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130524L Winchester CIL Draft Representation FINAL DRAFT



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Dear Sir/ Madam

**Winchester City Community Infrastructure Levy (CIL)
Draft Consultation Stage
Housebuilder Consortium Representation**

1. I write on behalf of a housebuilder Consortium comprising Bloor Homes, Persimmon Homes, Hazeley Development and McCarthy & Stone. "The Consortium" made representations at the Preliminary Consultation stage, which the City Council has partially responded (Adams Integra Report of April 2013).
2. Via e-mail 8 May 2013 the City Council confirmed that it did not consider it necessary to yet outline a Regulation 123 List (which outlined what infrastructure may be funded in whole or part by CIL). The Consortium is not entirely convinced that this is the most proficient approach, notably owing to the interplay between the ongoing 'site specific' use of Section 106 with CIL, and further the proposal to £ zero rate strategic sites. The Consortium is very concerned that developments in the District and Winchester city, will effectively subsidise the infrastructure requirements and provision for the strategic sites. The basis for the proposed £ zero rating of strategic sites will need robust justification, which presumably the City Council already has, at least in draft.
3. The representations received at the Draft stage are those which are heard at Examination (Regulation 17, 2010 Regulations as amended). The CLG Guidance (April 2013) para' 86 refers that the Regulation 123 list "*should be based on the draft list that the charging authority prepared for the examination of their draft charging schedule*".
4. The CLG guidance at paragraph 15 further outlines the ongoing role for Section 106: "*The charging authority should set out at examination a draft list of the projects or types of infrastructure that are to be funded in whole or in part by the levy. The charging authorities should also set out those known site-specific matters where section 106 contributions may continue to be sought. The principal purpose is to provide transparency on what the charging authority intends to fund in whole or part through the levy and those known matters where section 106 contributions may continue to be sought*".
5. The Consortium will therefore have to reserve its position on the rate of Section 106 assumed in the viability appraisal, and overall approach to strategic sites (verses non strategic) until the forthcoming Examination. It is noted that the overall approach of the Adams Integra Viability Reports of November 2012 as updated April 2013 are based on £2,000 per dwelling Section 106. The response of Adams Integra (Appendix 1) to the representations received makes the case for a 100% CIL regime, therefore indicating that the City Council envisages restricted, if no, Section 106 from future (non strategic) developments. Clarity on this would be appreciated.

6. The City Council will be aware that the Government is presently consulting on amendment CIL Regulations. The proposed amendments are only in draft form; however, do propose substantial amendments to the operation of CIL. The Consortium will need to reserve its position on certain matters in advance of the confirmation of the new Regulations.
7. The Consortium is keen that the appointed Inspector review the previous comments made by at the Preliminary Stage, notably as the City Council proposes no change to the CIL rates. This representation is therefore appended to this letter.
8. In respect of the City Council's response to the representations (Adams Integra April 2013 Report), the Consortium wishes to outline the following:

- There is no obvious response to our original representation at Sections 2, 3 and 4. Section 2 provided an overview of the importance of national planning policy, notably the need to recognise the role of 'competitive returns' to landowners and developments (NPPF paragraph 173), and also in respect of ensuring effective operation of CIL through the publication in draft form (for comment) of matters such as the proposed instalments policy (original representation paragraphs 2.1 – 2.11 and 4.3 – 4.10). As the City Council is aware, the full liability for the chargeable development is triggered on commencement of full detailed planning proposals. The majority of the Consortium's development proposals are typically submitted in full. It is therefore imperative that the instalments policy is flexibly worded, with payments appropriately phased.
- The Consortium also sought clarifications in respect of the infrastructure evidence (section 3) and in respect of how Section 278 and the increased costs associated with the (new) policy requirement for Code for Sustainable Homes Level 5 (energy) had been factored (paragraph 3.7).
- Clarity over whether discretionary relief would be sought was also requested (paragraphs 4.11 – 4.13). It is noted that the Draft Charging Schedule proposes that the City Council offers no discretionary relief. The Consortium strongly objects to this, as ineffective. In certain cases, the liability to pay CIL at all costs will only impede delivery of other factors such as the required 40% affordable housing, or other sustainability targets. Given the tests of the Regulations for obtaining discretionary relief, the opportunity to embrace the additional flexibility is of benefit to the Council and key developers/ stakeholders. The CLG CIL Guidance paragraph 31 outlines that:

"Use of an exceptions policy enables the charging authority to avoid rendering sites with specific and exceptional cost burdens unviable should exceptional circumstances arise".

- The Consortium also notes an absence of commitment to review CIL, which is considered of importance given that the measure would be an entirely new concept (paragraphs 4.18 – 4.20).

In respect of viability (original representation section 5) Adams Integra has provided a response;

- **Land values.** Adams Integra has failed to provide any reliable evidence of actual land transactions to justify their conclusion of £2,200,000 per hectare for residential land. Land Registry development data is not a comparable and would not be used in a Valuation under RICS standards. Savills have referenced below a number of 2012 land transactions which demonstrate land values over double the level that Adams Integra have quoted. For confidentiality we have not disclosed the addresses of the sites:

Site A (0.8 Ha - £3,505,000) - **£4,380,000 per ha**
 Site B (0.08 Ha - £1,340,000) - **£16,750,000 per ha**
 Site C (0.16 Ha - £1,530,000) - **£9,560,000 per ha**
 Site D (0.17 Ha - £1,560,000) - **£9,180,000 per ha**

- The need for 'competitive returns' is central to the NPPF to ensure viable (and hence deliverable) development. To attract the change of use away from existing use value will require a considerable uplift in land value.

- The Consortium remains to be convinced that the Viability Appraisal has factored sufficient costs in respect of the **Code for Sustainable Homes**. The recently adopted Local Plan (Part 1) policy CP11 requires Code Level 5 for energy and Code Level 4 for water, it therefore goes beyond the present building regulations. The original viability assessment by Adams Integra (November 2012) outlines overall build costs of £1,342 sq m for houses increased from £1,205 sq m, an increase of 10.3% to factor the Code requirements. CLG produced guidance on the 'Cost of the Code' (August 2011), this outlined 'extra over' costs of achieving various levels of the Code. Simplistically, the cost increases for delivering Code 4 are in the region of £6,000 - £7,000 per dwelling, and Code 5 over £15,000 per dwelling. Policy CP11 effectively seeks a situation in-between, notably as the Code 5 energy requirement is typically the largest proportion of the predicted cost increases. Table 3 of the CLG August 2011 guidance outlines that up to £16,666 cost increases per 3 bed semi (of 88 sq m), which equates to £189 per sq m, are required to achieve Code Level 5 (energy). Based on the overall build cost assumption of Adams Integra (£1,205 sq m) to achieve Code Level 5, based on CLG guidance, an increase in build costs to at least £1,394 should have been factored (a 13.6% increase rather than 10.3%).
- The Consortium are of the opinion that the **Property Prices** used should reflect higher and lower value areas within Winchester and the surrounding area. Harestock and St Cross maintain very different values and Savills are of the opinion that a different rate should be used instead of an average rate. An example would be that, at the time of writing, there is a three bedroom terrace house in Harestock on the market for £235,000 whereas conversely the cheapest three bedroom terrace house in St Cross is currently on the market for £485,000. Averaging the prices of these (Adams Integra have adopted a figure of £370,000 for a three bedroom property) would mean that development in Harestock would be unviable at the proposed CIL rates. Whilst a broad approach to viability should be taken, as a differential rate for all of Winchester City is proposed, the rate should be based on facilitating development in the lowest value areas to demonstrate overall viability.
- With the above in mind and through Savills experience of other Local Authorities in the South we are of the opinion that a **Buffer** should be applied to account for discrepancies in value. The difference in value between the average price stated above and the lowest price is approximately 35% therefore in order to encourage development in all areas we would suggest applying a buffer in the region of 35-40%, or apply a differential rate for lesser value areas.
- Savills are of the opinion that the **Contingency** should be 5% of build cost to account for unforeseen build costs – Archaeology costs particularly relate to Winchester City as an example. This is in line with industry and provides a holistic rate for all sizes of development. **Fees** are typically 10% of Build Costs and should include Architects, Structural Engineer, Quantity Surveyor, M&E Engineer, Project Manager costs amongst other specific functions (See Appeal decision ref. APP/X0360/A/12/2179141). A rate of 5% as suggested by Adams Integra would not cover all of these costs.

We trust that these points will be taken in account in progressing a review of the proposed £80 and £120 sq m residential rates of CIL. As a broad overview, the application of a 35% buffer to the rates would reduce these to **£52 - £78 sq m** respectively.

Recently, the Inspector concluded on the nearby Southampton City Council CIL (April 2013). This included the requirement to reduce the proposed rate of CIL for residential development from £90 to £70 sq m. This was on the basis of Southampton City's more stringent sustainability policy (similar to Winchester City) and also the need to increase the viability buffer to at least 30% (para's 34 & 35). Southampton City Council were also prepared to offer exceptional relief, plus commit to an early review of CIL based on how it operated in practice.

At a lower level of CIL the City Council would have far greater confidence that the higher Code for Sustainable Homes requirements and 40% affordable housing provision were both achievable.

The Consortium is concerned that most (if not all) planning applications would need to be supported by evidence of viability to justify reduced sustainability or affordable housing requirements, should the (non-negotiable) rate of CIL be set too high. This will not aid an efficient planning system nor the delivery of



development. Instead, the City Council is advised to set a modest rate of CIL in order to first assess the actual implications on development delivery. This is important, given that CIL is a new concept.

Yours faithfully,

Charles Collins
Savills Planning