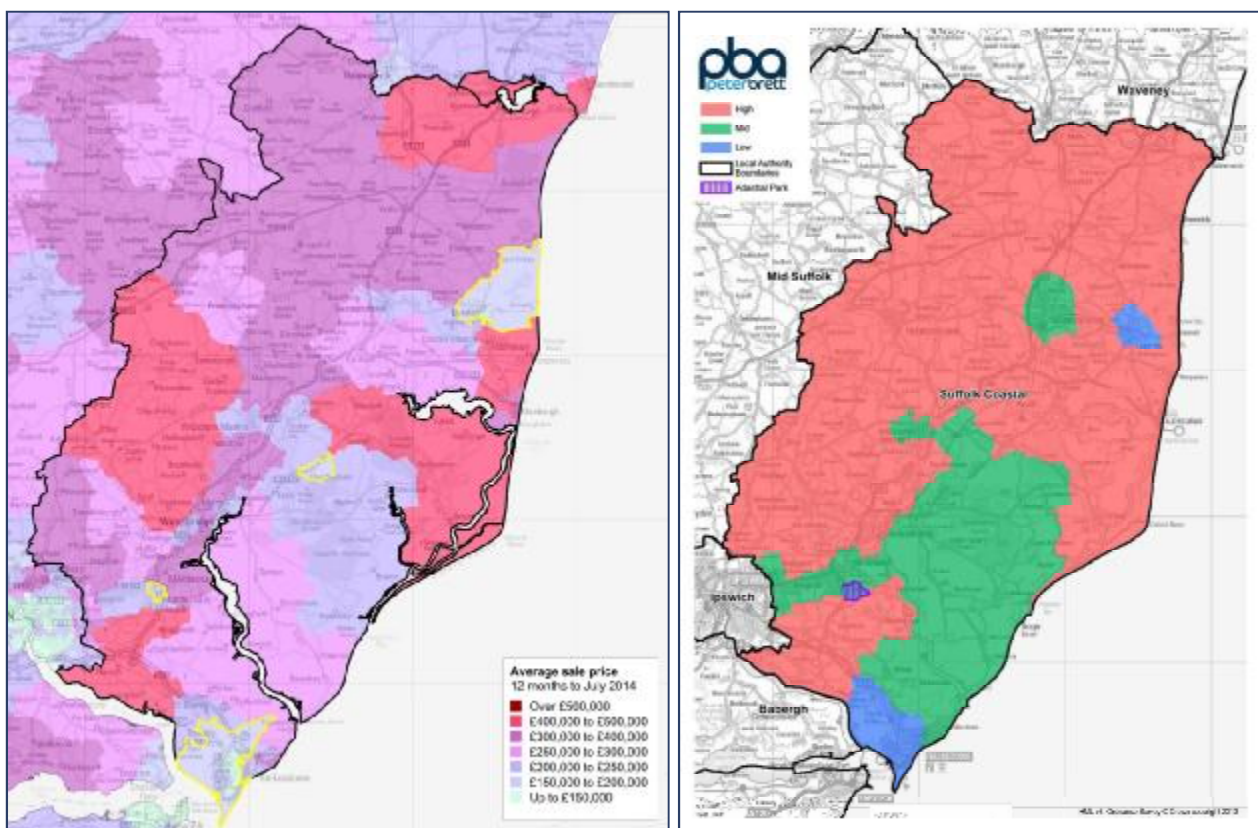
Source: PBA Viability Study (May 2014)

<sup>51</sup> Paragraph 4.48 – 4.52, Ibid, July 2014



5.13 However, the Consortium raises their continued concerns around SCDC proposed CIL Charging Zone Map and the relationship to the above value areas. **Figure 2** compares the proposed CIL Charging Zone Map against the Savills Average House Price heat map.

**Figure 2 – Comparison of Average House Price Map produced by PBA and Savills**



5.14 In particular, the Consortium would like to highlight their concerns that parts of the lowest value areas (outlined in yellow on the Savills map) fall within the “high” and “mid” CIL Charging Zones. We would therefore recommend that the Charging Zone boundaries are reviewed to ensure that they reflect the value areas clearly visible across the District.

## 6. Conclusions

6.1 This Representation has been prepared by Savills on behalf of a local Housebuilder Consortium. As set out at the start of these representations there are three key tests at Examination:

- i) *That “the charging authority’s Charging Schedule is supported by background documents containing appropriate available evidence”;*
- ii) *That “the proposed rate or rates are informed by and consistent with, the evidence on economic viability across the charging authority’s areas”;* and
- iii) *That “evidence has been provided that shows the proposed rate would not put at serious risk overall development of the area”.*

6.2 The assessment of planned development and its viability is therefore an inherent test of the Examination, making the following points significant:

- **Unviable Rates** - The current proposed CIL rates are unviable and risk rendering a significant proportion of the housing supply across the District undeliverable;
- **Incorrect Assumptions** - A number of the key viability inputs adopted by PBA are incorrect. This results in an over-estimation of the maximum CIL rates that can be supported;
- **Code for Sustainable Homes** - The viability testing does not include an allowance for Code for Sustainable Homes (Level 4) despite being referenced in the Viability Study. This input alone is shown in our alternative viability appraisals to reduce the maximum CIL rates by **19%**<sup>52</sup>;
- **Charging Zones** - SCDC have proposed three differential CIL rates by ‘zone’ (or geography) and scale of development. Whilst the principle of applying differential rates is not questioned, the proposed Charging Zone Map prepared by Peter Brett Associates (“PBA”) does not correlate to the supporting sales values evidence; and
- **Housing Supply** - The Council does not currently have a Site Allocations Document or a recognised five year land supply. The CIL rates have therefore been formulated and tested on sites that may not come forward for development in the plan period.

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<sup>52</sup> Based on analysis of 50 unit house in mid value area



6.3 In light of this, Savills and the Consortium would recommend that SCDC review their supporting “*appropriate available evidence*”. In particular we would ask that the Council undertakes the following:

- Undertaking additional viability work, incorporating the points raised above, to ensure that the proposed CIL rates are viable. In particular, this should look at build costs which have increased substantially in the last 12 months;
- Revising the Charging Zones map to remove the lowest value areas from the “mid” and “high” value CIL rates; and
- Reviewing the draft Instalments Policy and Regulation 123 list.

6.4 The Consortium feel it necessary to stress that if the CIL level is set too high, it will almost certainly have a negative impact on a large proportion of development coming forward, especially bearing in mind the historic undersupply in the District. Taking the above comments in to account we would therefore recommend that the Council consider the following CIL rates:

Zone	Recommended CIL Rate (£psm)	
	1 – 5 Dwellings	6+ Dwellings
Low	£0	£0
Mid	£10	£0
High	£25	£0

6.5 Moving forward, the Consortium is open to a meeting with SCDC and their advisors to discuss the approach taken and to discuss common ground in advance of the submission of the DCS for Examination. To this end, the Consortium would like to reserve the right to be heard at Examination and to be notified when:

- i) The DCS is submitted to the Examiner in accordance with Section 212 of the PA 2008;
- ii) The recommendations of the Examiner and the reasons for these recommendations are published; and
- iii) The Charging Schedule is approved by the charging authority.

**END**

## Appendix 1 – List of Documentation

### General

- Community Infrastructure Levy Guidance, DCLG (2014), [Planning Practice Guidance Website](#)
- Community Infrastructure Levy Regulations (2010) (as amended)
- National Planning Policy Framework, DCLG (March 2012)
- Planning Act (2008) (as amended)
- Viability Testing Local Plans – Advice for Planning Practitioners, Local Housing Delivery Group Chaired by Sir John Harman (June 2012)
- CIL – Getting it Right, Savills (UK) Ltd (January 2014)
- Maldon District Council Local Plan & CIL Viability Study – Post Consultation Update, HDH Planning & Development (November 2013)
- Report on examination of the Winchester City Council CIL Draft Charging Schedule, Philip Staddon BSc Dip MBA MRTPI (October 2013)
- Report on the examination of the Draft Mid Devon District Council CIL Charging Schedule, David Hogger BA MSc MRTPI MCIHT (February 2013)
- Report on appeal of Land at The Manor, Shinfield, Reading RG2 9BX, Clive Hughes BA (Hons) MA DMS MRTPI (January 2013)
- Letter on the examination of the Runnymede Local Plan, David Hogger (April 2014)

### Suffolk Coastal District Council

- Suffolk Coastal District Council Preliminary Draft CIL Charging Schedule (May 2014)
- Suffolk Coastal Local Plan AMR 2012- 2013 (March 2014)
- Suffolk Coastal Local Plan remaining 'Saved Policies' (July 2013)
- Suffolk Coastal District Council Infrastructure Delivery Plan (May 2014)
- Community Infrastructure Levy Guidance, DCLG, [Planning Practice Guidance Website](#)
- Suffolk Coastal District Council Community Infrastructure Levy: Viability Study, Peter Brett Associates (May 2014)
- Suffolk Coastal District Council Community Infrastructure Levy: Responses to Preliminary Draft Charging Schedule (October 2014)
- Suffolk Coastal District Council Community Infrastructure Levy: Draft Instalments Policy (October 2014)
- Suffolk Coastal District Council Community Infrastructure Levy: Draft Regulation 123 List (October 2014)
- Suffolk Coastal District Council Community Infrastructure Levy: Background Document (October 2014)
- Suffolk Coastal District Council Community Infrastructure Levy: Addendum to Viability Study, Peter Brett Associates (September 2014)



## **Appendix 2 – Savills SCDC PDCS Consultation Response on behalf of Local Housebuilder and Landowner Consortium**

# **SUFFOLK COASTAL DISTRICT COUNCIL COMMUNITY INFRASTRUCTURE LEVY**

## **PRELIMINARY DRAFT CHARGING SCHEDULE**

**Consultation response on behalf of a Housebuilder and Developer  
Consortium**

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**July 2014**

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**Appendix 1** – List of Documentation

**Appendix 2** – Suffolk Coastal District Council Housing Land Supply Assessment (December 2013)

**Appendix 2** – Savills CIL Getting It Right Report (January 2014)

## Executive Summary

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This representation has been prepared by Savills (UK) Limited on behalf of a Local Housebuilder and Developer Consortium, hereafter known as 'the Consortium'. It is made in respect of the Suffolk Coastal District Council (SCDC) Preliminary Draft Community Infrastructure Levy (CIL) Charging Schedule.

The Consortium has fundamental concerns with the approach proposed by SCDC notably:

- SCDC do not have a Site Allocations Document or a recognised five year land supply, therefore the CIL rates have been formulated and tested on sites that may not come forward for development in the plan period.
- Overall, five differential residential CIL rates are proposed by 'zone' (or geography) and scale of development. Whilst the principle of applying differential rates is not questioned, the proposed Charging Zone Map prepared by Peter Brett Associates ("PBA")<sup>1</sup> does not correlate to the supporting sales values evidence.
- Some of the assumptions used for the viability appraisals are incorrect, resulting in outputs which are not reflective of the market. Ultimately causing an overestimation of the viability of the sites tested.
- Based upon recent Savills research<sup>2</sup>, the emerging CIL rate combined with the affordable housing policy (33%) will render large Greenfield sites unviable.
- Whilst the proposed CIL rates include a viability buffer, this is not explicit in the formulation of the proposed rates. Given SCDC's historic under delivery of housing numbers, we would recommend that a **minimum cushion of 40%** is adopted to help mitigate the potentially adverse impact on land supply (and housing delivery) of setting a residential CIL rate above the viable level.
- The proposed Benchmark Land Values (BLVs) are supported by limited comparable evidence. In the absence of a Site Allocations Document in the District it is difficult to assess whether these BLVs are comparable to the land which is likely to come forward for development.

This representation is structured in six sections.

- **Section 1.0** provides an introduction to the representation.
- **Section 2.0** provides planning and legal background.
- **Section 3.0** outlines specific points about the available evidence base, notably in respect of infrastructure delivery and the adopted Core Strategy. The section is supported by appendices/ tables.
- **Section 4.0** provides first scrutiny of the available viability evidence (Peter Brett Associates, May 2014).
- **Section 5.0** outlines the position of the Consortium in respect of the effective operation of CIL.
- **Section 6.0** provides conclusions.

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<sup>1</sup> Peter Brett Associates, Suffolk Coastal Community Infrastructure Levy Viability Study, May 2014

<sup>2</sup> Savills, CIL- Getting it Right, January 2014



Where relevant this representation provides comment on the supporting evidence/ existing guidance and also makes reference to policy documents, a list of which is contained at **Appendix 1**.

## 1.0 Introduction

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1.1 This representation has been prepared by Savills (UK) Limited on behalf of a Local Housebuilder and Developer Consortium comprising (in alphabetical order):

- Bloor Homes
- Crest Strategic Projects
- Gladman Developments
- Hopkins Homes Ltd
- Persimmon Homes & Charles Church Anglia Strategic

1.2 hereafter known as 'the Consortium'.

1.3 This representation has been submitted to influence the emerging Community Infrastructure Levy (CIL) Charging Schedule proposed by Suffolk Coastal District Council (SCDC). The representation is made in respect of the Preliminary Draft Charging Schedule (PDCS) published for public consultation in the period May to July 2014.

1.4 The Consortium has come together owing to certain concerns with the approach proposed by SCDC, notably regarding the viability of the proposed rate for residential development. The Consortium's members have land holdings across the SCDC area which will likely contribute to the maintenance and delivery of the housing land supply (to meet identified housing needs). The rate of CIL is therefore of critical importance to the Consortium.

1.5 The desirability of funding from CIL is a key test of the Regulations. The purpose of CIL is to facilitate the delivery of development, including new housing to meet the key National Planning Policy Framework (NPPF)<sup>3</sup> objective for a significant boost in the supply of housing. The NPPF provides perspective on how *desirable* CIL funding may or may not be, in relation to the range of legal and planning mechanisms available to secure infrastructure delivery. There is no obligation on the Council to pursue CIL; should it do so, it should be minded that the initiative is new, and that existing tools are available to secure site specific mitigation costs.

1.6 The objective of this representation is not to oppose CIL; it merely seeks to ensure a reasonable rate, based on the evidence, and a collective interest to deliver well planned, viable and feasible development in the District. The opportunity has been taken to provide further evidence to SCDC, which it is hoped is used to inform modifications to the PDCS prior to the publication of the Draft Charging Schedule (DCS).

1.7 In submitting this representation, the Consortium is only commenting on particular key areas of the evidence base. The lack of reference to other parts of the evidence base cannot be taken as agreement with them and the Consortium reserves the right to make further comments upon the evidence base at the DCS stage.

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<sup>3</sup> Communities and Local Government, National Planning Policy Framework, March 2012

## 2.0 Summary of National Policy & Legal Context

2.1 In respect of the preparation of Charging Schedules and supporting documentation, it is important to have due regard to the available Government policy, guidance and law, notably:

- Policy - National Planning Policy Framework (NPPF)<sup>4</sup>
- Statutory CIL Guidance 2014(as amended)
- Planning Practice Guidance (PPG) (2014)
- Law – Part 11 of the Planning Act 2008; Community Infrastructure Levy Regulations 2010 (as amended)

2.2 The Consortium's comments are based on these publications and the Regulations.

### National Planning Policy Framework (NPPF)

2.3 It is important that the preparation of CIL is in the spirit of the NPPF, notably that it is delivery-focused and "*positively prepared*"<sup>5</sup>.

2.4 The NPPF outlines 12 principles for both plan making and decision taking, notably that planning should "*proactively drive and support sustainable economic growth*".<sup>6</sup> Furthermore, that plan making should "*take account of market signals such as land prices and housing affordability*". Furthermore, that "*the Government is committed to ensuring that the planning system does everything it can to support sustainable economic growth*".<sup>7</sup>

2.5 Furthermore, the NPPF refers to the "*cumulative impacts*"<sup>8</sup> of standards and policies relating to the economic impact of these policies (such as affordable housing) and that these should not put the implementation of the plan at serious risk. Existing policy requirements should therefore be considered when assessing the impact of CIL on development viability.

2.6 The NPPF expressly states that CIL "*should support and incentivise new development*".<sup>9</sup> To comply with this policy, CIL Charging Schedules must be demonstrated to have positive effects on development. The absence of adverse effects on the economic viability of development, whether serious or otherwise, is not enough to justify CIL proposals. Charging Authorities now have a positive duty when it comes to setting CIL rates and formulating its approach on the application of CIL.

2.7 CIL Examiners' reports, such as those for Mid Devon (February 2013) and Winchester City Council (October 2013), have set a clear precedent for CIL to be considered in the round, including the testing of policy-compliant levels of affordable housing and other policy costs.

<sup>4</sup> Ibid, March 2012

<sup>5</sup> Ibid, Paragraph 182, March 2012

<sup>6</sup> Ibid, Criterion 3, March 2012

<sup>7</sup> Ibid, Paragraph 19, March 2012

<sup>8</sup> Ibid, Paragraph 174, March 2012

<sup>9</sup> Ibid, Paragraph 175, March 2012

## Statutory Guidance

- 2.8 The 2014 CIL Guidance was published pursuant to powers in Section 221 of the Planning Act following the publication of the Community Infrastructure Levy (Amendment) Regulations 2014. This was soon followed by the publication of the NPPG, which confirmed the cancellation of all previous CIL guidance. On the 12th June 2014, the 2014 CIL Guidance was replaced by an electronic version which sits alongside the PPG. This version supersedes the previous version published in PDF form in February 2014. Our representation is therefore made on the basis of the revised electronic 2014 CIL Guidance.
- 2.9 The Guidance confirms in particular:
- The need for balance (as per Regulation 14<sup>10</sup>); and
  - The need for '**appropriate available evidence to inform the draft Charging Schedule**' (as per Schedule 211(7)(a) of the 2008 Act)<sup>11</sup>.
- 2.10 The policy direction from central government is very much towards facilitating development. This policy imperative should have a major material bearing on the CIL rates. This applies to the evidence provided to support the balance reached between the desirability of funding infrastructure through CIL and the potential effects on economic viability of development across that area (applied when considering Regulation 14(1)).
- 2.11 The Guidance states that 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 (the appropriate balance). Clearly this judgement needs to consider the wider planning priorities. Furthermore, the CIL Guidance outlines that CIL receipts are not expected to pay for all infrastructure but a "**significant contribution**"<sup>12</sup>. The overall approach and rate of CIL will have to pay attention to the development plan and intended delivery.

## Legal

- 2.12 Section 212 of the Planning Act requires the Examiner to consider whether the "*drafting requirements*" have been complied with and, if not, whether the non-compliance can be remedied by the making of modifications to the DCS. The "*drafting requirements*" mean the legal requirements in Part 11 of the Planning Act and the CIL Regulations so far as relevant to the drafting of the Charging Schedule.
- 2.13 In considering the "*drafting requirements*", Examiners are required in particular to have regard to the matters listed in Section 211(2) and 211(4). This requires examiners to consider whether the relevant charging authority has had regard (as it must) to the following matters:
- actual and expected costs of infrastructure;
  - matters specified by the CIL Regulations relating to the economic viability of development;
  - other actual and expected sources of funding for infrastructure; and
  - actual or expected administrative expenses in connection with CIL.

<sup>10</sup> CIL Regulations 2010 (as amended)

<sup>11</sup> Paragraph 020, Reference ID: 25-020-20140612, CIL Guidance (revision date 12<sup>th</sup> June 2014)

<sup>12</sup> Ibid, Paragraph 096, Reference ID 25-096-20140612, CIL Guidance (2014)

- 2.14 Regulation 14 of the CIL Regulations expands on these requirements, explaining that charging authorities must, when striking an appropriate balance, have regard to:
- The desirability of funding from CIL (in whole or in part), the actual and expected estimated total cost of infrastructure required to support the development of its area, taking into account other actual and expected sources of funding; and
  - The potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area.
- 2.15 Examiners test compliance with the Planning Act and the CIL Regulations, including in respect of the statutory processes and public consultation, consistency with the adopted development plan and appropriate evidence on infrastructure needs and development viability. Examiners also commonly test whether a Draft Charging Schedule is economically viable, reasonable and realistic before recommending approval (with or without modifications) or rejection.

## 3.0 Planning and Infrastructure Delivery

### The Development Plan

- 3.1 We welcome that SCDC has an 'up-to-date' Core Strategy adopted in July 2013. The Core Strategy contains a housing trajectory for the plan period (2010 – 2027). This identifies the planned number of new dwellings in the district over the plan period at 7,900 (465 per annum).
- 3.2 We are concerned however that at this stage SCDC has not demonstrated an adequate land supply to deliver this objectively assessed housing need. The SCDC Housing Land Supply Assessment (HLSA)<sup>13</sup> provides details of formally identified (consented) and informally identified (SHLAA, in principle agreed and windfall sites). It is considered reasonable to take the formally identified (consented) sites in the HLSA<sup>14</sup> as being deliverable representing 16% of the objectively assessed need over the plan period.
- 3.3 However, the Consortium is concerned that SCDC does not have a Site Allocations Document and has only informally identified the other 84% of development required to meet the target across the plan period. It is noted that SCDC do not intend to produce a Site Allocations Document until 2015.
- 3.4 The viability and deliverability of the sites identified in the HLSA<sup>15</sup> have not been tested. It is therefore considered that although these sites may be developable, they cannot reasonably be considered deliverable. SCDC cannot therefore claim to have a supply of specific deliverable sites sufficient to provide five years worth of housing against their housing requirement. We would therefore ask that SCDC provide clarification on the process and progress relating to the production and adoption of a Site Allocations Document.

### Five Year Land Supply

- 3.5 SCDC have indicated that they can only deliver 3.7 years<sup>16</sup> worth of the objectively identified land supply need in the first five years of the plan period.
- 3.6 Where historic under delivery of identified housing land exists, the NPPF<sup>17</sup> requires that a 20% buffer is imposed on the five year land supply to ensure a realistic prospect of meeting identified housing need. We consider SCDC should have imposed a 20% buffer based on recent under delivery and historic inconsistency. SCDC's Authority Monitoring Report<sup>18</sup> comments on this matter as follows:

*"The NPPF has introduced a crucial change in regard to the identification of a 5-year housing land supply as there is now a need to provide an additional 5% buffer, on top of the plan requirement, in order to encourage market choice and competition. If a local planning authority has seen 'persistent under delivery'*

<sup>13</sup> Suffolk Coastal District Council, Housing Land Supply Assessment, December 2013

<sup>14</sup> Ibid. December 2013

<sup>15</sup> Ibid. December 2013

<sup>16</sup> Table 7, AMR 2012-2013, March 2014

<sup>17</sup> Ibid. March 2012

<sup>18</sup> Paragraph 7.02, Suffolk Coastal Local Plan, Authority Monitoring Report 2012-2013, March 2014

*in the recent past then this buffer is increased to 20%. In Suffolk Coastal it is justified to apply a 5% buffer given the good track record of recent housing delivery.”*

- 3.7 We would therefore ask for SCDC to confirm their current 5 year land supply and apply the required 20% buffer given their 'persistent under delivery'.

#### Windfall Sites

- 3.8 SCDC have stated that they expect 850 dwellings will be provided for through Windfall sites<sup>19</sup>. This equates to 11% of the anticipated supply across the plan period. It is therefore essential that the CIL rate applicable to these sites is viable.

- 3.9 In Paragraph 48, the NPPF<sup>20</sup> makes it clear that a reliance on windfall sites is only appropriate where there is compelling evidence that sites have consistently become available in the area and will continue to provide a reliable source of supply. Once again we would ask for a Site Allocations Document to be published to support the development of a CIL Charging Schedule.

#### **Applying the CIL Statutory Guidance**

- 3.10 The CIL Statutory Guidance<sup>21</sup> must be followed in the preparation of a Charging Schedule. The Consortium Group wishes to outline observations against relevant aspects of the Guidance.

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<sup>19</sup> Ibid. March 2014

<sup>20</sup> Ibid. March 2012

<sup>21</sup> 2014 (as amended)

Paragraph	Topic	Guidance	Implication for Suffolk Coastal District Council
Paragraph 009, Reference ID: 25-009-20140612, CIL Guidance (revision date 12 <sup>th</sup> June 2014)	Rate setting	<i>"Charging authorities should set a rate which does not threaten the ability to develop viably the sites and scale of development identified in the relevant Plan."</i>	The lack of a Site Allocations Document puts greater importance on the testing of a wide range of residential development scenarios.
Paragraph 010, Reference ID: 25-010-20140612, CIL Guidance (revision date 12 <sup>th</sup> June 2014)	Positive duty	<i>"The levy is expected to have a positive economic effect on development across a local plan area."</i>	To be a success, CIL must facilitate development and enable infrastructure delivery required to support development.
Paragraph 010, Reference ID: 25-010-20140612, CIL Guidance (revision date 12 <sup>th</sup> June 2014)	Positive duty	<i>"Charging authorities should be able to show and explain how their proposed levy rate (or rates) will contribute towards the implementation of their relevant plan and support development across their area."</i>	Reliance must therefore be had on infrastructure evidence and viability evidence, with reasoned consideration of the views of the key stakeholders and delivery agents.
Paragraph 011, Reference ID: 25-011-20140612, CIL Guidance (revision date 12 <sup>th</sup> June 2014)	Positive duty	<i>"Charging schedules should be consistent with, and support the implementation of, up-to-date relevant Plans."</i>	The approach to viability testing must be grounded on the viability evidence produced to support the PDCS.
Paragraph 012, Reference ID: 25-012-20140612, CIL Guidance (revision date 12 <sup>th</sup> June 2014)	Spending	<i>"Charging authorities should think strategically in their use of the levy to ensure that key infrastructure priorities are delivered to facilitate growth and economic benefit of the wider area."</i>	A difference must be distinguished between "scheme mitigation" infrastructure and "strategic infrastructure" required to address the delivery of the whole plan (i.e. to address cumulative impacts).
Paragraph 020, Reference ID: 25-020-20140612, CIL Guidance (revision date 12 <sup>th</sup> June 2014)	Viability assessment	<i>"A charging authority should directly sample an appropriate range of types of sites across its area....The exercise should focus on strategic sites on which the relevant Plan relies, and those sites where the impact of the levy on economic viability is likely to be most significant."</i>	As above, SCDC should produce a SAD to ensure that a suitable range of sites can be tested.
Paragraph 021, Reference ID: 25-021-20140612, CIL Guidance (revision date 12 <sup>th</sup> June 2014)	Viability assessment	<i>"A charging authority should take development costs into account when setting its levy rate or rates, particularly those likely to be incurred on strategic sites or brownfield land. A realistic understanding of costs is essential to the proper assessment of viability in an area."</i>	Reliance must therefore be had on infrastructure evidence and viability evidence, with reasoned consideration of the views of the key stakeholders and delivery agents. The additional costs of strategic development must be recognised.
Paragraph 022, Reference ID: 25-022-20140612, CIL Guidance (revision date 12 <sup>th</sup> June 2014)	Differential rates	<i>"If the evidence shows that the area includes a zone, which could be a strategic site, which has low, very low or</i>	An approach to different CIL rates by Scale of Development (i.e. Adastral Park) consistent with national policy.



Paragraph	Topic	Guidance	Implication for Suffolk Coastal District Council
date 12 <sup>th</sup> June 2014)		<i>zero viability, the charging authority should consider setting a low or zero levy rate in that area."</i>	
Paragraph 029, Reference ID: 25-029-20140612, CIL Guidance (revision date 12 <sup>th</sup> June 2014)	Infrastructure list	<i>"It is good practice for charging authorities to also publish their draft infrastructure lists and proposed policy for the associated scaling back of section 106 agreements at this stage [Preliminary Draft Charging Schedule] in order to provide clarity about the extent of the financial burden that developments will be expected to bear so that viability can be robustly assessed."</i>	Infrastructure evidence on the onward use of Section 106 should be published. It is clear that Section 106, whilst potentially scaled back in some cases, will continue to play an important role in relation to infrastructure delivery. The updated Guidance is clear that the sharing of infrastructure evidence should be earlier in the process.
Paragraph 039, Reference ID: 25-039-20140612, CIL Guidance (revision date 12 <sup>th</sup> June 2014)	Examination	<i>"The examiner should establish that the charging authority has complied with the legislative requirements set out in the Planning Act 2008 and the Community Infrastructure Levy Regulations as amended; the 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 the proposed rate or rates would not threaten delivery of the relevant Plan as a whole."</i>	"Appropriate available evidence" must be published by the District Council. This requires the full detail of the Viability Appraisals to be made available.  A relevant input to the evidence of economic viability is the likely use of "scheme mitigation" Section 106.
Paragraph 062, Reference ID: 25-062-20140612, CIL Guidance (revision date 12 <sup>th</sup> June 2014)	Payment in kind	<i>"...where an authority has already planned to invest levy receipts in a project there may be time, cost and efficiency benefits in accepting completed infrastructure from the party liable for payment of the levy. Payment in kind can also enable developers, users and authorities to have more certainty about the timescale over which certain infrastructure items will be delivered."</i>	The operation of Payment in Kind needs to consider the implications of the 2014 Regulations, which make clear that reductions in the CIL rate are not possible for infrastructure which is provided to mitigate the impacts of development (and hence typically "site specific").
Paragraph 063, Reference ID: 25-063-20140612, CIL Guidance (revision date 12 <sup>th</sup> June 2014)	Payment in kind	<i>"This document [the Infrastructure Payments Policy Statement] should confirm that the authority will accept infrastructure payments and set out the infrastructure projects, or type of infrastructure, they will consider accepting as payment (this list may be the same list provided for the purposes</i>	The District Council must produce an Infrastructure Payments Policy Statement (IPPS).

Paragraph	Topic	Guidance	Implication for Suffolk Coastal District Council
		<i>of Regulation 123).</i> "	
Paragraph 084, Reference ID: 25-084-20140612, CIL Guidance (revision date 12 <sup>th</sup> June 2014)	Borrowing	<i>"Charging authorities are not currently allowed to borrow against future levy income. However, the levy can be used to repay expenditure on income that has already been incurred. Charging authorities may not use the levy to pay interest on money they raise through loans."</i>	The use of wider funding sources to enable infrastructure delivery should be considered.
Paragraph 094, Reference ID: 25-094-20140612, CIL Guidance (revision date 12 <sup>th</sup> June 2014)	Planning obligations	<i>"Charging authorities should work proactively with developers to ensure they are clear about the authorities' infrastructure needs and what developers will be expected to pay for through which route. There should be no actual or perceived 'double dipping' with developers paying twice for the same item of infrastructure."</i>	This is an important principle that the District Council should be aware of.
Paragraph 095, Reference ID: 25-095-20140612, CIL Guidance (revision date 12 <sup>th</sup> June 2014)	Planning obligations	<i>"The levy is intended to provide infrastructure to support the development of an area, rather than making individual planning applications acceptable in planning terms. As a result, some site specific impact mitigation may still be necessary in order for a development to be granted planning permission. Some of these needs may be provided for through the levy but others may not, particularly if they are very local in their impact. Therefore, the Government considers there is still a legitimate role for development specific planning obligations to enable a local planning authority to be confident that the specific consequences of a particular development can be mitigated."</i>	This is a key point, and distinguishes between the strategic infrastructure used to address cumulative impacts, which are required to deliver the plan as a whole and the "scheme mitigation infrastructure used to mitigate the impact of the sites.
Paragraph 107, Reference ID: 25-107-20140612, CIL Guidance (revision date 12 <sup>th</sup> June 2014)	Grampian conditions	<i>"In England, the National Planning Policy Framework sets out that planning conditions (including Grampian conditions) should only be imposed where they are necessary, relevant to planning and to the development to be permitted, enforceable, precise and reasonable in all other respects. When setting conditions, local planning authorities should consider the combined impact of those conditions and any Community Infrastructure Levy</i>	Grampian conditions must be used sparingly. The District Council should publish a policy on the use of Grampian conditions. This is in order to be clear of the objective to enable the development required to generate CIL receipts and hence not put at risk, including from a funding perspective.

Paragraph	Topic	Guidance	Implication for Suffolk Coastal District Council
		<i>charges that the development will be liable for."</i>	
Paragraph 108, Reference ID: 25-108-20140612, CIL Guidance (revision date 12 <sup>th</sup> June 2014)	Highway agreements	<i>"Charging authorities should take care to ensure that their existing or forthcoming infrastructure list does not inadvertently rule out the use of section 278 agreements for highway schemes that are already planned or underway, or where there would be clear merit in retaining the ability for developers to contribute towards specific local highway works through s278 agreements."</i>	The cost of Section 278 infrastructure is a relevant consideration for the viability evidence.
Paragraph 108, Reference ID: 25-108-20140612, CIL Guidance (revision date 12 <sup>th</sup> June 2014)	Highway agreements	<i>"Where section 278 agreements are used, there is no restriction on the number of contributions that can be pooled."</i>	Pooled Section 38/278 Agreements may represent a feasible alternative to pooled Section 106 contributions in relation to new/improved roads.

### The Approach Proposed by Suffolk Coastal District Council

3.11 The Planning Act 2008 (as amended)<sup>22</sup> 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, and***
- ***(f) open space.”***

3.12 There is a requirement within the CIL Regulations to provide a list of ***“relevant infrastructure”***<sup>23</sup> to be wholly or partly funded by CIL. It is also lawful<sup>24</sup> for CIL to be used to reimburse expenditure already incurred on infrastructure, a tool which could have useful implications in respect of the forward funding obtained for major strategic infrastructure.

3.13 The Consortium considers it imperative that the evidence supporting CIL:

- clearly outlines the key infrastructure projects required to support development (this being the key test of the Regulations); and

<sup>22</sup> Section 216, Planning & Compulsory Purchase Act 2008 (as amended)

<sup>23</sup> Regulation 123, CIL Regulations 2010 (as amended)

<sup>24</sup> Regulation 60(1), CIL Regulations 2010 (as amended)

- outlines an up to date, consistent and well informed evidence base of economic viability in order to test various scenarios against CIL rates.

- 3.14 The sequencing of the delivery of infrastructure is also an important consideration.
- 3.15 SCDC has undertaken this, to a degree, via the Infrastructure Delivery Plan ('IDP') dated May 2014<sup>25</sup>. Further and necessary additional certainty is required to demonstrate that the delivery of the development plan has not been put at risk. The views and input of both Suffolk County Council (SCC) and the Highways Agency (HA) will be important in respect of the delivery mechanisms for major items of strategic infrastructure. The IDP also needs to best reflect the on-site infrastructure requirements required by the Core Strategy.
- 3.16 The CIL Guidance<sup>26</sup> places a strong emphasis on the need for local authorities to demonstrate when setting their Charging Schedule that they have been realistic when assessing what residual Section 106 and 278 requirements will remain. In order to do this it is therefore necessary for SCDC to prepare a draft list of relevant infrastructure (so called 'Regulation 123 list') to establish what on-site infrastructure is anticipated to continue to be delivered through Section 106.
- 3.17 At present SCDC has not prepared a draft Regulation 123 list for consultation. The Consortium would therefore request that this is made available as part of the DCS consultation.

### Historic Section 106

- 3.18 The CIL Guidance states that *"When a charging authority introduces the levy, section 106 requirements should be scaled back to those matters that are directly related to a specific site... For transparency, charging authorities should have set out at examination how their section 106 policies will be varied, and the extent to which they have met their section 106 targets"*<sup>27</sup>.
- 3.19 This information has not been published as part of the PDCS consultation and the Consortium would therefore ask that this be provided by SCDC.

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<sup>25</sup> Navigus Planning, Infrastructure Delivery Plan, May 2014

<sup>26</sup> February 2014

<sup>27</sup> Ibid. Paragraph 098, Reference ID 25-098-20140612, CIL Guidance (2014)

## 4.0 Viability Study

- 4.1 Section 211 (7a) of the Planning Act 2008 (as amended), requires SCDC to use “**appropriate available evidence**” to inform the Charging Schedule. In the case of the PDCS, we have assumed that SCDC has relied upon the Viability Report<sup>28</sup> produced by PBA as their ‘*appropriate available evidence*’. We have critically examined this report as part of this representation to determine if SCDC have sufficiently met Section 211 (7a) in proposing their rates.
- 4.2 The fundamental premise is that to enable delivery, sites must achieve a competitive land value for the landowner and provide developers the required return on investment; otherwise development will be stifled. This is recognised by the NPPF<sup>29</sup> and is ‘in-built’ within the CIL 2010 Regulations (as amended). It is also the basis of the definition of viability within the Harman report.<sup>30</sup>
- 4.3 Owing to the key test of Regulation 14(1)<sup>31</sup> it is important that the viability appraisals prepared are fit for purpose, as it is clear that at Examination the Charging Schedule will need to be supported by “**relevant evidence**”<sup>32</sup>. Within the CIL 2010 Regulations (as amended), LPAs must strike an appropriate balance and justify that balance with evidence at the Examination, showing and explaining how the rates will contribute towards the implementation of their relevant Plan.<sup>33</sup>

### “Striking an Appropriate Balance”

- 4.4 SCDC will be aware that Regulation 14(1) of the CIL Regulations (as amended) sets out the key test against which the Charging Schedule is measured, which states:

*“In setting rates (including differential rates) in a charging schedule, a charging authority must strike an appropriate balance between –*

- a) the desirability of funding from CIL (in whole or in part) the actual and expected estimated total cost of infrastructure required to support the development of its area, taking into account other actual and expected sources of funding; and*
- b) the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area.”*

- 4.5 Essentially CIL must not threaten the delivery of the development plan. A point highlighted by the DCLG CIL Guidance<sup>34</sup> which states that this test is at the “*centre of the charge-setting process...charging authorities should be able to show and explain how their proposed levy rate (or rates) will contribute towards the*

<sup>28</sup> Ibid. Viability Study, May 2014

<sup>29</sup> Ibid. Paragraph 174, March 2012

<sup>30</sup> Section One, Viability Testing Local Plans, Chaired by Sir John Harman, June 2012

<sup>31</sup> CIL Regulations 2010 (as amended)

<sup>32</sup> Ibid. Regulation 11(1) (f) / 19(1) (e), CIL Regulations 2010 (as amended)

<sup>33</sup> Ibid. Paragraph 09, Reference ID 25-009-20140612, CIL Guidance (2014)

<sup>34</sup> February 2014

*implementation of their relevant plan and support development across their area. As set out in the National Planning Policy Framework in England (paragraphs 173-177), the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened.”<sup>35</sup>*

### **The Peter Brett Associates (PBA) Viability Study**

- 4.6 We have reviewed the Viability Study<sup>36</sup> prepared by PBA and note that the viability assessments are based on a series of residential development site scenarios that model the gross development value (GDV) achievable in the three identified land value areas in the District with varying scales of development. The development costs, interest costs and developer profit are then discounted. This Residual Land Value (RLV) is then compared to a Benchmark Land Value (BLV) and the ‘overage’ represents the site’s capacity to pay CIL.
- 4.7 In principle, the Consortium considers the overall methodology of seeking to determine viability on a residual valuation exercise as being appropriate. However, they disagree with a number of the assumptions made by PBA in the Viability Study<sup>37</sup>. We have subsequently split our response in respect of the viability work in to three parts:
- **Part 1** – Is the PDCS supported by appropriate available evidence?
  - **Part 2** – Are the CIL rates informed by and consistent with the evidence?
  - **Part 3** – Will the proposed rates put the overall development in Suffolk Coastal at risk?

#### **Part 1 – Is the PDCS supported by appropriate available evidence?**

##### **Residential Development Scenarios**

- 4.8 The CIL Guidance states that the residential development scenarios selected to be assessed for viability must “**reflect a selection of the different types of sites included in the relevant Plan**”.<sup>38</sup> This testing should ‘*directly sample an appropriate range of types of sites across [the charging authority’s] area....The exercise should focus on strategic sites on which the relevant Plan relies, and those sites where the impact of the levy on economic viability is likely to be most significant (such as Brownfield sites)*’.<sup>39</sup> This is in conformity with the CIL Guidance, which quotes the NPPF<sup>40</sup> and states that local planning authorities should establish that “**evidence has been provided that shows the proposed rate or rates would not threaten delivery of the relevant Plan as a whole**”.<sup>41</sup>
- 4.9 In light of SCDC not having a Site Allocations Document, PBA have tested a series of residential development scenarios, across three spectrums of value zones, low, mid and high, as shown in **Table 1**:

<sup>35</sup> Ibid. Paragraph 009, Reference ID 25-009-20140612, CIL Guidance (2014)

<sup>36</sup> Ibid. Viability Study, May 2014

<sup>37</sup> Ibid, Viability Study, May 2014

<sup>38</sup> Ibid. Paragraph 020, Reference ID 25-020-20140612, CIL Guidance (2014)

<sup>39</sup> Ibid. Paragraph 020, Reference ID 25-020-20140612, CIL Guidance (2014)

<sup>40</sup> Ibid. Paragraph 173, March 2012

<sup>41</sup> Ibid. Paragraph 039, Reference ID 25-039-20140612, CIL Guidance (2014)

**Table 1 – PBA Residential Development Scenarios**

Residential Development Scenarios	Development Type	No. Dwellings	Of Net Site Area (Hectares)	Net Site Area (Acres)
1	Houses	1	0.03	0.07
2	Houses	5	0.14	0.35
3	Houses	10	0.29	0.72
4	Houses	25	0.71	1.75
5	Houses	50	1.43	3.53
6	Flats	3	0.05	0.12
7	Flats	25	0.38	0.94
8	Flats	50	0.77	1.9

Source: Viability Study<sup>42</sup>

- 4.10 These scenarios were selected by PBA following ‘discussion with the Council, making use of their local knowledge, to create a representative but focused residential development likely to come forward in the area for the foreseeable future’<sup>43</sup>. It is concerning that there is no guarantee that these scenario sites are reflective of sites that will come forward within the plan period.
- 4.11 In the absence of a Site Allocations Document, we would recommend that a larger range of scenarios are tested. It is particularly important that larger strategic sites are tested as these sites are subject to large up-front costs including promotion and infrastructure costs.
- 4.12 We would therefore recommend that the following additional scenarios are tested, incorporating the appropriate assumptions as discussed below:
- 100 units
  - 250 units
  - 500 units

#### **Affordable Housing**

- 4.13 SCDC’s Core Strategy states that their affordable housing policy on new housing development is as follows:
- ‘1 in 3 new homes provided will be required to be an affordable one. The threshold at which the policy comes into play is:*
- *3 new homes in Key Service Centres, Local Service Centres; and*
  - *6 new homes in Major Centres and Market Towns.*<sup>44</sup>
- 4.14 It is unclear whether these policy thresholds have been applied to the residential scenario testing of the sites. In particular, we ask that SCDC clarify the testing of scenario 2 for 5 Houses. In some settlements (Major

<sup>42</sup> Ibid. Viability Study, May 2014

<sup>43</sup> Ibid. Section 6.5.3, Viability Study, May 2014

<sup>44</sup> Section 3.58 SCDC Adopted Core Strategy, July 2013

Centres and Market Towns) Affordable Housing would be triggered for this Scenario, in other settlements (Key Service Centres and Local Service Centres), it would not.

### Benchmark Land Values (BLVs)

- 4.15 The Consortium has a number of concerns relating to the methodology and assumptions made by the Viability Study in determining the BLVs. PBA state that they “*examined a wide variety of land transactions in Suffolk Coastal and the surrounding area*”<sup>45</sup> using UK Land Directory data, consultations with local agents and developers, and analysing viability reports submitted to the council as part of recent Section 106 negotiations.
- 4.16 PBA have adopted BLVs for three different value areas, between two scales of development. **Table 2** shows the values that have been adopted.

**Table 2- PBA Benchmark Land Values**

BLV Category	Five Houses or Less		Flatted Development/ Six Houses or More	
	£ per Hectare	£ per acre	£ per Hectare	£ per acre
<b>Low Value</b>	£750,000	£304,000	£500,000	£202,000
<b>Medium Value</b>	£1,250,000	£506,000	£1,000,000	£405,000
<b>High Value</b>	£1,750,000	£708,000	£1,250,000	£506,000

Source: Viability Study<sup>46</sup>

The formulation and application of these BLVs appears to be complex, and presents concerns, for a number of reasons:

- i. The BLVs are based on both serviced land sales with planning consent, and disposals of land (existing use) without the benefit of planning permission. Land with planning will vastly differ in value to land without planning. It is therefore unclear how the BLVs have been calculated from these comparables.
- ii. The Viability Study<sup>47</sup> states that the comparable evidence collected to inform the BLVs relates to ‘*urban and edge of urban sites, which are mainly serviced with roads and major utilities to the site boundary*’. The Study goes on to state that ‘*this is reflective of residential sites coming forward in the plan period*’<sup>48</sup>. In light of SCDC not having a Site Allocations Document this statement is questionable as the Council is unable to guarantee that all of the sites that come forward will be of this nature.
- iii. It is unclear whether the BLVs are per gross or net developable acre.
- iv. It is unclear if all of these assume serviced land.

<sup>45</sup> Ibid. Section 5.2.1, Viability Study, May 2014

<sup>46</sup> Ibid. Viability Study, May 2014

<sup>47</sup> Ibid. Viability Study, May 2014

<sup>48</sup> Ibid, Section 5.2.6, Viability Study, May 2014



- 4.17 It is concerning that there is no comparable evidence provided to support these figures. The Viability Study<sup>49</sup> states that there has been *“limited residential development within Suffolk Coastal District, and a dearth of land transactions”*<sup>50</sup>, therefore the transactional information was supplemented by consultation with local agents and developers. We would therefore ask that SCDC provide more evidence to justify these values.

**Gross: to Net**

- 4.18 Large, strategic sites require a significant amount of land to enable them to deliver certain items of on-site infrastructure, such as public open space (POS), suitable alternative natural green space (SANGS) and educational facilities. Whilst the development density on the net site area may be in the realms of the assumptions within the Viability Study, the gross land take is particularly important when comparing the RLV from the Viability Study with the BLV.

- 4.19 This point was highlighted in the Harman report<sup>51</sup> which comments:

*“One error that has a very large impact on the outcome of viability testing is overlooking the distinction between the gross site area and the net developable area (i.e. the revenue-earning proportion of the site that is developed with housing).”*

- 4.20 The report goes on to discuss this in greater detail<sup>52</sup> -

*“In all but the smallest redevelopment schemes, the net developable area is significantly smaller than the gross area that is required to support the development, given the need to provide open space, play areas, community facility sites, public realm, land for sustainable urban drainage schemes etc. The net area can account for less than 50%, and sometimes as little as 30% on larger sites, of the site to be acquired (i.e. the size of the site with planning permission). Failure to take account of this difference can result in flawed assumptions and inaccurate viability studies.”*

- 4.21 This assumption is supported by a letter from the Inspector of the East Devon District Council DCS Examination to the Council which refers to the Harman report<sup>53</sup>, and states:

*“The existing development at [Cranbrook] has a net to gross ratio of around 50% which the Harman report considers to be not untypical for strategic sites. The assertion that a similar net to gross ratio should be assumed for the expansion area due to constraints such as flood plain and electricity pylons in addition to the need to provide open space etc appears to be reasonable”*<sup>54</sup>.

- 4.22 Local policy requirements and on-site land uses that reduce the net residential area on a site need to be considered. It is therefore important that the RLV is applied to the gross site area before it can be compared to the BLV, if this figure is on a gross basis.

<sup>49</sup> Ibid. Viability Study, May 2014

<sup>50</sup> Ibid. Section 5.2.5, Viability Study, May 2014

<sup>51</sup> Ibid. Viability Testing local Plans (2012)

<sup>52</sup> Ibid. Appendix B, 2013

<sup>53</sup> Ibid. Viability Testing Local Plans (2012)

<sup>54</sup> Letter from Examiner of the East Devon District Council CIL DCS, Anthony Thickett BA (Hons) BTP MRTPI Dip RSA, April 2014

- 4.23 We have looked at PBA's residential summary table<sup>55</sup> which suggests that PBA have compared the RLV results to the BLVs. As discussed above it is unclear whether the BLVs are on a gross or net basis. This is important as if the BLV used in this comparison is on a £/gross hectare basis and the RLV is a figure for the net developable area then the cost of the land for comparison is being grossly underestimated. The RLV should have been adjusted down prior to comparison with the BLV. We would therefore ask that this is confirmed.

#### **Residential Development Scenario Assumptions**

- 4.24 The Consortium have a number of concerns relating to the specific inputs and assumptions that PBA have used in their viability appraisals:

##### Section 106 Contributions

- 4.25 Greater clarity is needed regarding the items which the Council consider will be funded through site specific Section 106 contributions. At present, the uncertainty makes it difficult to assess the cumulative impact of CIL; therefore the Consortium would request that SCDC provides guidance on their intentions in this respect.
- 4.26 The current assumption within the PBA viability appraisals is a Section 106 and 278 allowance of £1,000 per unit across all typologies (excluding affordable housing). With the exception of Adastral Park which has been modelled at £14,551 per dwelling for Section 106. However, it is unclear how either of these figures were determined.
- 4.27 The Consortium welcomes the inclusion of a higher Section 106 allowance on larger sites. Strategic sites that have a requirement for on-site infrastructure to mitigate their impacts will benefit from having certainty of delivery of those items of infrastructure. Certainty that cannot necessarily be guaranteed through CIL due to the pooled nature of the funds and the onus on the Council to facilitate delivery. There is subsequently increasingly a preference on strategic sites for on-site infrastructure to be delivered through planning obligations rather than CIL.
- 4.28 In the absence of historic Section 106 information from the Council, we have undertaken analysis in **Table 3** on a number of sites that members of the Consortium have been recently involved in. This looks at historically delivered Section 106 agreements and compares them against the residual Section 106 allowance in the Viability Study<sup>56</sup> of £1,000 per dwelling<sup>57</sup>.

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<sup>55</sup> Ibid. Table 6.1, Viability Study, May 2014

<sup>56</sup> Ibid. Viability Study, May 2014

<sup>57</sup> Ibid. Paragraph 5.3.4, Viability Study (2014)

Table 3: Historic Section 106 Costs in Suffolk Coastal

Site	Private SqM <sup>58</sup>	Private SqFt	No. Private Dwellings	Total Dwellings	No. S.106 Cost	S.106 Date	S.106 per dwelling
Framlingham, Station Rd	8,111	87,307	80	119	£94,414	2014	£793
Framlingham, Castle Brooks	10,944	117,805	114	170	£602,497	2014	£3,544
Leiston, Aldebrough Road	2,420	26,053	18	26	£51,207	2014	£1,970
Woodbridge, Melton Grange Hotel	3,367	36,246	39	57	£80,598	2014	£1,414
Saxmundham, Church Hill	1,825	19,645	12	17	£73,500	2014	£4,324
Saxmundham, Phase 2	2,412	25,958	18	26	£122,765	2014	£4,722
Yoxford, Old High Street	2,449	26,360	18	26	£25,000	2013	£962
Felixstowe, Tower Road	937	10,082	4	5	£0	2013	£0
Framlingham, Mount Pleasant	4,918	52,932	44	65	£107,463	2013	£1,653
<b>Average</b>							<b>£2,153</b>

Source: Consortium

- 4.29 **Table 3** highlights that the Section 106 contributions vary greatly between sites, however, the average Section 106 contribution is double what PBA have assumed within their appraisals.
- 4.30 In accordance with the Regulations '*appropriate available evidence*'<sup>59</sup> should be used in order to formulate the rates, therefore we ask that SCDC provide historic Section 106 payments on a per unit basis in order to determine a suitable provision of obligation. This will ensure that the allowance for on-site mitigation (Section 106/ Section 278) is appropriate and the combined total of Section 106 and CIL is not in excess of historically delivered Section 106 agreements. This will ensure that CIL does not adversely impact the deliverability of any sites coming forward.

#### Professional Fees

- 4.31 The Consortium are concerned that the level of professional fees adopted is too low (8% across all typologies). In our experience, the level of professional fees do not vary across location or market areas but depend on the size and complexity of the site in question. We would therefore advocate that large Greenfield and complex brownfield sites are likely to attract higher professional fees on account of enabling works and additional abnormal costs (i.e. remediation, demolition).

<sup>58</sup> Based on the GIA of each dwelling plus an additional 21sq m to account for garage space and circulation space for flatted schemes.

<sup>59</sup> Ibid, CIL Regulations 2010 (as amended).

- 4.32 We would therefore request that a minimum allowance of 12% for professional fees be adopted across all scenarios tested to reflect the uncertainty over the nature of the land supply coming forward in the District over the plan period.

#### Abnormals

- 4.33 We are concerned that the Viability Study has only factored in abnormal costs for one of the tested sites, Land at Fairfield Crescent. PBA have not factored any abnormal costs for the other tested specific sites despite the flood risk and ground conditions affecting a significant proportion of the District. SCDC's PDCS document recognises the potential for abnormal costs and states that '*in some circumstances site specific issues can also affect development costs and values. Some development sites will involve significant abnormal costs which need to be factored into the setting of the CIL across the district*'<sup>60</sup>.
- 4.34 The Consortium also highlights that the majority of sites in Suffolk Coastal require non-standard foundations (on account of flood risk and/ or ground conditions). In light of this, we would expect 10% of build costs to be applied to the appraisals for the allowance of abnormals.

#### Build costs

- 4.35 The Viability Study<sup>61</sup> has applied construction costs from BCIS Online rebased to December 2013. We would highlight that Build costs have increased rapidly in the past twelve months and would therefore recommend that these figures be reviewed prior to the publication of the DCS.
- 4.36 **Table 4** highlights the difference in build costs applied within the Viability Study<sup>62</sup> and build costs taken from BCIS rebased to Suffolk Coastal in June 2014.

**Table 4 – Comparison of PBA Build Costs and Savills Build Costs**

	PBA Build Costs (BCIS December 2013)	Savills Build Costs (Mean Figures, BCIS June 2014)	% Change
<b>Houses</b>	£861 per sq m	£985 per sq m	14% increase
<b>Flats</b>	£986 per sq m	£1,183 per sq m	20% increase

*Source: Viability Study, and updated figures from BCIS online*

- 4.37 It is therefore imperative that SCDC update their Viability Study to use current build cost estimates.

#### Developer's Profit

- 4.38 PBA have adopted a profit of 20% on Gross Development Value for private and 6% on GDV for affordable, reflecting a blended rate of approximately 17% on GDV<sup>63</sup>. The minimum profit margin that the lending institutions are currently prepared to accept, on residential development, is 20% on GDV. This profit level

<sup>60</sup> Ibid. Section 3.18, Viability Study, May 2014

<sup>61</sup> Ibid. Viability Study, May 2014

<sup>62</sup> Ibid. Viability Study, May 2014

<sup>63</sup> Ibid. Table 5.1, Viability Study, May 2014

was endorsed via the Manor appeal decision in Shinfield.<sup>64</sup> We are of the opinion that this is an important case in terms of viability in planning and, whilst it is not directly related to CIL, it does address many of the factors that are under consideration here. In particular, developer's profit. The decision states:

*"The appellants supported their calculations by providing letters and emails from six national housebuilders who set out their net profit margin targets for residential developments. The figures ranged from a minimum of 17% to 28%, with the usual target being in the range 20-25%. Those that differentiated between market and affordable housing in their correspondence did not set different profit margins. Due to the level and nature of the supporting evidence, I give it great weight. I conclude that the national housebuilders' figures are to be preferred and that a figure of 20% of GDV, which is at the lower end of the range, is reasonable."*

- 4.39 This is an approach recently supported and incorporated in the Maldon Local Plan & Community Infrastructure Levy Viability Study<sup>65</sup> prepared by HDH Planning & Development Limited. The Consortium would therefore ask that a blended profit of 20% on GDV be adopted across all viability appraisals.

#### Sales Values

- 4.40 House values vary significantly across the District. PBA has therefore allocated three different value zones across the district; low, mid and high. The Viability Study<sup>66</sup> plots the average house prices across Suffolk Coastal producing a heat map with eight different value areas, see **Figure 1** below.
- 4.41 We are concerned, from our own market investigations, that PBA have based their assumptions on aspirational asking prices, rather than achieved historic values. Furthermore, PBA have not outlined the timescales that they have assumed in terms of sales rates or sales periods. Sales rates impact the cashflow of a development and can alter the viability. We therefore ask that more detail is provided in respect of the assumptions for sales values, anticipated sales timescales and rates.

#### **Part 2 – Are the CIL rates informed by and consistent with the evidence?**

- 4.42 We have reproduced the viability appraisal results for the eight residential development scenarios in **Table 5** below<sup>67</sup>. The scenarios are tested with a policy compliant affordable housing (33%) provision and a residual Section 106 allowance of £1,000 per dwelling.

<sup>64</sup> Appeal Reference APP/X0360/A/12/2179141, Inspector Clive Hughes BA (Hons) MA DMS MRTPI (January 2013)

<sup>65</sup> Ibid. Figure 6.5, Viability Study, May 2014

<sup>66</sup> Ibid. Viability Study, May 2014

<sup>67</sup> Ibid, Viability Study, May 2014

Table 5 – Summary of Residential Development Site Scenarios Testing

No of dwellings	Net site area ha	Total Floor Space per sq.m	CIL Chargeable Floor Space per sq.m	Residual land value after policy contributions		Benchmark		Overage		
		Floor Space	Floor Space	Per Ha	Per Epsm	Per Ha	Per Epsm	Per Ha	Per Epsm	
<b>Suffolk Coastal - Low Value</b>										
Houses -	1	0.03	90	90	£1,400,301	£445	£750,000	£238	£590,301	£206
Houses -	5	0.14	450	450	£1,291,359	£410	£750,000	£238	£541,359	£172
Houses -	10	0.29	900	600	£789,063	£244	£500,000	£159	£289,063	£126
Houses -	25	0.71	2,250	1,500	£784,838	£248	£500,000	£159	£284,838	£136
Houses -	50	1.43	4,500	3,000	£758,041	£241	£500,000	£159	£258,041	£123
Flats -	3	0.05	228	228	£95,762	£20	£500,000	£101	-£403,238	-£32
Flats -	25	0.38	1,900	1,267	£693,284	£140	£500,000	£101	-£1,190,284	-£381
Flats -	50	0.77	3,800	2,533	£668,290	£195	£500,000	£101	-£1,468,290	-£445
<b>Suffolk Coastal - Mid Value</b>										
Houses -	1	0.03	90	90	£2,127,862	£676	£1,250,000	£397	£877,862	£279
Houses -	5	0.14	450	450	£1,962,861	£633	£1,250,000	£397	£712,861	£236
Houses -	10	0.29	900	600	£1,378,562	£438	£1,000,000	£317	£378,562	£180
Houses -	25	0.71	2,250	1,500	£1,406,318	£446	£1,000,000	£317	£406,318	£194
Houses -	50	1.43	4,500	3,000	£1,359,211	£432	£1,000,000	£317	£359,211	£171
Flats -	3	0.05	228	228	£1,642,368	£211	£1,000,000	£202	£642,368	£9
Flats -	25	0.38	1,900	1,267	£1,233,562	£25	£1,000,000	£202	-£678,638	-£256
Flats -	50	0.77	3,800	2,533	£219,915	£44	£1,000,000	£202	-£1,216,916	-£370
<b>Suffolk Coastal - High Value</b>										
Houses -	1	0.03	90	90	£2,734,219	£868	£1,750,000	£566	£984,219	£312
Houses -	5	0.14	450	450	£2,577,445	£818	£1,750,000	£566	£827,445	£263
Houses -	10	0.29	900	600	£1,886,518	£598	£1,250,000	£397	£636,518	£203
Houses -	25	0.71	2,250	1,500	£1,624,216	£511	£1,250,000	£397	£374,216	£321
Houses -	50	1.43	4,500	3,000	£1,860,165	£591	£1,250,000	£397	£610,166	£281
Flats -	3	0.05	228	228	£1,830,429	£371	£1,250,000	£253	£580,429	£117
Flats -	25	0.38	1,900	1,267	£798,035	£162	£1,250,000	£253	-£451,065	-£137
Flats -	50	0.77	3,800	2,533	£401,059	£81	£1,250,000	£253	-£848,041	-£258

Source: PBA Viability Study

4.43 For each scenario the viability appraisal results- the RLV- is compared to the appropriate BLV for that scenario. The 'overage' then indicates the scenario's capacity to pay CIL. These results indicate the following:

- In most cases flatted development schemes are unable to support a CIL rate;
- As the size of the development increases, the overage available for CIL falls.

4.44 Following these results SCDC formulated their proposed CIL rates. The Viability Study<sup>68</sup> states that 'although the analysis suggests that in some development scenarios a high theoretical CIL charge might be levied, we strongly recommend that the charge be set under this viability ceiling'<sup>69</sup>. However, it remains unclear precisely how SCDC translated these appraisal results into the proposed CIL rates. We would therefore ask PBA and SCDC to confirm the methodology used in determining the proposed CIL rates in the PDCS.

<sup>68</sup> Ibid, Viability Study, May 2014

<sup>69</sup> Ibid, Section 6.6.1, Viability Study, May 2014

### Site Specific Testing

4.45 In addition to the development scenario testing, PBA has undertaken further viability appraisals on seven sites taken from the SCDC's HLSA<sup>70</sup>. For each site, PBA has assessed the site's capacity to support the applicable CIL rate depending on the site's location and scale of development.

4.46 Looking at the sites tested in turn, we would make the following observations:

- **Adastral Park, Martlesham** is a strategic site projected to provide 2,100 units during the plan period. The Consortium is pleased to note that this site was tested including the additional costs reflective of a site of this size and nature. We therefore support the £0 per sq m CIL rate proposed for this site.
- **Other Sites** range in size from 90 – 200 dwellings. These sites are therefore significantly bigger than the scenarios tested in Section 6.5 of the Viability Study<sup>71</sup>. The Consortium would suggest that these sites should be tested through a hypothetical site of 100, 250 and 500 units respectively as there is no guarantee that these individual sites would come forward for development. It is further concerning that these larger sites were chosen to be tested as the smaller residential development scenario sites were stated to be '*a representative but focussed profile of residential development likely to come forward in the area for the foreseeable future*'<sup>72</sup>.

4.47 The Consortium's key concern with this analysis is that these sites are not contained within a formal Site Allocations Document. They are not therefore formally allocated and may not be deliverable or developable during the plan period. We would therefore recommend that SCDC prepares a Site Allocations Document prior to the DCS being published to ensure that suitable site specific testing can be undertaken.

### Part 3 – Will the rates put the overall development in Suffolk Coastal at risk?

#### Application of Differential Rates

4.48 Under the CIL Regulations 2010 (as amended), Charging Authorities can apply differential rates by type, geography and scale across their areas. SCDC proposes to charge a differential rate by geography with a further differentiation based on scale (affordable housing threshold).

4.49 However, it is unclear how the three zones have been determined. It is extremely concerning that the three CIL zones do not correlate to the Average House Price (AHP) map included within the Viability Study<sup>73</sup>.

4.50 In particular, the Consortium are concerned that a number of low values areas on the AHP map fall within the highest CIL rate zone which entirely contradicts the purpose of adopting a differential rate based on

<sup>70</sup> Ibid, December 2013

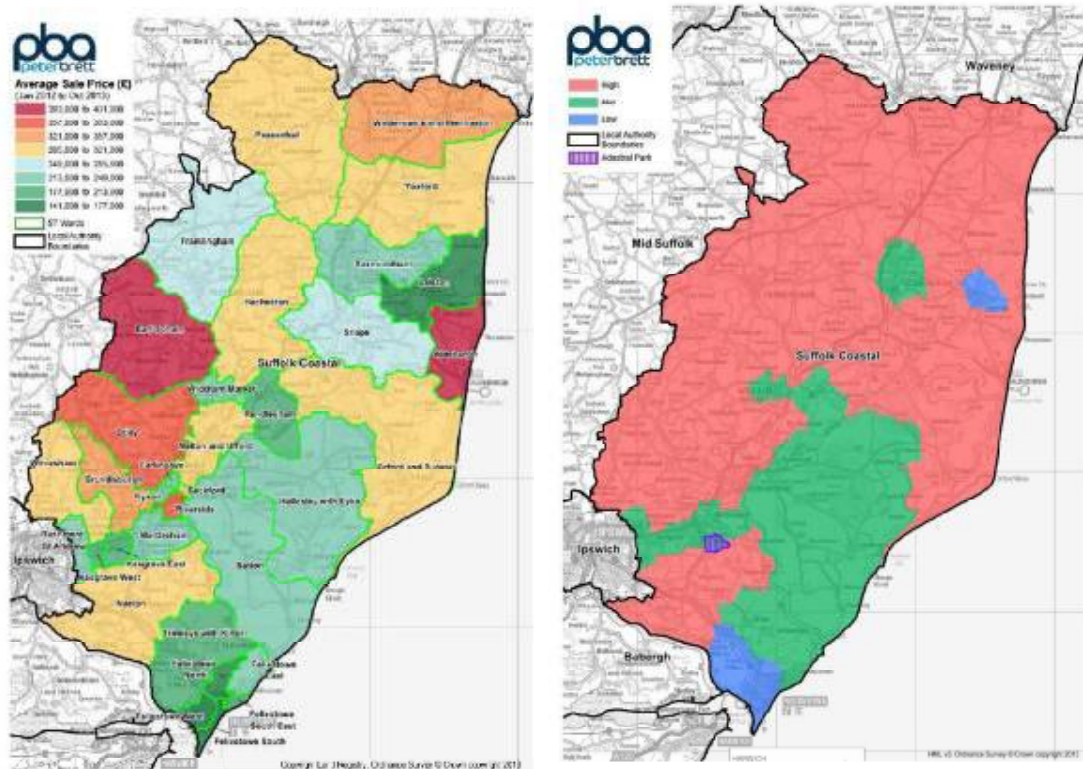
<sup>71</sup> Ibid, Viability Study, May 2014

<sup>72</sup> Ibid, Section 6.5.3, Viability Study, May 2014

<sup>73</sup> Ibid, Figure 6.4, Viability Study, May 2014

market value areas. This risks rendering sites that fall within these areas unviable and threatens the supply of housing.

**Figure 1 - Comparison of Average House Prices Map to CIL Charging Zone Map**



Source: PBA Viability Study/ SCDC PDCS

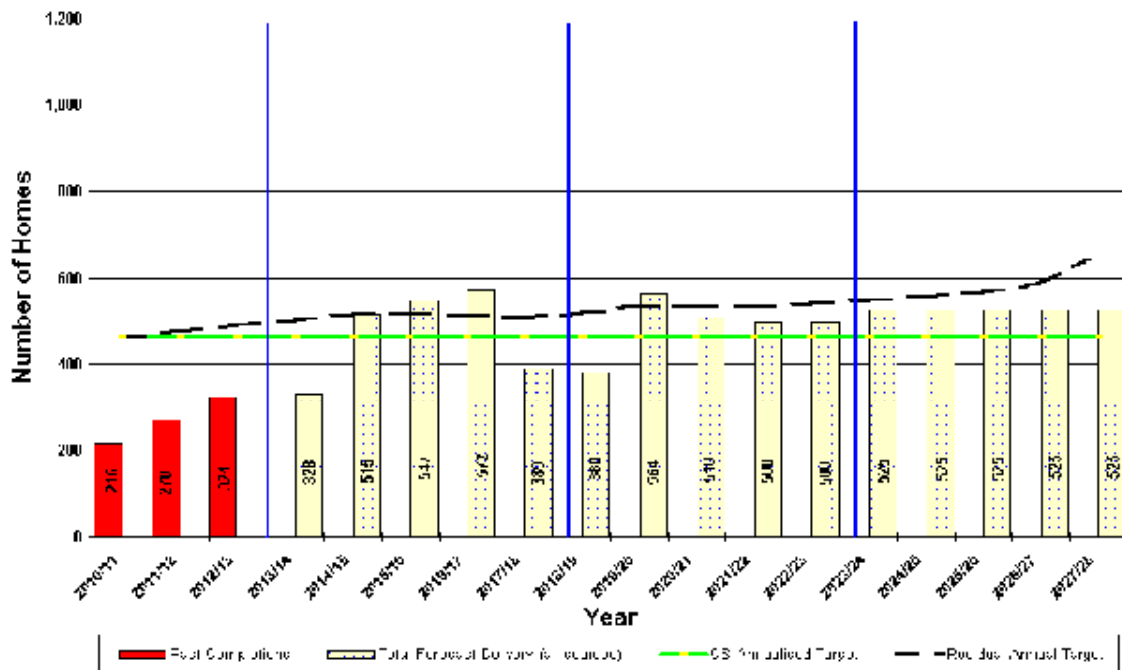
- 4.51 The Consortium subsequently thinks it is imperative that the CIL Charging Zones map is revised to reflect the market value areas in the District, particularly given the uncertainty of the location of future housing sites.
- 4.52 Furthermore, the map provided in the Appendices of the PDCS show the boundaries of the CIL rates. The map provided is District wide therefore the exact boundary lines are unclear, and there is not a scale provided. We recommend that SCDC produce more detailed maps of the boundaries and clearly outline the scale applied.



## Housing Delivery

- 4.53 The SCDC Authority Monitoring Report<sup>74</sup> states that during the plan period (2010-2027) a total of 7,900 new homes are expected to be delivered in Suffolk Coastal. This equates to a target of 465 dwellings per annum until 2027.

**Figure 2: Suffolk Coastal Housing Trajectory 2010/11 to 2027/28: All Sources of Delivery**



Source: SCDC AMR 2012-2013

- 4.54 According to **Figure 2**, at 1<sup>st</sup> April 2013 a total of 810 new homes had been delivered against a target of 1,395 during the plan period (since 2010)<sup>75</sup>. This highlights a persistent historic under delivery of housing within the District with only 270 dwellings delivered per annum since 2010<sup>76</sup>. In light of this, SCDC will need to significantly increase their delivery rate to meet the target levels of housing until 2027. It is therefore imperative that the CIL rates are set at the correct level.

### Application of a Viability Cushion

- 4.55 Site specific circumstances mean that the economics of the development pipeline will vary from the typical levels identified via analysis of the theoretical typology. This is inevitable given the varied nature of housing land supply and costs associated with bringing forward development.

<sup>74</sup> Ibid, AMR, March 2014

<sup>75</sup> Ibid, Table 6, AMR, March 2014

<sup>76</sup> Ibid, Table 6, AMR, March 2014

- 4.56 This is supported by the CIL Guidance which highlights the importance of a Charging Authority recognising the need for an appropriate balance when determining CIL rates - *"The authority will need to be able to show why they consider that the proposed levy rate or rates set an **appropriate balance**...between the need to fund infrastructure and the potential implication for the economic viability of development across their area."*<sup>77</sup>
- 4.57 It is therefore important that when setting the CIL rates for SCDC that the Council applies an appropriate viability 'buffer' as discussed in the CIL Guidance: *"It would be appropriate to ensure that a 'buffer' or margin is included, so that the levy rate is able to support development when economic circumstances adjust."*<sup>78</sup>
- 4.58 This approach has been supported in the Greater Norwich Development Partnership (GNDP) Examiner's Report in relation to Greenfield sites - *"The need for a substantial 'cushion' is particularly important on Greenfield sites where, as the Harman advice notes, prospective sellers are often making a once in a lifetime decision and are rarely distressed or forced sellers."*<sup>79</sup>
- 4.59 We are pleased to note that PBA has highlighted the importance of a viability cushion *'we strongly recommend that the charge be set under [the] viability ceiling. The principle reasons for this are that:*
- *Costs and values are likely to fluctuate over time and vary between different sites, which could make the charge unsustainable without a contingency margin.*
  - *Site-specific issues will adversely affect costs or values in some cases. In particular, some sites developments may involve significant abnormal costs*<sup>80</sup>.
- 4.60 However, it is unclear how the buffer has been applied to the proposed rates to ensure that the charge is set under the viability ceiling. We would therefore ask that this is clarified.
- 4.61 In our experience, **a minimum viability cushion of 40%** should be adopted to minimise risk to the housing supply, particularly when SCDC has such a significant history of under delivery. We would therefore ask that the proposed CIL rates are reviewed to include an appropriate viability cushion once the above recommendations are taken in to account.

### Savills Research

- 4.62 Savills has recently published research, which assesses the impact of CIL on development viability, notably the delivery of affordable housing<sup>81</sup>. This research, which is attached to this representation, demonstrates the trade off required to enable a deliverable five year housing land supply, in respect of the level of CIL against affordable housing provision.

<sup>77</sup> Ibid. Paragraph 020, Reference ID 25-020-20140612, CIL Guidance (2014)

<sup>78</sup> Ibid. Paragraph 020, Reference ID 25-020-20140612, CIL Guidance (2014)

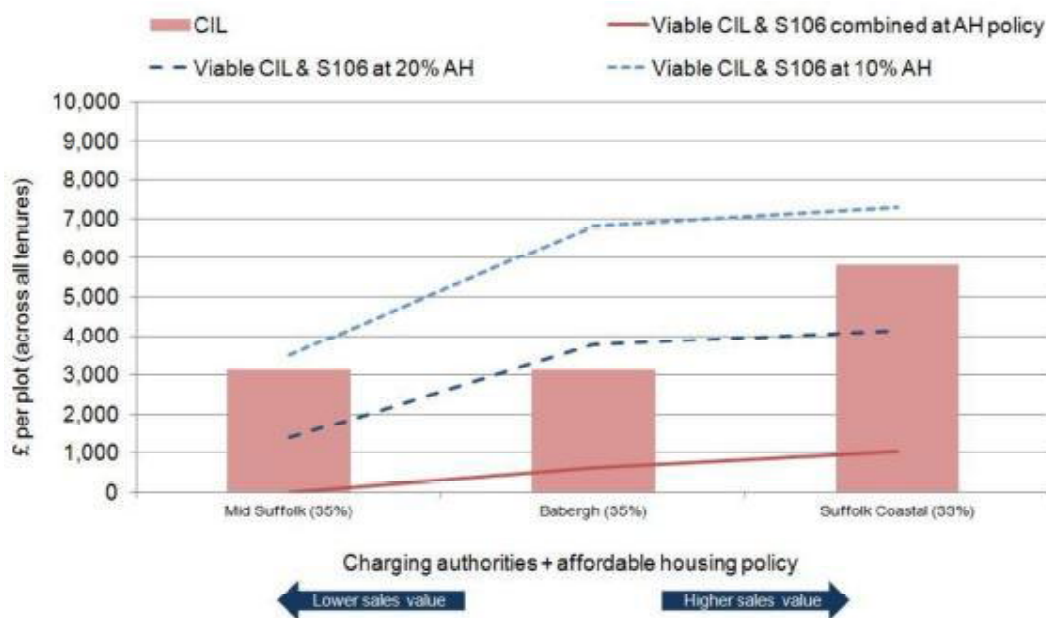
<sup>79</sup> Paragraph 25

<sup>80</sup> Ibid, Section 6.6, Viability Study, May 2014

<sup>81</sup> CIL – Getting it Right, Savills (UK) Ltd, January 2014

- 4.63 The research notes that the ability of large Greenfield sites to support CIL, Section 106 and affordable housing provision is largely driven by the strength of the local housing market. Where the housing market is stronger (higher £ per sq ft) the total “pot” available for these contributions increases. In contrast, lower value areas see reduced viability and subsequently a reduced “pot”. It therefore becomes a question for local authorities to consider what the appropriate trade-off should be, taking into account adopted affordable housing policies.
- 4.64 In **Graph 1** below, we have applied the Savills model to SCDC’s lowest proposed CIL rate (£50 per sq m) which is applicable to sites that are five or more dwellings and are located in the low value zone according to the Charging Zone Map. This is plotted alongside a number of LPAs with similar sales values, all of which are reliant on large scale Greenfield development for housing delivery and are also at the PDCS stage; to assess the viability of this proposed rate.

**Graph 1 – Strategic Sites, Low Value – Results of Savills Benchmark Model (£50 sqm) CIL**



Source: Savills (analysis June 2014)

- 4.65 This indicates that the lowest proposed CIL rate for SCDC combined with the current affordable housing policy (33%) would render a significant proportion of schemes unviable. This is concerning as the other proposed CIL rates are all higher than £50 per square metre. A trade-off between CIL and affordable housing will therefore be needed if the delivery of these large Greenfield sites is not to be threatened.

## 5.0 Effective Operation of CIL

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5.1 Despite the narrow Regulatory requirements of the Examination, our clients urge SCDC to make clear at the earliest opportunity the supporting documentation needed to operate CIL and to make it available for consultation. Practically, this needs to be done prior to the Examination so that participants and stakeholders are able to comment on the effective operation of CIL. Whilst this supporting information is not tested at Examination, this information is critical to allow for the successful implementation of CIL and to demonstrate that the CIL has been prepared positively and supports sustainable development.

5.2 The documentation should include:

- Guidance on how to calculate the relevant 'chargeable development'/level of CIL;
- Guidance on liability to pay CIL/Appeals process;
- Policy for payments by instalments;
- Approach to payments in kind;
- Guidance on relief from CIL and a policy on exceptional circumstances for relief from CIL.

5.3 The Consortium provides further comment on some of these points below.

### **Instalments Policy**

#### Methodology

5.4 SCDC has not yet confirmed whether they intend to prepare a draft Instalments Policy for consultation.

5.5 Given the differences in development from site to site, it is clear that an Instalments Policy should outline different proposed thresholds for payment based on the scale of development. We would therefore recommend that a threshold should be defined for larger schemes for which a bespoke payment method can be agreed in writing as part of the application process. The opportunity to consider the overall approach and phasing of larger scale developments should be considered as part of setting the Instalment Policy.

5.6 This is particularly important where some of the strategic sites may be subject to CIL on non-residential uses, even if the residential CIL rate may be zero. Ultimately, developer cashflow is an important consideration, notably in respect of upfront infrastructure costs typically associated with strategic development. A proposed Instalment Policy should aim to reflect, as closely as possible, the timing of delivery of the development, to ensure that the CIL does not put unnecessary pressure on cashflow and viability.

5.7 We would therefore recommend the following thresholds:

Sum	Number of Instalments	Payments
Up to £25,000	1	Full payment within 120 days of commencement
£25,001 - £100,000	2	50% payable within 120 days of commencement 50% payable within 240 days of commencement
£100,001 - £250,000	3	20% payable within 120 days of commencement 40% payable within 240 days of commencement 40% payable within 360 days of commencement
£250,001 - £500,000	4	10% payable within 120 days of commencement 30% payable within 240 days of commencement 40% payable within 540 days of commencement 20% payable within 720 days of commencement
Greater than £500,001	4	10% payable within 120 days of commencement 30% payable within 360 days of commencement 40% payable within 720 days of commencement 20% payable within 900 days of commencement

### Testing

- 5.8 As SCDC is able to remove an Instalments Policy at any time, we would recommend that the viability testing does not include phased payments. This will ensure that sites are able to support the proposed CIL rates in the event that an Instalments Policy is not in place.

### **Relief**

- 5.9 With regard to Discretionary Charitable Relief and Exceptional Circumstances Relief, we note that SCDC's emerging Charging Schedule states in relation to Exemptions that '*no locally specific exemptions are expected to be introduced*'<sup>82</sup>. We would remind the Council that such policies can only be applied if they are in force prior to an application being submitted, therefore the need for the policy will arise prior to it being made available.
- 5.10 We do not consider there to be any detriment arising from the Council making available such reliefs within policies as part of its Charging Schedule, as the Council will still retain control over the application of the policies. There are strict tests surrounding the availability and applicability of Exceptional Circumstances Relief. It would therefore only be applicable to those schemes that can justify the need for it and meet those strict tests.
- 5.11 The Consortium therefore consider it imperative that SCDC make both Discretionary and Exceptional Circumstances Relief available from the adoption of CIL. We would therefore ask that relief is included in the Charging Schedule and that the intended approach to doing so is outlined prior to consultation on the DCS.

<sup>82</sup> Section 5.5, DCS, May 2014

### Payment in Kind

- 5.12 The CIL Regulations now allow for Payment in Kind through the provision of infrastructure. However, there remain notable deficiencies in the operation of CIL, caused primarily by the CIL Regulations, which places both SCDC and the development industry in a difficult position.
- 5.13 The scope to reduce the CIL liability via utilisation of Payment in Kind is therefore restricted to those items of infrastructure which are not required to mitigate the impact of a development, which for strategic sites would exclude most (if not all) site-specific and 'scheme mitigation' infrastructure.
- 5.14 Payment in Kind is therefore not a credible option, which further emphasises the need to ensure that the Regulation 123 List does not include any items of infrastructure intended to be delivered through Section 106 agreements on strategic sites.

### Reviewing CIL

- 5.15 The CIL Guidance outlines that Charging Authorities '**must keep their Charging Schedules under review**'<sup>83</sup> to ensure that CIL is fulfilling its aim and responds to market conditions. The Consortium therefore requests that regular monitoring is undertaken to ensure that any detrimental impact of CIL on housing delivery is noticed promptly and remedied. A review period of between 2-3 years from adoption, or sooner if there is a substantive change in market conditions or Central Government policy, should be publicly committed to by the Council.

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<sup>83</sup> Ibid. Paragraph 044, Reference ID 24-044020140612, CIL Guidance (2014)

## 6.0 Conclusions

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- 6.1 This Representation has been prepared by Savills (UK) Limited on behalf of a Local Landowner and Developer Consortium. As set out at the start of these representations there are three key tests at Examination:
- i. That “the charging authority’s Charging Schedule is supported by background documents containing appropriate available evidence”;
  - ii. That “the proposed rate or rates are informed by and consistent with, the evidence on economic viability across the charging authority’s areas”; and
  - iii. That “evidence has been provided that shows the proposed rate would not put at serious risk overall development of the area”.
- 6.2 The assessment of planned development and its’ viability is therefore an inherent test of the Examination, making the following points significant:
- SCDC do not have a Site Allocations Document or a recognised five year land supply, therefore the CIL rates have been formulated and tested on sites that may not come forward for development in the plan period.
  - Overall, five differential CIL rates are proposed by ‘zone’ (or geography) and scale of development. Whilst the principle of applying differential rates is not questioned, the proposed Charging Zone Map does not correlate to the supporting sales value in the PBA Viability Study evidence.
  - Some of the assumptions used for the viability appraisals are incorrect, resulting in outputs which are not reflective of the market. This results in an overestimate of the viability of the sites tested.
  - Based upon recent Savills research<sup>84</sup>, the emerging CIL rates combined with the affordable housing policy (33%) will render large Greenfield sites unviable.
  - Whilst the proposed CIL rates include a viability buffer, this is not explicit in the formulation of the proposed rates. Given SCDC’s historic under delivery of housing numbers, we would recommend that a **minimum cushion of 40%** is adopted to help mitigate the potentially adverse impact on land supply (and housing delivery) of setting a residential CIL rate above the viable level.
  - The proposed Benchmark Land Values (BLV) are not supported by comparable evidence. In the absence of a Site Allocations Document it is difficult to assess whether these BLVs are comparable to the land which is likely to come forward for development during the plan period.
- 6.3 In light of this, Savills and the Consortium would recommend that SCDC consider the following:

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<sup>84</sup> Savills, CIL- Getting it Right, January 2014

- Preparation of a Site Allocations Document or five year land supply alongside the DCS CIL documentation to ensure that the sites coming forward during the plan period are tested against the proposed CIL rates;
- A revision of the Charging Zone map to reflect the Average House Prices map of the District to ensure that sites are not captured by CIL rates which would render them unviable;
- A revision and update of the Viability Study to ensure that assumptions are based on current and realistic figures as recommended within this representation.

6.4 The Consortium feel it necessary to stress that if the CIL level is set too high, it will almost certainly have a negative impact on a large proportion of development coming forward, especially bearing in mind the historic undersupply in the District. The Consortium believe that once the assumptions – as mentioned above – have been clarified, it will show the proposed CIL rates need reviewing.

6.5 As discussed throughout this submission, the Consortium do not believe that the supporting evidence has shown that the proposed CIL rates will not put at risk the delivery of the relevant Plan; rather to the contrary.

**END**



**Appendix**

## **Appendix 1 – List of Documentation**

- Suffolk Coastal District Council Preliminary Draft CIL Charging Schedule (May 2014)
- Suffolk Coastal Local Plan AMR 2012- 2013 (March 2014)
- Suffolk Coastal Local Plan remaining 'Saved Policies' (July 2013)
- Suffolk Coastal District Council Infrastructure Delivery Plan (May 2014)
- Community Infrastructure Levy Guidance, DCLG, [Planning Practice Guidance Website](#)
- Suffolk Coastal District Council Community Infrastructure Levy: Viability Study, Peter Brett Associates (May 2014)
- Community Infrastructure Levy Regulations 2010 (as amended)
- National Planning Policy Framework, DCLG (March 2012)
- Planning Act 2008 (as amended)
- Report on examination of the East Devon District Council CIL Draft Charging Schedule, Anthony Tickett BA(Hons) BTP MRTPI Dip RSA (April 2014)
- Report on the examination of the Draft Mid Devon District Council CIL Charging Schedule, David Hogger BA MSc MRTPI MCIHT (February 2013)
- Report to the Greater Norwich Development Partnership – for Broadland District Council, Norwich City Council and South Norfolk Council, Keith Holland BA (Hons) Dip TP MRTPI ARICS (December 2012)
- Viability Testing Local Plans – Advice for Planning Practitioners, Local Housing Delivery Group Chaired by Sir John Harman (June 2012)
- Report on the examination of the Draft Trafford Metropolitan Borough Council CIL Charging Schedule, Philip Staddon BSc Dip MBA MRTPI (January 2013)

**Appendix 2 – Suffolk Coastal District Council Housing Land Supply**  
**Assessment: Schedule of Sites (December 2013)**

**HOUSING LAND SUPPLY ASSESSMENT 2013**

**APPENDIX 1 - SCHEDULE OF SITES**

Planning Reference	Type of permission (Allocation, Outline, Reserved Matters, Full)	Parish	Name and address of site (Allocation, Outline, Reserved Matters, Full)	Total dwellings built on site	Total dwellings under construction or not started	Total dwellings in scheme	Dwellings expected to be completed in 5 years	Yr1	Yr2	Yr3	Yr4	Yr5	Yr6	Yr7	Yr8	Yr9	Yr10	Yr11	Yr12	Yr13	Yr14	Yr15	Total Identified Supply
<b>Formally Identified (politically agreed and site specific)</b>																							
<b>Extant Planning Permissions on Allocated Sites</b>																							
C06/0908	FULL	Aldeburgh	Plots 26-33 Phase 5B, Church Farm Rise	236	7	243	2	5	2														7
C10/2508	FULL	Aldeburgh																					
C11/0152	FULL	Aldeburgh																					
C00/0965 C96	FULL	Aldeburgh																					
C05/1723	Det	Blythburgh	Blythburgh & District Hospital	42	13	55	0	13															13
C12/0058	RES	Falkstowe	Land bwn Orford Road & Langer Road (South Sealfront)	0	121	121	83	38	40	43													121
C06/0674	RES	Framlingham	Land south of Brook Lane	130	9	139	1	8	1														9
C07/1874	RES	Rendlesham	Domestic Base RAF Bentwaters																				
C06/0670	RES	Rendlesham	Domestic Base RAF Bentwaters	523	19	542	12	7	6	6													19
C11/1675	RES	Rendlesham	Domestic Base RAF Bentwaters																				
C11/1376	RES	Rendlesham	Domestic Base RAF Bentwaters																				
C11/2316	RES	Rendlesham	Domestic Base RAF Bentwaters																				
C11/2560	RES	Rendlesham	Domestic Base RAF Bentwaters																				
C00/1637	OIL	Rushmere St Andrew	Bixley Farm (a)	0	53	53	53	0		20	20	13											53
C12/0237	Det	Rushmere St Andrew	Phase 67 & site A, Bixley Farm	0	63	63	49	14	25	24													63
C93/0722 C77	RES	Rushmere St Andrew	Bixley Farm (b)	100	26	126	26	0	13	13													26
C07/0362	Det	Saxmundham	Land on north side of Church Hill	54	91	145	71	20	25	25	21												91
																							0
																							0
<b>Extant Planning Permissions on Unallocated Large Sites</b>																							
C12/1700	FULL	Aldeburgh	Disused Aldeburgh Service Station, Saxmundham Rd	0	5	5	5	0	5														5
C97/1692	FULL	Alderton	Watson Way	5	2	7	1	1	1														2
C07/0372	OIL, RM	Alderton	land to the north of 24, Holesley Road	6	4	10	0	4															4
C09/1359	FULL	Alderton																					
C11/2725	FULL	Alderton																					
C10/2440	FULL	Alderton	15-18 Mill Hoo	0	9	9	9	0	3	3	3												9
C11/2848	FULL	Aldringham	Thorpeness Sports & Social Club, The Whinlands	0	5	5	5	0	2	3													5
C11/0989	FULL	Aldringham	Barn Hall, Remembrance Road	0	8	8	0	8															8
C12/1979	RM	Brandeston	Land at Office Farm, Mutton Lane	0	6	6	6	0	3	3													6
C10/2441	Det	Bucklesham	38-41 Levington Lane	0	6	6	6	0	3	3													6
C09/1662	FULL	Campsea Ashe	1-5, 9 & 10 Ulfwater Road	0	12	12	12	0	4	4													12
C11/1123	FULL	Chillesford	Land/bulbings at Chillesford Lodge Estate	0	20	20	20	0	7	7	6												20
C06/0390	RES	Cranford	land adjacent to Cherry Trees	0	5	5	4	1	2	2													5
C04/0693	RES	Falkstowe	Land to the rear of the Convent for Jesus and Mary, 63 Orwell Road	55	4	59	0	4															59
C07/1875	RES	Falkstowe	The Ordnance Hotel, 1 Undercliff Road	0	14	14	10	4	6	4													14
C10/0925	RES	Falkstowe	land at Junction with Garrison Lane, High Road West	0	12	12	9	3	5	4													12
C06/1122	RES	Falkstowe	Stowe House, 105 Cliff Road	0	9	9	8	1	4	4													9
C08/1813	RES	Falkstowe	85-93 St Andrews Road	0	5	5	0	5															5
C07/0193	FULL	Falkstowe	23 Leopold Road	0	5	5	4	1	2	2													5
C10/1948	FULL	Falkstowe	Alignment Land, Philip Avenue	0	10	10	10	0	5	5													10
C10/0987	FULL	Falkstowe	The Bartlett Hospital	0	31	31	31	0	5	12	14												31
C11/1602	FULL	Falkstowe	Cliff House, Chevallier rd, Hamilton House & Car Park, Hamilton Rd	0	55	55	55	0	15	20	20												55
C07/2364	FULL	Falkstowe	Garage site, Langer Rd	0	5	5	5	0	3	2													5
C08/1656	FULL	Falkstowe		0	5	5	5	0	3	2													5

Planning Reference	Type of permission (Allocation, Outline, Reserved Matters, Full)	Parish	Name and address of site	Total dwellings built on site	Total dwellings under construction or not started	Total dwellings in scheme	Dwellings expected to be completed in 5 years	2013/14 current year	Yr1	Yr2	Yr3	Yr4	Yr5	Yr6	Yr7	Yr8	Yr9	Yr10	Yr11	Yr12	Yr13	Yr14	Yr15	Total Identified Supply	
									2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28		
C11/0081	FULL	Falkstowe	Garage and parking area rear of 2-16 Philip Avenue	0	7	7	7	0	4	3														7	
C11/1481	FULL	Framlingham	Reads Bakery, 1 Bridge Street	0	5	5	5	0	3	2														5	
C08/0795	O/L	Framlingham	Land off Station Road	0	140	140	100	0	50	50					40									140	
C04/1421	RES	Friston	Friston Business Centre	0	8	8	6	2																8	
C10/1928	RES	Grundsburgh	land off Charlies Avenue	32	28	60	28	0	10	10	8													28	
C12/2592	RES	Hollisley	Duck Corner / Rectory Road	58	5	63	5	0	3	2														5	
C12/1061	RES	Kesgrave	land rear of 26-42 Bell Lane, Off Ropes Drive, Grange Farm	43	1	44	1	0	1															1	
C07/1764	FULL	Leiston	15 High Street	0	8	8	7	1	4	3														8	
C08/2305	FULL	Marletham	Falcon Residential Trailer Park, Falkstowe Road	24	1	25	0	1																1	
C10/0773	FULL	Mellon	Deben Mill, Mellon Hill	0	33	33	33	0	17	16														33	
C01/0759	RES	Peasenhall	OS 0560 Mill View Farm, Mill Road	3	2	5	0	2																2	
C12/1613	FULL	Purdis Farm	Purdis Rise, Purdis Farm Lane	0	9	9	0	9																9	
C11/0036	FULL	Rushmere St Andrew	Land 7/0 82-94 Woodbridge Rd & 74-18 Playford Rd	0	5	5	5	0	3	2														5	
C12/0759	RES	Rushmere St Andrew	Rushmere Sports Club, The Street	0	10	10	0	10																10	
C10/2196	O/L	Saxmundham	Seaman House, Seaman Avenue	0	33	33	33	0	13	13	7													33	
C13/0056	RES	Saxmundham	Bhvn Rendham Rd & A12	0	90	90	90	0	20	35	35													90	
C12/1123	O/L	Saxmundham	Land west of 56 to 60 Mayflower Avenue	0	20	20	20	0	10	10														20	
C11/1639	O/L	Saxmundham	Former County Primary School, Fairfield Road	0	21	21	21	0	11	10														21	
C11/1316	FULL	Silton	Silton Croft, Abbey Road	0	6	6	6	0	3	3														6	
C10/1630	FULL	Shape	land rear of 7 Church Road	0	10	10	9	1	5	4														10	
C10/0967	FULL	Shape	Land north of Bayn Houses, Church Road	0	26	26	25	1	8	8	9													26	
C09/2012	FULL	Sutton	21-24 Old Post Office Lane	0	5	5	5	0	3	2														5	
C01/0921	RES	Trimley St Martin	rear of 10-28 Old Kirton Road	14	8	22	8	0	4	4														8	
C02/0995																									
C06/0707	O/L Full	Trimley St Martin	land rear of 77-85 Mill Lane and 53-57 Old Kirton Road	7	3	10	0	3																3	
C09/0610	FULL	Tunstall	Street Farm Barn, School Road	0	6	6	6	0	6	6														6	
C07/1928	FULL	Tunstall	Shape Maltings, Shape Bridge	30	35	65	35	0	13	13	9													35	
C05/0210 C11	FULL	Tunstall	White Meadow, School Lane	3	2	5	0	2																2	
C09/0706 C11	Det	Ufford	Land at Rosemary Cottage and former Waverley Lodge, The Street	0	5	5	5	0	3	2														5	
C11/0375	FULL	Walterswick	Waverley Lodge, The Street	0	7	7	7	0	4	3														7	
C11/0097 C13	FULL	Wickham Market	210,212,216A & land surrounding High St	0	11	11	11	0	4	4	3													11	
C12/0853	FULL	Wickham Market	Parma Industries, 123 High Street	0	11	11	11	0	4	4	3													11	
C04/1623 C08	O/L Full	Woodbridge	land at Notcutts Garden Centre, Ipswich Road	70	25	95	25	0	8	8	9													25	

etc (add row for each site)

**Exiant Planning Permissions Small Sites (if large number of sites totals can be used rather than a full list of sites)**

-	-	Alderburgh	All sites less than 5 dwellings	0	15	15	12	3	5	7														15	
-	-	Aldringham	All sites less than 5 dwellings	0	3	3	1	2	1																3
-	-	Bedingham	All sites less than 5 dwellings	0	1	1	0	1	0																1
-	-	Bawdsey	All sites less than 5 dwellings	0	5	5	5	0	3	2															5

Planning Reference	Type of permission (Allocation, Outline, Reserved Matters, Full)	Parish	Name and address of site	Total dwellings built on site	Total dwellings under construction or not started	Total dwellings in scheme	Dwellings expected to be completed in 5 years	Yr1 2013/14 current year	Yr2 2014/15	Yr3 2015/16	Yr4 2016/17	Yr5 2017/18	Yr6 2018/19	Yr7 2019/20	Yr8 2020/21	Yr9 2021/22	Yr10 2022/23	Yr11 2023/24	Yr12 2024/25	Yr13 2025/26	Yr14 2026/27	Yr15 2027/28	Total Identified Supply
-	-	Benhall	All sites less than 5 dwellings	0	0	0	0	0															0
-	-	Blaxhall	All sites less than 5 dwellings	0	0	0	0	0															0
-	-	Blythburgh	All sites less than 5 dwellings	0	1	1	1	0	1														1
-	-	Bougle	All sites less than 5 dwellings	0	0	0	0	0															0
-	-	Boyton	All sites less than 5 dwellings	0	1	1	1	0	1														1
-	-	Bramfield	All sites less than 5 dwellings	0	0	0	0	0															0
-	-	Brandeston	All sites less than 5 dwellings	0	1	1	1	0	1														1
-	-	Brechfield	All sites less than 5 dwellings	0	1	1	1	0	1														1
-	-	Brightwell	All sites less than 5 dwellings	0	0	0	0	0															0
-	-	Bromeswell	All sites less than 5 dwellings	0	0	0	0	0															0
-	-	Brusyard	All sites less than 5 dwellings	0	0	0	0	0															0
-	-	Bucklesham	All sites less than 5 dwellings	0	0	0	0	0															0
-	-	Burgh	All sites less than 5 dwellings	0	0	0	0	0															0
-	-	Butley	All sites less than 5 dwellings	0	0	0	0	0															0
-	-	Campsea Ashe	All sites less than 5 dwellings	0	0	0	0	0															0
-	-	Capel St. Andrew	All sites less than 5 dwellings	0	0	0	0	0															0
-	-	Charisfield	All sites less than 5 dwellings	0	0	0	0	0															0
-	-	Chediston	All sites less than 5 dwellings	0	2	2	1	1	1														2
-	-	Chillesford	All sites less than 5 dwellings	0	0	0	0	0															0
-	-	Clopton	All sites less than 5 dwellings	0	0	0	0	0															0
-	-	Coolley	All sites less than 5 dwellings	0	-3	-3	-3	0	-2	-1													-3
-	-	Cransford	All sites less than 5 dwellings	0	1	1	0	1															1
-	-	Cratfield	All sites less than 5 dwellings	0	5	5	2	3	1	1													5
-	-	Cretingham	All sites less than 5 dwellings	0	0	0	0	0															0
-	-	Culpho	All sites less than 5 dwellings	0	0	0	0	0															0
-	-	Dallinghoe	All sites less than 5 dwellings	0	1	1	0	1															1
-	-	Darsingham	All sites less than 5 dwellings	0	2	2	1	1	1														2
-	-	Debach	All sites less than 5 dwellings	0	0	0	0	0															0
-	-	Dennington	All sites less than 5 dwellings	0	2	2	0	2															2
-	-	Dunwich	All sites less than 5 dwellings	0	2	2	0	2															2
-	-	Earl Soham	All sites less than 5 dwellings	0	2	2	0	2															2
-	-	Easton	All sites less than 5 dwellings	0	4	4	3	1	2	1													4
-	-	Eyke	All sites less than 5 dwellings	0	3	3	3	0	1	2													3
-	-	Falkenham	All sites less than 5 dwellings	0	1	1	1	0	1														1
-	-	Farmham	All sites less than 5 dwellings	0	0	0	0	0															0
-	-	Felixstowe	All sites less than 5 dwellings	0	28	28	26	2	4	8	10	4											28
-	-	Foxhall	All sites less than 5 dwellings	0	0	0	0	0															0
-	-	Franningham	All sites less than 5 dwellings	0	11	11	6	5	3	3													11
-	-	Friston	All sites less than 5 dwellings	0	6	6	6	0	2	2	2												6
-	-	Geodgrave	All sites less than 5 dwellings	0	0	0	0	0															0
-	-	Great Bealings	All sites less than 5 dwellings	0	1	1	1	0	1														1
-	-	Great Glenham	All sites less than 5 dwellings	0	4	4	0	4															4
-	-	Grundsibugh	All sites less than 5 dwellings	0	2	2	1	1	1														2
-	-	Hacheston	All sites less than 5 dwellings	0	1	1	0	-1															-1
-	-	Hasketon	All sites less than 5 dwellings	0	2	2	0	2															2
-	-	Henley	All sites less than 5 dwellings	0	0	0	0	0															0
-	-	Heveningham	All sites less than 5 dwellings	0	0	0	0	0															0
-	-	Holliesley	All sites less than 5 dwellings	0	2	2	2	0	2														2
-	-	Hoo	All sites less than 5 dwellings	0	0	0	0	0															0
-	-	Huntingfield	All sites less than 5 dwellings	0	0	0	0	0															0

Planning Reference	Type of permission (Allocation, Outline, Reserved Matters, Full)	Parish	Name and address of site	Total dwellings built on site	Total dwellings under construction or not started	Total dwellings in scheme	Dwellings expected to be completed in 5 years	Yr1 2013/14 current year	Yr2 2014/15	Yr3 2015/16	Yr4 2016/17	Yr5 2017/18	Yr6 2018/19	Yr7 2019/20	Yr8 2020/21	Yr9 2021/22	Yr10 2022/23	Yr11 2023/24	Yr12 2024/25	Yr13 2025/26	Yr14 2026/27	Yr15 2027/28	Total Identified Supply
-	-	Iken	All sites less than 5 dwellings	0	0	0	0	0															0
-	-	Kesale	All sites less than 5 dwellings	0	6	6	4	2	2	2													6
-	-	Kesgrave	All sites less than 5 dwellings	0	3	3	3	0	2	1													3
-	-	Kettleburgh	All sites less than 5 dwellings	0	3	3	0	3															3
-	-	Kirton	All sites less than 5 dwellings	0	0	0	0	0															0
-	-	Knoxtall	All sites less than 5 dwellings	0	5	5	4	1	2	2													5
-	-	Leiston	All sites less than 5 dwellings	0	17	17	16	1	4	4	6	2											17
-	-	Letheringham	All sites less than 5 dwellings	0	0	0	0	0															0
-	-	Levington	All sites less than 5 dwellings	0	1	1	1	0	1														1
-	-	Linstead Magna	All sites less than 5 dwellings	0	0	0	0	0															0
-	-	Linstead Parva	All sites less than 5 dwellings	0	1	1	0	1															1
-	-	Little Bealings	All sites less than 5 dwellings	0	0	0	0	0															0
-	-	Little Bealings	All sites less than 5 dwellings	0	0	0	0	0															0
-	-	Little Glemham	All sites less than 5 dwellings	0	0	0	0	0															0
-	-	Markesford	All sites less than 5 dwellings	0	0	0	0	0															0
-	-	Markesham	All sites less than 5 dwellings	0	9	9	6	3	3														9
-	-	Melfton	All sites less than 5 dwellings	0	7	7	6	1	2	2													7
-	-	Middleton	All sites less than 5 dwellings	0	0	0	0	0															0
-	-	Monewden	All sites less than 5 dwellings	0	3	3	0	3															3
-	-	Nacton	All sites less than 5 dwellings	0	0	0	0	0															0
-	-	Newbourne	All sites less than 5 dwellings	0	2	2	2	0	1	1													2
-	-	Orford	All sites less than 5 dwellings	0	0	0	0	0															0
-	-	Olley	All sites less than 5 dwellings	0	1	1	0	1															1
-	-	Parham	All sites less than 5 dwellings	0	2	2	1	1															2
-	-	Peasenhall	All sites less than 5 dwellings	0	4	4	2	2	1	1													4
-	-	Pelstree	All sites less than 5 dwellings	0	0	0	0	0															0
-	-	Playford	All sites less than 5 dwellings	0	3	3	2	1	1														3
-	-	Purdis Farm	All sites less than 5 dwellings	0	13	13	7	6	3	2	2												13
-	-	Ramsholt	All sites less than 5 dwellings	0	0	0	0	0															0
-	-	Rendham	All sites less than 5 dwellings	0	1	1	0	1															1
-	-	Rendlesham	All sites less than 5 dwellings	0	0	0	0	0															0
-	-	Rushmere St Andrew	All sites less than 5 dwellings	0	8	8	5	3	3	2													8
-	-	Saxmundham	All sites less than 5 dwellings	0	20	20	16	4	4	6	6												20
-	-	Saxtead	All sites less than 5 dwellings	0	0	0	0	0															0
-	-	Shottisham	All sites less than 5 dwellings	0	2	2	2	0	1	1													2
-	-	Sibton	All sites less than 5 dwellings	0	2	2	0	2															2
-	-	Snape	All sites less than 5 dwellings	0	4	4	2	2	2														4
-	-	Sterfield	All sites less than 5 dwellings	0	1	1	1	0	1														1
-	-	Stratford St Andrew	All sites less than 5 dwellings	0	4	4	3	1	2	1													4
-	-	Stratton Hall	All sites less than 5 dwellings	0	0	0	0	0															0
-	-	Sudbourne	All sites less than 5 dwellings	0	5	5	3	2	2	1													5
-	-	Sutton	All sites less than 5 dwellings	0	4	4	3	1	2	1													4
-	-	Swelling	All sites less than 5 dwellings	0	4	4	4	0	2	2													4
-	-	Swilling	All sites less than 5 dwellings	0	0	0	0	0															0
-	-	Tieberton	All sites less than 5 dwellings	0	4	4	4	0	2	2													4
-	-	Thorington	All sites less than 5 dwellings	0	2	2	1	1	1														2
-	-	Trimley St Martin	All sites less than 5 dwellings	0	1	1	1	0	1														1
-	-	Trimley St Mary	All sites less than 5 dwellings	0	12	12	7	5	4	3													12
-	-	Tuddenham	All sites less than 5 dwellings	0	0	0	0	0															0
-	-	Tunstall	All sites less than 5 dwellings	0	3	3	2	1	2														3
-	-	Ubbeston	All sites less than 5 dwellings	0	0	0	0	0															0

Planning Reference	Type of permission (Allocation, Outline, Reserved Matters, Full)	Parish	Name and address of site	Total dwellings built on site	Total dwellings under construction or not started	Total dwellings in schemes	Dwellings expected to be completed in 5 years	Yr1 2013/14 current year	Yr2 2014/15	Yr3 2015/16	Yr4 2016/17	Yr5 2017/18	Yr6 2018/19	Yr7 2019/20	Yr8 2020/21	Yr9 2021/22	Yr10 2022/23	Yr11 2023/24	Yr12 2024/25	Yr13 2025/26	Yr14 2026/27	Yr15 2027/28	Total Identified Supply
-	-	Ulford	All sites less than 5 dwellings	0	5	5	2	3	2														5
-	-	Walberswick	All sites less than 5 dwellings	0	0	0	0	0															0
-	-	Waldringfield	All sites less than 5 dwellings	0	4	4	3	1	2	1													4
-	-	Walpole	All sites less than 5 dwellings	0	0	0	0	0															0
-	-	Wantsen	All sites less than 5 dwellings	0	0	0	0	0															0
-	-	Wentnaston	All sites less than 5 dwellings	0	2	2	1	1	1														2
-	-	Westerfield	All sites less than 5 dwellings	0	0	0	0	0															0
-	-	Westleton	All sites less than 5 dwellings	0	2	2	1	1	1														2
-	-	Wickham Market	All sites less than 5 dwellings	0	6	6	4	2	2	2													6
-	-	Wimsham	All sites less than 5 dwellings	0	9	9	7	2	4	3													9
-	-	Woodbridge	All sites less than 5 dwellings	0	19	19	14	5	6	6	2												19
-	-	Yoxford	All sites less than 5 dwellings	0	11	11	7	4	4	3													11
-	-																						0
etc (add row for each site)																							
<b>Residual allocated sites (Currently allocated and sites in submitted LDF/DPD)</b>																							
-	-	Reandsham	Benwaters, Reandsham	0	75	75	75	0			25	25	25										75
etc																							
<b>Informally Identified (may not be politically accepted or site specific)</b>																							
<b>Sites where principle of development accepted (planning permissions subject to S106, allocated sites in preferred options, development brief accepted)</b>																							
C12/2139	FULL	Leiston	land at Aldeburgh Road	0	119	119	90			30	30	30	30	29									119
C09/0555	O/L	Martlesham	land south and east of BT Adastral Park	0	300	2,000	300			100	100	100	100	175	175	200	200	200	200	200	200	200	2,000
C10/1906	FULL	Martlesham	land opposite Black Tiles pub, Main Road	0	180	180	120			30	40	50	50	10									180
C12/1930	O/L	Purdis Farm	land at Trinity Park, Folkstone Road	0	0	300	225			75	75	75	75										300
C12/2123	FULL	Wickham Market	land at Featherbroom Gardens	0	65	65	65			15	25	25	25										65
C19/0219	O/L	Trinley St, Martin	land at the Mushroom Farm, High Road	0	66	66	66			15	26	26	26										66
etc (add row for each site)																							



**Appendix 3 – Savills CIL – Getting it Right Publication (January 2014)**



A report from  
Savills Research,  
sponsored by the  
Home Builders  
Federation

# CIL - Getting it right

January 2014



## Setting Community Infrastructure Levy Rates to Support the Construction of More New Homes

■ For local planning policies to be viable, there is a three way trade-off between the costs of CIL, Section 106 funding of infrastructure and affordable housing policy, with the costs of local standards and the move to zero carbon being additional costs to be factored into the trade-off.

■ Based on generic assumptions and before local specifics, the capacity to pay CIL and Section 106 on large greenfield sites equates to between 20% and 30% of unserviced land value in many markets. However, this capacity falls away towards zero where affordable housing policies apply at higher percentages in excess of 30%, and at lower percentages in markets in which potential sales values for volume sales are below £250 per sq.ft.

■ These are important markets, in which 85% of residential development outside London takes place. At sales values of £225 per sq.ft., in order for there to be enough 'in the pot' for CIL and Section 106 combined to be paid at £10,000 per plot, affordable housing policy would need to have been set at 10%. This is the trade-off that needs to be recognised when Local Plans are tested for their viability.

■ In stronger markets, there is more capacity to fund infrastructure via CIL and Section 106. At a sales value of £300 per sq.ft., with a 30% affordable housing policy, there is enough 'in the pot' for CIL and Section 106 to be paid at £15,000 per plot. However, this falls away to around £10,000 per plot if affordable housing policy is set at 40%.

■ The capacity to pay CIL varies widely, according to local policy on Section 106 payments. Even with scaled back Section 106 policy, the cost of Section 106 infrastructure is unlikely to be less than £3,000 per plot on large greenfield sites and it can often amount to significantly more than £10,000 per plot.

■ Viability testing of CIL cannot be robust if there is no clarity on Section 106 policy. From the other end of the lens, a zero CIL rate for strategic sites offers the greatest flexibility to use Section 106 to fund infrastructure and mitigate site impact, subject to the restrictions in the revised regulations.



### Consistency is key

CIL is designed to contribute towards the funding of local infrastructure, to facilitate sustainable development. This is clearly a desirable outcome, provided the levy is set at a level that does not threaten the viability of the development plan.

Our objective in this report is to seek more consistency in the rate setting process, with particular regard to viability assessment, as the majority of authorities move towards implementation of CIL charging schedules. It is written with our experience of advising and representing members of the Home Builders Federation on appropriate rate setting at a local level across England and Wales.

Within this report, we review the rates at which CIL is being set by charging authorities across the country for the residential development of **large greenfield sites**, as these are such an important part of national housing land supply. Alongside this, we present a new benchmark for the capacity to pay CIL and Section 106 on such sites, based on a broad view on development economics, local market strength and affordable housing policy.

This paints a picture of the diverse approach that charging authorities are taking to the rate setting process. The result is wide variation in how authorities are striking the balance between fund raising and economic viability, in order to facilitate the scale of development outlined in their Local Plans.

## What is the benchmark?

■ The benchmark is based on the residual development appraisal of a large greenfield site, with generic assumptions relating to significant variables. It gives a starting point for review of policy viability, before examination of local specifics.

### How much CIL can be paid?

The National Planning Policy Framework requires that local planning policies should be tested for their viability, such that:

*“The sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened. To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable.”* (para 173)

The costs of CIL and planning obligations are paid out of land value, as long as there is sufficient value remaining for the land to come forward for development (benchmark land value). If the residual value remaining (after deduction of all costs from total revenues) is too low, then the land is not economically viable to develop, as shown in Graph 1 below.

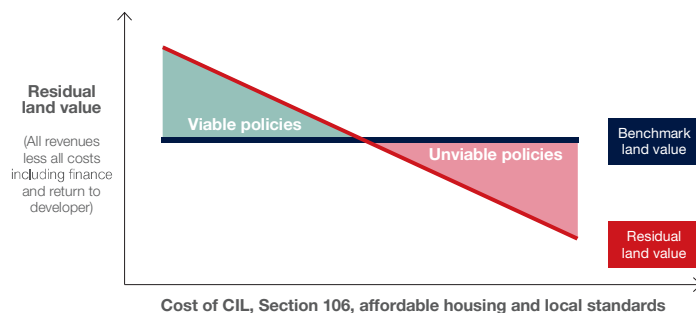
*“It is rarely, if ever, the case that the pot of money is large enough to fund all policies”*

The most crucial assumption in the policy testing process is the benchmark level of land value required to provide a competitive return to land owners, across the types of site that make up the housing land supply in the charging authority (usually the local authority area). This should be set at a level which includes a ‘viability cushion’, as recommended in the Local Housing Delivery Group guidance on the viability testing of local plans. When testing the viability of CIL, this reflects the government guidance that CIL should not be set at the margins of viability. This is particularly important for CIL, which is a fixed charge with no flexibility for variance, should individual sites be unviable.

The viability test will establish the pot of money that is available from development, to fund policies. It is rarely, if ever, the case that the pot of money is large enough to fund all policies, as the cost of delivering infrastructure is so substantial. If viability testing of the Local Plan and CIL is carried out concurrently, then the local authority can choose which policies take precedence.

However, if introduction of a CIL charging schedule follows the Local Plan, then the policies in the Plan must be costed fully in the testing of CIL. This includes affordable housing policy, Section 106 funding for infrastructure, any local standards that go beyond national standards and the additional known policy costs of moving towards zero carbon by 2016. In this case, CIL may be ‘crowded out’ by the cost of other policies.

GRAPH 1 Cumulative impact of policy on financial viability



Source: Savills Research



### How does viability vary across markets?

To take a view on the viability of policies across the country, we have developed a model for the viability of large greenfield sites in different strength markets. The output is a benchmark amount available to pay CIL, Section 106 infrastructure funding and the cost of local policies, taking account of affordable housing policy. It gives a starting point for review of policy viability, before examination of local specifics.

Table 1 shows the benchmark amount per plot, as an average across all tenures. This varies significantly, according to sales value and affordable housing policy, with little or no level of CIL being viable in lower value markets, where sales values are at £175 per sq.ft. In these markets, developers and local

authorities need to work together to find ways of bringing sites forward, using policy flexibility and whatever public investment in infrastructure that can be made available.

Even in mid-priced markets there is a viability squeeze. For instance, at sales values of £225 per sq.ft., in order for there to be enough 'in the pot' for CIL and Section 106 combined to be paid at £10,000 per plot, affordable housing policy should be set at 10%.

In stronger markets, there is more capacity to fund policies. At a sales value of £300 per sq.ft., with a 30% affordable housing policy, there is enough in the pot for CIL and Section 106 to be paid at £15,000 per plot. However, this falls away to around £10,000 per plot if affordable housing policy is set at 40%. Viable amounts

at lower affordable housing policies of 10% and 20% in higher value markets are greyed out in the tables, as such policies are unlikely to apply in these areas.

This is all based on generic assumptions relating to significant variables, such as the proportion of the site that is developable, the costs of site infrastructure and local land values. The specifics of the local market may differ from these generic assumptions.

If there is evidence of Section 106 payments having been agreed and paid at higher levels, then the specific circumstances of these sites should be understood, to test whether they are representative of the economics of the bulk of the land supply pipeline in the district. →

TABLE 1  
Amount available for CIL and S.106 (£ per plot, all tenures)

Affordable Housing %	Sales value per sq.ft.								
	350	325	300	275	250	225	200	175	150
0%	45,800	39,400	33,000	26,600	20,200	13,800	7,400	1,000	0
10%	38,300	32,700	27,100	21,500	15,900	10,200	4,600	0	0
20%	30,900	26,000	21,200	16,400	11,500	6,700	1,800	0	0
30%	23,400	19,400	15,300	11,300	7,200	3,100	0	0	0
40%	16,000	12,700	9,500	6,200	2,900	0	0	0	0
50%	8,600	6,100	3,600	1,100	0	0	0	0	0

Source: Savills Research

TABLE 2  
Amount available for CIL and S.106 as % of unserviced land value

Affordable Housing %	Sales value per sq.ft.								
	350	325	300	275	250	225	200	175	150
0%	37%	37%	36%	35%	34%	31%	26%	8%	0%
10%	35%	35%	34%	33%	31%	28%	20%	0%	0%
20%	33%	32%	31%	30%	27%	22%	11%	0%	0%
30%	30%	29%	27%	25%	21%	14%	0%	0%	0%
40%	25%	23%	21%	18%	11%	0%	0%	0%	0%
50%	17%	15%	11%	5%	0%	0%	0%	0%	0%

Source: Savills Research

→ **Land Value Capacity**

Expressing the benchmark as a proportion of land value gives a useful perspective on the capacity to pay CIL and Section 106. In higher value markets, the capacity to make the combined payment is between 20% and 30% of unserviced land value at 30% affordable housing, but this falls away towards zero at higher affordable housing policies in excess of 30%, particularly in markets where sales values are below £300 per sq.ft. (Table 2).

This is important, as more than 70% of residential development is in markets where new build sales value potential for volume sales is no more than £250 per sq.ft, as shown

in Graph 2. Outside London, 85% of development is in these markets. Clearly, development does take place in these mid- to lower-value markets, generally on smaller sites that are less expensive to develop. Sales values on these smaller sites are not constrained by the competitive sales environment found on larger sites, so their viability can be supported by sales values that are higher than those achievable on the larger sites.

What is at issue here is the urgent need to bring forward large sites in areas where unmet housing need is greatest, as national housing need cannot be met without development of such sites. The analysis demonstrates there is only a limited potential to

fund infrastructure from planning obligations and levies in markets where sales values are less than £250 per sq.ft. Many of the country's allocated greenfield sites are located in these markets, so other sources of infrastructure funding will be required here. It also indicates that allocation of more large greenfield sites in higher value markets would release more capacity to fund infrastructure from obligations and levies.

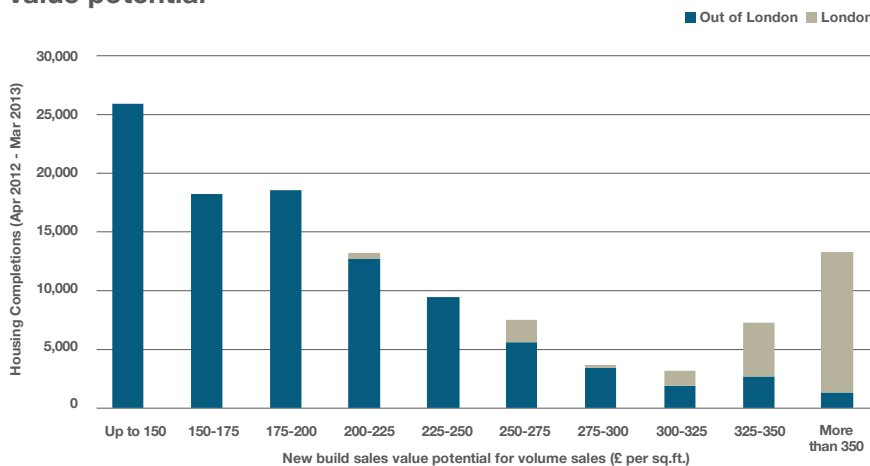
**The Three Way Trade-Off**

Section 106 payments are varying considerably in the emerging CIL world, depending on whether local policy is to scale back Section 106 alongside CIL, or whether significant site specific infrastructure will continue to be funded via Section 106. Some authorities have stated that Section 106 on large sites will be scaled back to amounts in the order of £3,000 per plot, to cover the amounts typically payable for smaller scale road and pedestrian connections, play parks and community buildings.

In other cases, major items of transport and education infrastructure will be funded via Section 106 on the large greenfield sites. At the East Cambridgeshire examination, a higher figure of £10,000 per plot was used as an assumption, but funding of such items of major infrastructure can exceed £15,000 per plot.

Whether Section 106 payments are nearer £3,000 or £15,000 per plot has a dramatic impact on the amount of CIL that is payable within our benchmark amount, as shown in

GRAPH 2  
Housing completions in England, by volume new build sales value potential



Source: Savills Research Note: London sales values are shown for context only, as these are not relevant to the values achievable on greenfield sites

TABLE 3  
Amount available for CIL – assuming £3,000 S.106 per plot (all tenures)

Affordable Housing %	Sales value per sq.ft.									
	350	325	300	275	250	225	200	175	150	
0%	420	360	300	230	170	110	40	0	0	£ per sq.m. of market housing
10%	390	330	270	200	140	80	20	0	0	
20%	350	280	230	170	110	50	0	0	0	
30%	290	230	170	120	60	0	0	0	0	
40%	210	160	110	50	0	0	0	0	0	
50%	110	60	10	0	0	0	0	0	0	
0%	11%	10%	9%	8%	6%	5%	2%	0%	0%	% of sales value
10%	10%	9%	8%	7%	5%	3%	1%	0%	0%	
20%	9%	8%	7%	6%	4%	2%	0%	0%	0%	
30%	8%	7%	5%	4%	2%	0%	0%	0%	0%	
40%	6%	5%	3%	2%	0%	0%	0%	0%	0%	
50%	3%	2%	0%	0%	0%	0%	0%	0%	0%	

Source: Savills Research

TABLE 4  
Amount available for CIL – assuming £15,000 S.106 per plot (all tenures)

Affordable Housing %	Sales value per sq.ft.									
	350	325	300	275	250	225	200	175	150	
0%	300	240	180	110	50	0	0	0	0	£ per sq.m. of market housing
10%	260	190	130	70	10	0	0	0	0	
20%	200	140	80	20	0	0	0	0	0	
30%	120	60	0	0	0	0	0	0	0	
40%	20	0	0	0	0	0	0	0	0	
50%	0	0	0	0	0	0	0	0	0	
0%	8%	7%	6%	4%	2%	0%	0%	0%	0%	% of sales value
10%	7%	5%	4%	2%	0%	0%	0%	0%	0%	
20%	5%	4%	2%	1%	0%	0%	0%	0%	0%	
30%	3%	2%	0%	0%	0%	0%	0%	0%	0%	
40%	1%	0%	0%	0%	0%	0%	0%	0%	0%	
50%	0%	0%	0%	0%	0%	0%	0%	0%	0%	

Source: Savills Research

Tables 3 and 4. At the scaled back level of Section 106 of £3,000 per plot (Table 3), the viable level of CIL reaches £170 per sq.m. (around 5% of sales value) in higher value sales markets of £300 per sq.ft., at an affordable housing policy of 30%.

However, at the 40% affordable housing policy that often applies in such markets, this is squeezed to £110 per sq.m.

At higher levels of Section 106 of £15,000 per plot (Table 4), the capacity to pay CIL in addition is much lower, falling away to zero in most markets, other than the higher value markets in which sales values exceed £300 per sq.ft.

The revised CIL Guidance recognises the need for clarity on the interaction between CIL and Section 106, by formalising the need to be explicit

on what is funded via each mechanism during the rate setting process.

As such, the so-called 'Regulation 123 list' of infrastructure is now part of the evidence base required during the rate setting process, although it is regrettable that the proposed requirements for formal consultation on any subsequent changes to this list have not been introduced. →

### → Appraisal assumptions

The benchmark is the result of a residual development appraisal, adopting a standard set of assumptions which are shown in Table 5. Amongst these, the appraisal should allow for a competitive return to the developer. We use 20% margin on gross development value across all tenures, in line with evidence that this is a minimum requirement across the cycle.

The allowance for on-site infrastructure, at £20,000 per plot, is in the middle of the range of £17,000 to £23,000 per plot outlined in the Local Housing Delivery Group guidance.

The proportion of the site that is developable varies widely. We have assumed 50% of the site is developable for residential use, but this is often lower and can be as low as 30%, in which case the amount available to pay CIL and Section 106 will be lower than the CIL benchmark presented here.

### Land Value and Viability Buffer

It is crucial to set a benchmark land value to represent a competitive return to land owners, such that the local land supply will continue to come forward for development.

Our benchmark appraisal uses a benchmark land value that includes a viability cushion. This has regard to

TABLE 5 Assumptions summary

Net Dev Area (% gross area)	50%		
Interest rate	6.5%		
Marketing (% of sales)	3%		
Professional fees (% of build costs)	12%		
Additional build cost to 2013 Building Regulations (£ per dwelling)	1,000		
Infrastructure (£ per dwelling)	20,000		
Density (dwellings per acre)	14.2		
Dwelling size (sq.ft.)	1,030		
Coverage (sq.ft. per net dev acre)	14,600		
Developer profit on all GDV (excluding marketing and finance, to cover overheads)	20%		
Sales value (£ per sq.ft.)	300	250	200
Affordable value as % of market value	43%	48%	55%
Build cost (£ per sq.ft.)	97	91	86
Land value benchmark inc. buffer (£000 per gross acre)	290	190	95

These are generic assumptions for larger sites with a capacity of more than 500 homes. Local specifics will vary. On smaller sites, costs of infrastructure may be lower but benchmark land values are likely to be higher.

both minimum land value and market land value, as shown in Graph 3.

Minimum land value represents the lower end of land owners' expectations of realisable value. It is a feature of option agreements between land owners and developers, representing the minimum value at which land will be released by the land owner to the developer.

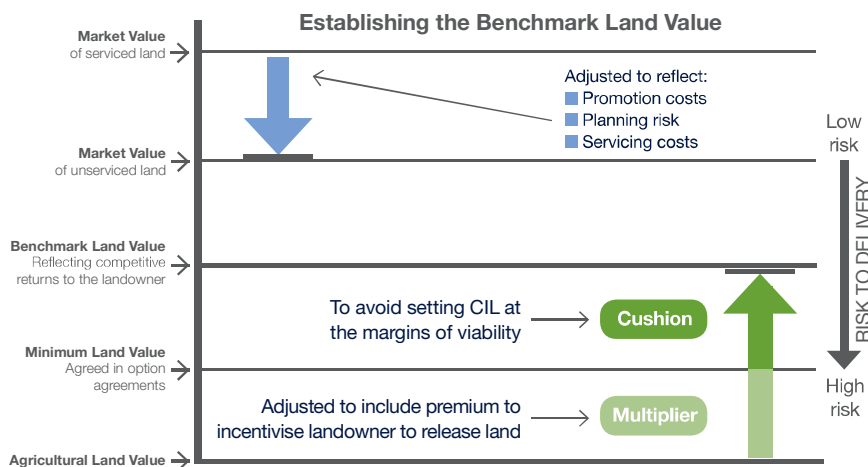
The Local Housing Delivery Group guidance recommends that evidence of minimum land values in option agreements is used as a reference point for setting a benchmark land value, subject to addition of a viability cushion, to include consideration of the costs and risks involved in promoting land through the planning system.

Market land value is, by definition, the value at which land will trade freely in the current system. If benchmark land value is set at the lowest end of the range between minimum and market land values, then high risks of non-delivery will be introduced into the development market.

Accordingly, we set the viability cushion at 50% of the gap between minimum land value and the market value of unserviced land (before considering deductions for CIL and Section 106).

"It is crucial to set a benchmark land value to represent a competitive return to landowners"

GRAPH 3 Land value benchmarks and risks to delivery



Source: Savills Research

### Variation in approach to rate setting at local level

We have compared adopted and emerging CILs with our benchmark, in charging authorities where large greenfield sites form part of the housing land supply.

It can be seen in Graph 4 that many implemented CILs have been set at a level in excess of our benchmark, indicating a threat to delivery of the authority's development plan.

If this is the case, having taken account of local specifics, then the charging authority will have failed to demonstrate that they have struck an appropriate balance between the desirability of funding from CIL and its effects on the economic viability of development across the whole area, as now required by the latest amendments to the regulations.

Some of these early adopters did not appraise affordable housing policy at the full requirement that is shown in the chart. Following current practice at examination, an authority would now have to formally adopt a lower affordable housing requirement in order to set CIL at these levels. Graph 4 shows the increased headroom for CIL and Section 106 that is created by adopting a lower affordable housing requirement of either 10% or 20%.

In the one case where the benchmark sits above CIL in the chart, there is headroom for Section 106 in addition to CIL. In the case of Oxford, there is likely to be headroom for Section 106 to be paid at around £6,000 per plot in addition to CIL, according to the benchmark.

Charging authorities should be explicit about their policy intention on additional Section 106 when setting CIL rates. As noted above, such payments can be substantial on a large greenfield site, to mitigate the impact of development of that site. The need for clarity on this point has been emphasised by the forthcoming changes to the CIL Regulations.

The charging schedules that are at the examination stage (including those examined but not implemented) include fewer authorities where little or no CIL is viable at the adopted affordable housing policy (Graph

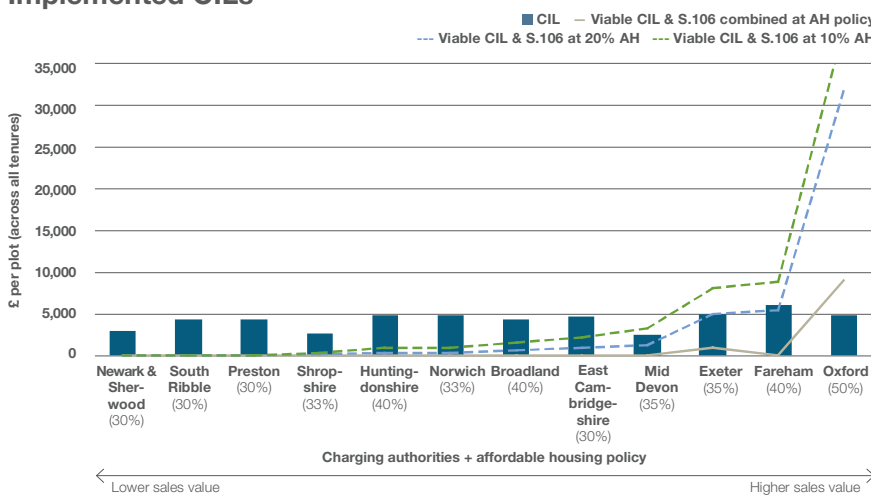
5). This is partly because there are fewer authorities within this group with relatively low sales values, which continue to hold back the viability of larger sites.

However, of these areas with CIL at examination, few have the headroom to pay a substantial amount of Section 106 in addition to CIL. Winchester is the exception, where there is likely to be headroom for Section 106 to be paid at around £10,000 per plot.

The Winchester headroom is a consequence of a zero rating of large greenfield sites for CIL, mindful of the benefits of creating flexibility for the Section 106 payment.

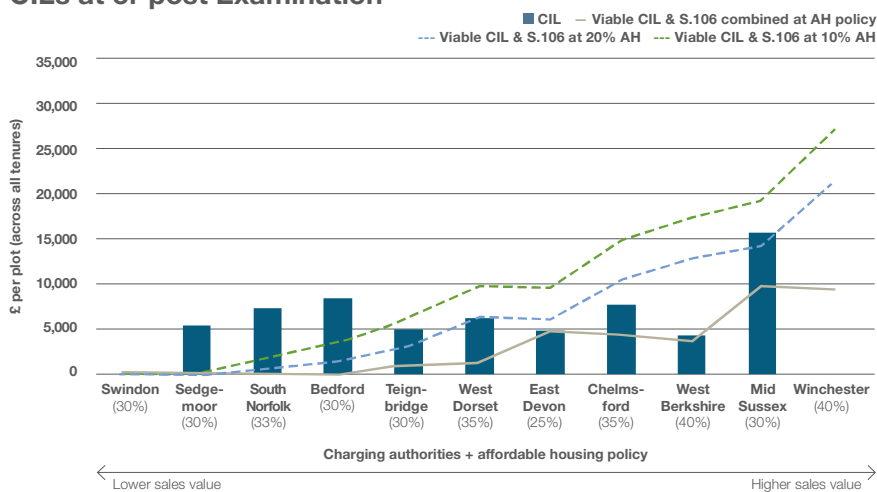
The contrast with the unviably high level of CIL proposed in Mid Sussex is stark. The same patterns have emerged amongst CILs at the draft (see Graph 6 overleaf) and preliminary draft charging schedule stages. →

GRAPH 4 CIL and S.106 benchmark for large greenfield sites: Implemented CILs



Source: Savills Research (using Hometrack sales value data)

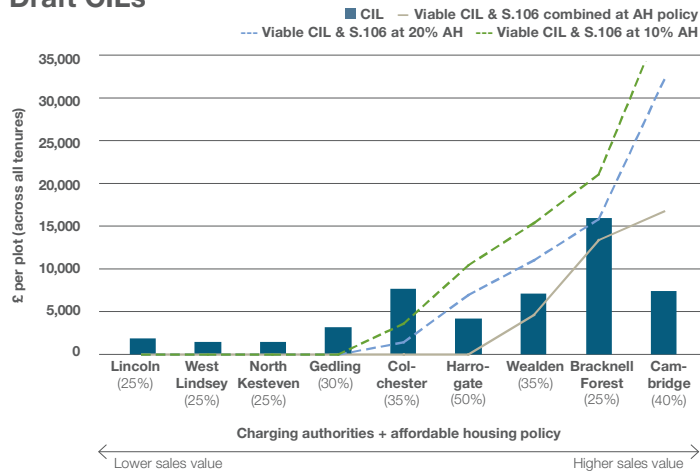
GRAPH 5 CIL and S.106 benchmark for large greenfield sites: CILs at or post Examination



Source: Savills Research (using Hometrack sales value data)



**GRAPH 6**  
**CIL and S.106 benchmark for large greenfield sites: Draft CILs**



Source: Savills Research (using Hometrack sales value data)

"This exercise has revealed inconsistencies in the way in which setting of CIL viability is being approached across the country"

In these areas, affordable housing policy has been set at too high a level in mid-to lower-value markets for there to be any headroom for either CIL or Section 106. Whilst some authorities with draft schedules, such as Cambridge, have headroom for Section 106, others have proposed unviably high level of CIL. In the case of Bracknell Forest, the 25% affordable housing policy gives some room for CIL, compared with other authorities at 40% affordable housing. However, the proposed rate is unviably high, given the substantial items of infrastructure that will be funded by Section 106, in addition to CIL.

**GRAPH 7**  
**Progress on CIL implementation (England & Wales)**



Source: Savills Research (as at 20 January 2014)

**More consistency needed**

This benchmarking exercise has revealed inconsistencies in the way in which setting of CIL viability is being approached across the country. So far, only 31 CILs have been implemented, with a further 34 at examination (Graph 7). A large proportion (27%) of authorities are either at draft or preliminary draft consultation and a further 35% are engaged in the process at an earlier stage, so there remains scope for greater consistency in rate setting. Our intention is to seek such consistency in the rate setting process, as the majority of authorities move towards implementation of CIL charging schedules. ■

**Please contact us for further information**

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## **Appendix 3 - Savills Briefing Note - Competitive Developer Returns**

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# Developer Profit

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Competitive Return to a Willing Developer

# Developer Profit

## Competitive Return to a Willing Developer

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## Introduction

- 1.2 Savills is representing HBF members and other house builders and landowners nationwide on emerging CIL Charging Schedules, to scrutinise the available evidence, notably in respect of infrastructure provision and the testing of viability against both the emerging planning policy requirements and the identified housing land supply. We are therefore well placed to observe trends in the emerging viability work and subsequent CIL examinations.
  
- 1.3 The purpose of this Briefing Note is to present the evidence of what represents a competitive return to a willing developer.

# Developer Profit

## Competitive Return to a Willing Developer



### Developer's Profit

- 2.1 The NPPF states that to ensure viability developments should provide competitive returns to a willing land owner and willing developer<sup>1</sup>. A competitive return to a developer is one that provides a sufficient return for the developer to continue a successful business through the economic cycle, taking account of the risk profile of the business. The most readily available market evidence of a competitive return is the return required by the shareholders of the quoted Plc housebuilders, noting that the Top 10 House Builders accounted for 45% of completions in England 2012/13<sup>2</sup>.
- 2.2 Shareholders are principally institutional investors - pension funds, insurance companies and private equity funds. They have a wide range of companies and sectors to choose from, including retail, housebuilding, mining, transport, energy and telecommunications, all with different risk and return profiles. If shareholders' hurdle rates are not achieved then they will invest in other sectors, reducing the development capacity of the housebuilding sector.
- 2.3 The key measures are Operating Margin and Return on Capital Employed (ROCE). For a development to be viable, both measures need to meet acceptable target levels. ROCE and Internal Rate of Return (IRR) are closely related; IRR is the projected compound annual rate of return on capital employed across the life of the scheme, compared with ROCE which is the return on capital employed in any one year.
- 2.4 The operating margins (based on Earnings or Profit before Interest and Tax) of the Plc housebuilders are shown in Figure 1. The average margin has recovered from a low of 4.3% in 2009 to 14.6% in 2013. Within this, Berkeley has maintained a margin of between 15% and 20% throughout the cycle, as has Crest Nicholson since 2010. All other housebuilders are rebuilding margins towards that level. As examples:
- in August 2013 Persimmon stated that it had reached its target margin of 15-17% of revenue, 18 months ahead of plan; and
  - in July 2014 Taylor Wimpey announced targets for the 2015-17 period of an average 20% operating margin and a return on net operating assets of 20% per annum.
- 2.5 **It is important to distinguish between gross (site level) margin and the net operating margin reported in house builder accounts.** This is discussed in the Harman Report, which suggests that *"Overheads for house-building typically lie in the range of 5% - 10% of gross development value, with only the very largest developers operating near the lower end of the scale"*<sup>3</sup>.

<sup>1</sup> NPPF, Communities and Local Government. Para 173. March 2012

<sup>2</sup> Facts & Statistics, House Building Statistics, HBF, August 2014

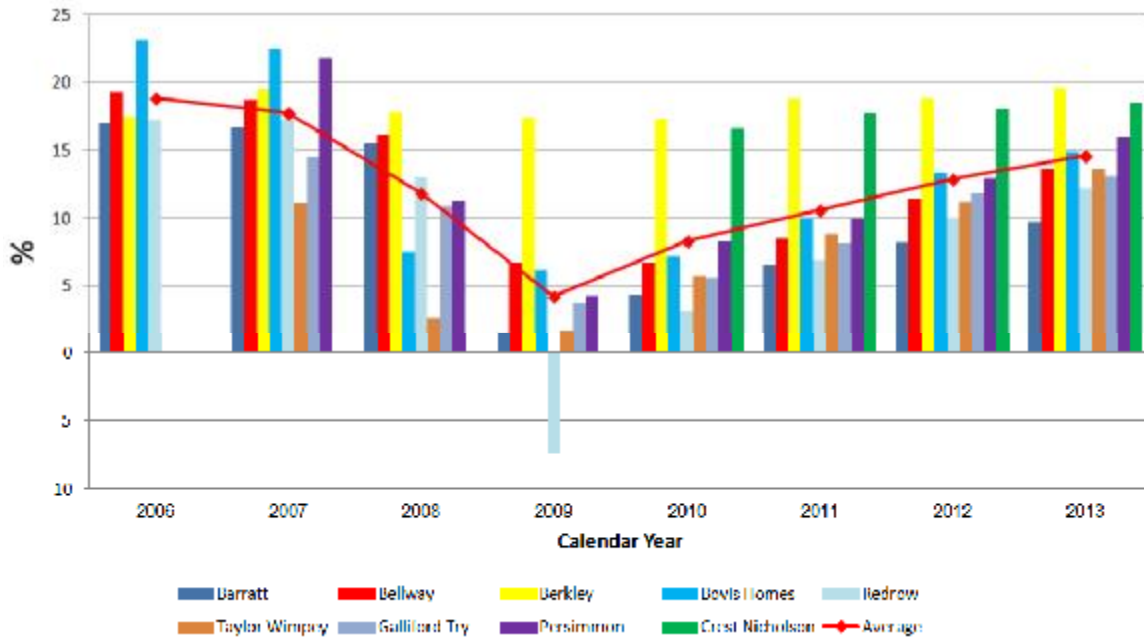
<sup>3</sup> Viability Testing Local Plans, Chaired by Sir John Harman, June 2012

# Developer Profit

## Competitive Return to a Willing Developer



Figure 1 - Net Operating Margins 2006 - 2013



Source: Savills

- 2.6 JP Morgan analysis<sup>4</sup> of Plc housebuilder performance for the financial years 2012 and 2013 indicates that the average overheads of housebuilders (the difference between Gross Margin and Earnings Before Interest and Tax) were 6.4% and 6.0% of revenue respectively, averaging 6.2%.
- 2.7 Therefore a target operating margin of 15% to 20% of revenue equates to a target gross margin of 21% to 26% of gross development value. Barratt stated in its 2012 annual report (and in its July 2014 trading update) that its minimum hurdle rates for land acquisition are 20% gross margin and 25% ROCE.
- 2.8 Both operating margin and gross margin are quoted before deduction of the cost of paying interest on debt, which has averaged 1.2% of GDV over the 2013 and 2013 financial years. Therefore the hurdle rate of gross margin after deduction of the cost of debt is 20-25% of gross development value.

<sup>4</sup> UK Housebuilding, Europe Equity Research. J.P. Morgan. September 2013

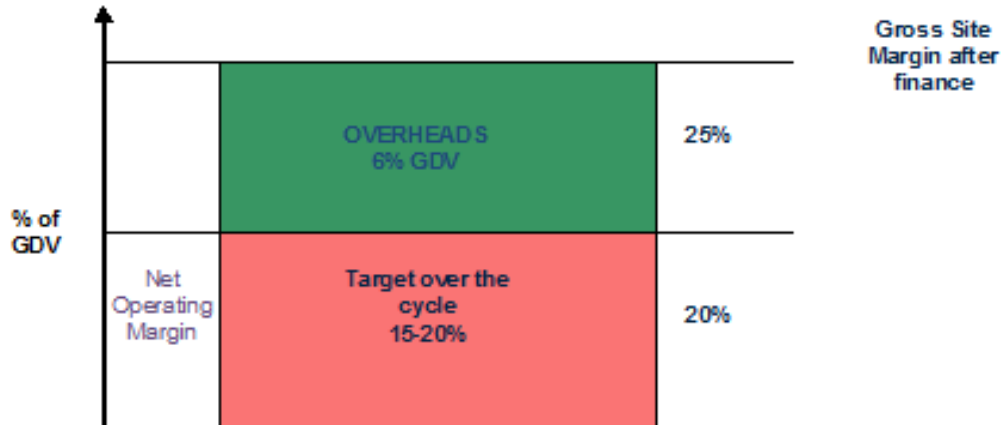
# Developer Profit

## Competitive Return to a Willing Developer



- 2.9 This is the basis of the developer margin hurdle rate that is applicable to site level development appraisals of Residual Land Value, in which the cost of debt is included separately as a cost. More specifically, this is the average hurdle rate across all sites developed by the housebuilder during any one year. Around this average, there will be a range of site specific development risk and therefore a range of site level hurdle rates for developer margin. Smaller lower density sites are inherently less capital intensive and less risky than costlier larger sites and higher density sites, so for smaller lower density sites the hurdle rate will be below the corporate average and for larger complex sites and higher density sites it will be above the corporate level average.
- 2.10 This is particularly relevant for large Greenfield sites and regeneration areas, where large up-front costs have an impact on a developer's required Return on Capital Employed (ROCE), as a higher margin is required to reflect the higher risk. In these instances, the profit margin and ROCE become much more important as highlighted by the Harman Report – *“Developments of large flatted blocks on previously used land in urban areas with high cash requirements will demand significantly higher levels of profit to achieve an acceptable ROCE than developments of a more standard, less cash intensive nature on virgin ground. Likewise, projects with significant up-front infrastructure may also require higher levels of profit to generate an acceptable ROCE.”*<sup>5</sup>

Figure 2 - Developer's Profit Breakdown



Source: Savills

- 2.11 A minimum developer margin of 20% of Gross Development Value was supported by the appeal decisions relating to The Manor, Shinfield<sup>6</sup> and Lydney<sup>7</sup>. It has also been included in Maldon District Council's supporting viability work produced by HDH Planning & Development who are currently preparing supporting viability evidence for 24 Local Authorities<sup>8</sup>.

<sup>5</sup> Viability Testing Local Plans, p46, Chaired by Sir John Harman, June 2012  
<sup>6</sup> Ref: APP/X0360/A/12/2179141, 8 January 2013  
<sup>7</sup> Ref: APP/P165/Q/14/2215840, 3 September 2014  
<sup>8</sup> Local Plan & CIL Viability Study – Post Consultation Update (November 2013)

## Developer Profit

### Competitive Return to a Willing Developer

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- 2.12 The evidence in this paper indicates that the **minimum profit level** used within viability testing should be a blended rate of **20% on Gross Development Value plus 25% ROCE across all tenures, subject to consideration of the risk profile of the scheme**. The reference to ROCE is particularly important on large capital intensive schemes. In these cases the relevant hurdle rate for site specific appraisal is an **Internal Rate of Return of at least 25%**.
- 2.13 A number of viability consultants argue that a different profit level should be applied to private and affordable housing. If this is the case, then the blended margin across all tenure should equate to the hurdle rate referred to above. As an indication, a developer's blended profit margin on site of 20% of Gross Development Value could be a combination of Affordable Housing at an 8% margin on cost and Market Housing at a 23% margin on Gross Development Value.
- 2.14 It is increasingly common for developers to purchase land prior to securing an offer from Registered Providers who are subject to more market risk from the current affordable housing regime than in previous systems of funding. There is subsequently a risk associated with the affordable housing, in addition to increased holding and finance costs.





## **Appendix 4 - ARGUS Developer Alternative Viability Appraisals (50 Houses, Mid Value)**

# Savills

## Development Appraisal

A - Base Appraisal

Hypothetical Scenario (50 houses)

Report Date: 17 November 2014

**APPRAISAL SUMMARY****SAVILLS****A - Base Appraisal  
Hypothetical Scenario (50 houses)****Summary Appraisal for Phase 1**

Currency in £

**REVENUE**

<b>Sales Valuation</b>	<b>Units</b>	<b>m<sup>2</sup></b>	<b>Rate m<sup>2</sup></b>	<b>Unit Price</b>	<b>Gross Sales</b>
Private Units	33	2,970.00	2,350.00	211,500	6,979,500
Affordable Rent	14	1,260.00	1,293.00	116,370	1,629,180
Affordable Intermediate	3	270.00	1,528.00	137,520	412,560
<b>Totals</b>	<b>50</b>	<b>4,500.00</b>			<b>9,021,240</b>

**NET REALISATION****9,021,240****OUTLAY****ACQUISITION COSTS**

Residualised Price (1.43 Ha 1,355,046.12 pHect)		1,937,716
Stamp Duty	4.00%	77,509
Legal Fee	0.50%	9,689

2,024,913

**CONSTRUCTION COSTS**

<b>Construction</b>	<b>m<sup>2</sup></b>	<b>Rate m<sup>2</sup></b>	<b>Cost</b>
Private Units	2,970.00 m <sup>2</sup>	861.00 pm <sup>2</sup>	2,557,170
Affordable Rent	1,260.00 m <sup>2</sup>	861.00 pm <sup>2</sup>	1,084,860
Affordable Intermediate	270.00 m <sup>2</sup>	861.00 pm <sup>2</sup>	232,470
<b>Totals</b>	<b>4,500.00 m<sup>2</sup></b>		<b>3,874,500</b>

**3,874,500**

Contingency	5.00%	222,784
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222,784

**Other Construction**

Externals		15.00%	581,175
Section 106	50.00 un	1,000.00 /un	50,000

631,175

**PROFESSIONAL FEES**

Professional		8.00%	356,454
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356,454

**MARKETING & LETTING**

Marketing	33.00 un	1,000.00 /un	33,000
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33,000

**DISPOSAL FEES**

Sales Agent Fee		1.25%	87,244
Sales Legal Fee	50.00 un	500.00 /un	25,000

112,244

**FINANCE**

Debit Rate 7.000% Credit Rate 0.000% (Nominal)

Land			125,860
Construction			31,838
Other			29,755

187,453

**TOTAL COSTS****7,442,523****PROFIT****1,578,717****This appraisal report does not constitute a formal valuation.**

**A - Base Appraisal****Hypothetical Scenario (50 houses)****Performance Measures**

Profit on Cost%	21.21%
Profit on GDV%	17.50%
Profit on NDV%	17.50%
IRR	48.14%
Profit Erosion (finance rate 7.000%)	2 yrs 9 mths

**This appraisal report does not constitute a formal valuation.**

# Savills

## Development Appraisal

B - Code for Sustainable Homes

Hypothetical Scenario (50 houses)

Report Date: 17 November 2014

**APPRAISAL SUMMARY****SAVILLS****B - Code for Sustainable Homes  
Hypothetical Scenario (50 houses)****Summary Appraisal for Phase 1**

Currency in £

**REVENUE**

<b>Sales Valuation</b>	<b>Units</b>	<b>m<sup>2</sup></b>	<b>Rate m<sup>2</sup></b>	<b>Unit Price</b>	<b>Gross Sales</b>
Private Units	33	2,970.00	2,350.00	211,500	6,979,500
Affordable Rent	14	1,260.00	1,293.00	116,370	1,629,180
Affordable Intermediate	3	270.00	1,528.00	137,520	412,560
<b>Totals</b>	<b>50</b>	<b>4,500.00</b>			<b>9,021,240</b>

**NET REALISATION****9,021,240****OUTLAY****ACQUISITION COSTS**

Residualised Price (1.43 Ha 1,290,196.34 pHect)		1,844,981	
Stamp Duty	4.00%	73,799	
Legal Fee	0.50%	9,225	
			1,928,005

**CONSTRUCTION COSTS**

<b>Construction</b>	<b>m<sup>2</sup></b>	<b>Rate m<sup>2</sup></b>	<b>Cost</b>	
Private Units	2,970.00 m <sup>2</sup>	861.00 pm <sup>2</sup>	2,557,170	
Affordable Rent	1,260.00 m <sup>2</sup>	861.00 pm <sup>2</sup>	1,084,860	
Affordable Intermediate	270.00 m <sup>2</sup>	861.00 pm <sup>2</sup>	232,470	
<b>Totals</b>	<b>4,500.00 m<sup>2</sup></b>		<b>3,874,500</b>	<b>3,874,500</b>

Contingency	5.00%	222,784	
			222,784

**Other Construction**

Externals		15.00%	581,175	
Section 106	50.00 un	1,000.00 /un	50,000	
Code for Sustainable Homes	50.00 un	2,004.00 /un	100,200	
				731,375

**PROFESSIONAL FEES**

Professional		8.00%	356,454	
				356,454

**MARKETING & LETTING**

Marketing	33.00 un	1,000.00 /un	33,000	
				33,000

**DISPOSAL FEES**

Sales Agent Fee		1.25%	87,244	
Sales Legal Fee	50.00 un	500.00 /un	25,000	
				112,244

**FINANCE**

Debit Rate 7.000% Credit Rate 0.000% (Nominal)				
Land			119,639	
Construction			34,767	
Other			29,755	
Total Finance Cost				184,162

**TOTAL COSTS****7,442,523****PROFIT****This appraisal report does not constitute a formal valuation.**

**B - Code for Sustainable Homes  
Hypothetical Scenario (50 houses)****1,578,717****Performance Measures**

Profit on Cost%	21.21%
Profit on GDV%	17.50%
Profit on NDV%	17.50%
IRR	48.75%
Profit Erosion (finance rate 7.000%)	2 yrs 9 mths

**This appraisal report does not constitute a formal valuation.**

# Savills

## Development Appraisal

C - Developer's Profit

Hypothetical Scenario (50 houses)

Report Date: 17 November 2014



**APPRAISAL SUMMARY****SAVILLS****C - Developer's Profit  
Hypothetical Scenario (50 houses)****Summary Appraisal for Phase 1**

Currency in £

**REVENUE**

<b>Sales Valuation</b>	<b>Units</b>	<b>m<sup>2</sup></b>	<b>Rate m<sup>2</sup></b>	<b>Unit Price</b>	<b>Gross Sales</b>
Private Units	33	2,970.00	2,350.00	211,500	6,979,500
Affordable Rent	14	1,260.00	1,293.00	116,370	1,629,180
Affordable Intermediate	3	270.00	1,528.00	137,520	412,560
<b>Totals</b>	<b>50</b>	<b>4,500.00</b>			<b>9,021,240</b>

**NET REALISATION****9,021,240****OUTLAY****ACQUISITION COSTS**

Residualised Price (1.43 Ha 1,216,971.28 pHect)		1,740,269	
Stamp Duty	4.00%	69,611	
Legal Fee	0.50%	8,701	
			1,818,581

**CONSTRUCTION COSTS**

<b>Construction</b>	<b>m<sup>2</sup></b>	<b>Rate m<sup>2</sup></b>	<b>Cost</b>
Private Units	2,970.00 m <sup>2</sup>	861.00 pm <sup>2</sup>	2,557,170
Affordable Rent	1,260.00 m <sup>2</sup>	861.00 pm <sup>2</sup>	1,084,860
Affordable Intermediate	270.00 m <sup>2</sup>	861.00 pm <sup>2</sup>	232,470
<b>Totals</b>	<b>4,500.00 m<sup>2</sup></b>		<b>3,874,500</b>

**3,874,500**

Contingency	5.00%	222,784	
			222,784

**Other Construction**

Externals		15.00%	581,175
Section 106	50.00 un	1,000.00 /un	50,000
			631,175

**PROFESSIONAL FEES**

Professional		8.00%	356,454
			356,454

**MARKETING & LETTING**

Marketing	33.00 un	1,000.00 /un	33,000
			33,000

**DISPOSAL FEES**

Sales Agent Fee		1.25%	87,244
Sales Legal Fee	50.00 un	500.00 /un	25,000
			112,244

**FINANCE**

Debit Rate 7.000% Credit Rate 0.000% (Nominal)			
Land			112,301
Construction			31,838
Other			24,115
Total Finance Cost			168,254

**TOTAL COSTS****7,216,992****PROFIT****1,804,248****This appraisal report does not constitute a formal valuation.**

**C - Developer's Profit  
Hypothetical Scenario (50 houses)****Performance Measures**

Profit on Cost%	25.00%
Profit on GDV%	20.00%
Profit on NDV%	20.00%
IRR	57.90%
Profit Erosion (finance rate 7.000%)	3 yrs 3 mths

**This appraisal report does not constitute a formal valuation.**

**Savills**

**Development Appraisal**

**D - Section 106**

**Hypothetical Scenario (50 Houses)**

**Report Date: 17 November 2014**

**APPRAISAL SUMMARY****SAVILLS****D - Section 106****Hypothetical Scenario (50 Houses)****Summary Appraisal for Phase 1**

Currency in £

**REVENUE**

<b>Sales Valuation</b>	<b>Units</b>	<b>m<sup>2</sup></b>	<b>Rate m<sup>2</sup></b>	<b>Unit Price</b>	<b>Gross Sales</b>
Private Units	33	2,970.00	2,350.00	211,500	6,979,500
Affordable Rent	14	1,260.00	1,293.00	116,370	1,629,180
Affordable Intermediate	3	270.00	1,528.00	137,520	412,560
<b>Totals</b>	<b>50</b>	<b>4,500.00</b>			<b>9,021,240</b>

**NET REALISATION****9,021,240****OUTLAY****ACQUISITION COSTS**

Residualised Price (1.43 Ha 1,306,505.86 pHect)		1,868,303
Stamp Duty	4.00%	74,732
Legal Fee	0.50%	9,342

1,952,377

**CONSTRUCTION COSTS**

<b>Construction</b>	<b>m<sup>2</sup></b>	<b>Rate m<sup>2</sup></b>	<b>Cost</b>
Private Units	2,970.00 m <sup>2</sup>	861.00 pm <sup>2</sup>	2,557,170
Affordable Rent	1,260.00 m <sup>2</sup>	861.00 pm <sup>2</sup>	1,084,860
Affordable Intermediate	270.00 m <sup>2</sup>	861.00 pm <sup>2</sup>	232,470
<b>Totals</b>	<b>4,500.00 m<sup>2</sup></b>		<b>3,874,500</b>

**3,874,500**

Contingency	5.00%	222,784
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222,784

**Other Construction**

Externals		15.00%	581,175
Section 106	50.00 un	2,500.00 /un	125,000

706,175

**PROFESSIONAL FEES**

Professional		8.00%	356,454
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356,454

**MARKETING & LETTING**

Marketing	33.00 un	1,000.00 /un	33,000
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33,000

**DISPOSAL FEES**

Sales Agent Fee		1.25%	87,244
Sales Legal Fee	50.00 un	500.00 /un	25,000

112,244

**FINANCE**

Debit Rate 7.000% Credit Rate 0.000% (Nominal)

Land		121,204
Construction		34,030
Other		29,755

184,989

**TOTAL COSTS****7,442,523****PROFIT****1,578,717****This appraisal report does not constitute a formal valuation.**

**D - Section 106****Hypothetical Scenario (50 Houses)****Performance Measures**

Profit on Cost%	21.21%
Profit on GDV%	17.50%
Profit on NDV%	17.50%
IRR	48.59%
Profit Erosion (finance rate 7.000%)	2 yrs 9 mths

**This appraisal report does not constitute a formal valuation.**

# Savills

## Development Appraisal

### E - Build Costs

Hypothetical Scenario (50 Houses)

Report Date: 17 November 2014

**APPRAISAL SUMMARY****SAVILLS****E - Build Costs****Hypothetical Scenario (50 Houses)****Summary Appraisal for Phase 1**

Currency in £

**REVENUE**

<b>Sales Valuation</b>	<b>Units</b>	<b>m<sup>2</sup></b>	<b>Rate m<sup>2</sup></b>	<b>Unit Price</b>	<b>Gross Sales</b>
Private Units	33	2,970.00	2,350.00	211,500	6,979,500
Affordable Rent	14	1,260.00	1,293.00	116,370	1,629,180
Affordable Intermediate	3	270.00	1,528.00	137,520	412,560
<b>Totals</b>	<b>50</b>	<b>4,500.00</b>			<b>9,021,240</b>

**NET REALISATION****9,021,240****OUTLAY****ACQUISITION COSTS**

Residualised Price (1.43 Ha 794,912.89 pHect)		1,136,725	
Stamp Duty	4.00%	45,469	
Legal Fee	0.50%	5,684	
			1,187,878

**CONSTRUCTION COSTS**

<b>Construction</b>	<b>m<sup>2</sup></b>	<b>Rate m<sup>2</sup></b>	<b>Cost</b>
Private Units	2,970.00 m <sup>2</sup>	1,009.00 pm <sup>2</sup>	2,996,730
Affordable Rent	1,260.00 m <sup>2</sup>	1,009.00 pm <sup>2</sup>	1,271,340
Affordable Intermediate	270.00 m <sup>2</sup>	1,009.00 pm <sup>2</sup>	272,430
<b>Totals</b>	<b>4,500.00 m<sup>2</sup></b>		<b>4,540,500</b>

**4,540,500**

Contingency	5.00%	261,079	
			261,079

**Other Construction**

Externals		15.00%	681,075
Section 106	50.00 un	1,000.00 /un	50,000
			731,075

**PROFESSIONAL FEES**

Professional		8.00%	417,726
			417,726

**MARKETING & LETTING**

Marketing	33.00 un	1,000.00 /un	33,000
			33,000

**DISPOSAL FEES**

Sales Agent Fee		1.25%	87,244
Sales Legal Fee	50.00 un	500.00 /un	25,000
			112,244

**FINANCE**

Debit Rate 7.000% Credit Rate 0.000% (Nominal)			
Land			72,130
Construction			57,136
Other			29,755
Total Finance Cost			159,021

**TOTAL COSTS****7,442,523****PROFIT****1,578,717****This appraisal report does not constitute a formal valuation.**

**E - Build Costs****Hypothetical Scenario (50 Houses)****Performance Measures**

Profit on Cost%	21.21%
Profit on GDV%	17.50%
Profit on NDV%	17.50%
IRR	54.17%
Profit Erosion (finance rate 7.000%)	2 yrs 9 mths

**This appraisal report does not constitute a formal valuation.**



Savills

Development Appraisal

F - Combined

Hypothetical Scenario (50 Houses)

Report Date: 17 November 2014

**APPRAISAL SUMMARY****SAVILLS****F - Combined  
Hypothetical Scenario (50 Houses)****Summary Appraisal for Phase 1**

Currency in £

**REVENUE**

<b>Sales Valuation</b>	<b>Units</b>	<b>m<sup>2</sup></b>	<b>Rate m<sup>2</sup></b>	<b>Unit Price</b>	<b>Gross Sales</b>
Private Units	33	2,970.00	2,350.00	211,500	6,979,500
Affordable Rent	14	1,260.00	1,293.00	116,370	1,629,180
Affordable Intermediate	<u>3</u>	<u>270.00</u>	1,528.00	137,520	<u>412,560</u>
<b>Totals</b>	<b>50</b>	<b>4,500.00</b>			<b>9,021,240</b>

**NET REALISATION****9,021,240****OUTLAY****ACQUISITION COSTS**

Residualised Price (1.43 Ha 543,448.01 pHect)			777,131	
Stamp Duty		4.00%	31,085	
Legal Fee		0.50%	3,886	
				812,102

**CONSTRUCTION COSTS**

<b>Construction</b>	<b>m<sup>2</sup></b>	<b>Rate m<sup>2</sup></b>	<b>Cost</b>	
Private Units	2,970.00 m <sup>2</sup>	1,009.00 pm <sup>2</sup>	2,996,730	
Affordable Rent	1,260.00 m <sup>2</sup>	1,009.00 pm <sup>2</sup>	1,271,340	
Affordable Intermediate	<u>270.00 m<sup>2</sup></u>	1,009.00 pm <sup>2</sup>	<u>272,430</u>	
<b>Totals</b>	<b>4,500.00 m<sup>2</sup></b>		<b>4,540,500</b>	<b>4,540,500</b>

Contingency		5.00%	261,079	
				261,079

**Other Construction**

Externals		15.00%	681,075	
Section 106	50.00 un	2,500.00 /un	125,000	
Code for Sustainable Homes	50.00 un	2,004.00 /un	100,200	
				906,275

**PROFESSIONAL FEES**

Professional		8.00%	417,726	
				417,726

**MARKETING & LETTING**

Marketing	33.00 un	1,000.00 /un	33,000	
				33,000

**DISPOSAL FEES**

Sales Agent Fee		1.25%	87,244	
Sales Legal Fee	50.00 un	500.00 /un	25,000	
				112,244

**FINANCE**

Debit Rate 7.000% Credit Rate 0.000% (Nominal)				
Land			47,694	
Construction			62,258	
Other			24,115	
<b>Total Finance Cost</b>				<b>134,067</b>

**TOTAL COSTS****7,216,992****PROFIT****This appraisal report does not constitute a formal valuation.**

**F - Combined  
Hypothetical Scenario (50 Houses)****1,804,248****Performance Measures**

Profit on Cost%	25.00%
Profit on GDV%	20.00%
Profit on NDV%	20.00%
IRR	68.47%
Profit Erosion (finance rate 7.000%)	3 yrs 3 mths

**This appraisal report does not constitute a formal valuation.**