

14 August 2020
Ref: 20.7011/JM

Planning Policy & Economic Development Team
Runnymede Borough Council
Runnymede Civic Centre
Station Road
Addlestone
KT15 2AH

Sent by email: planningpolicy@runnymede.gov.uk

Dear Council

Re: Runnymede: Modified CIL Charging Schedule

██████████ and our client ██████████ Ltd appreciate the opportunity to express our views on the Statement of Modifications for the Runnymede Community Infrastructure Levy Charging Schedule (July 2020). We understand comments expressed in connection with these proposed modifications will be issued to the Examiner at the end of August.

As requested by the Council we respectively confirm our desire to be heard at the public hearing in relation to these modifications as well as representations submitted in April 2020 in connection with the draft CIL Charging Schedule and wider discussions around the residential CIL rates.

██████████ is representing ██████████, a Registered Provider and developer of Affordable Housing. Our client has submitted a planning application for a mix of dwellings in Ottershaw. Within the emerging Local Plan there are two distinct allocated sites within Ottershaw:

- Policy SL2: Brox End Nursery: identified to deliver a minimum of 40 net additional C3 dwellings
- Policy SL12: Ottershaw East: identified to deliver 230 net additional C3 dwellings and two gypsy/traveller pitches.

The ██████████ site is identified as the Brox End Nursery site within the emerging Local Plan. Under Policy SL2 the site is allocated for at least 40 net additional C3 dwellings, the draft policy for which also refers to the need to provide financial contributions via either CIL or S106' specifically the policy advises those financial contributions would be:

"...towards the expansion of early years and primary school infrastructure at Marshfields CofE Infant and Ottershaw CofE Junior Schools and a financial contribution towards secondary school infrastructure"; and

"Provide or contribute to any other infrastructure identified at application stage which is necessary to make the site acceptable in planning terms".

It had previously been interpreted that the Brox End Nursery site, as allocated under Policy SL2, was included in the CIL Viability Report (November 2019) under the heading of Ottershaw East. The viability testing for which was based on an overall site area of 14.1 hectares (6.6 ha for residential), a 400 sqm health hub and the development of 200 dwellings and two gypsy/traveller pitches.

It has now been clarified by the Council however that the viability testing for the Ottershaw East site did not include the Brox End Nursery site. As such, certain identified infrastructure costs did not apply to our client's site. We have also been advised that any contributions for education services/facilities as a result of development of the Brox End Nursery site will be funded by the proposed CIL charge and not from a separate S106 contribution. The specified S106 and S278 contributions will be:

- S106 SANG & SAMM: £120,980
- S278 Highway works: £69,000

As such, should any additional planning obligations be requested from the Council this would have a detrimental impact on scheme viability.

Statement of Modifications

It is noted that the Statement of Modifications sets out five proposed modifications to the CIL Charging Schedule that was originally issued in November 2019 and consulted upon in February/April 2020. We set out our response to the modifications below, in the order in which they are raised.

Modification 1: Page 1 of draft Charging Schedule, Heading: Date of Approval: This charging schedule was approved by the Borough Council on 9th February 2021 ~~14th October 2020~~ (target date).

Accepted this addresses delay to procedure.

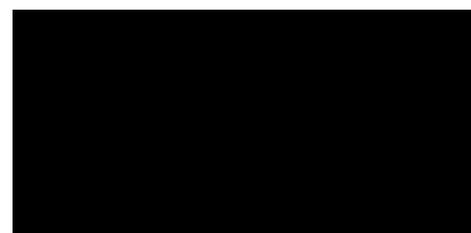
Modification 2: Page 1 of draft Charging Schedule, Heading: Date of Implementation: This charging schedule will come into effect on the 1st March 2021 ~~November 2020~~ (target date).

Accepted this addresses delay to procedure.

Modification 3: Page 2 of draft Charging Schedule, Table of CIL Rates for Zone B: Amend proposed rate for Residential Class C3a, C3c and C4 from £235 to £300 per sqm.

Our client's site in question was originally situated within Zone A of the draft CIL Charging Schedule which indicated a charge rate of £380 per sqm for C3a, C3c and C4 residential development, £495 per sqm for student accommodation and £50 per sqm for class B1a office development. All other development is zero rated.

However, as a result of Modification 5 below, the subject site now sits within Zone B. The proposed charge rate in Zone B is £300 per sqm for C3a, C3c and C4 residential development, £495 per sqm for student accommodation and £50 per sqm for class B1a office development. All other development is zero rated. It should be noted however that the Zone B charge of £300 per sqm for C3 and C4 use classes has increased from its original rate of £235 per sqm.



While this modification would result in a reduction in CIL for our client's site at the Brox End Nursery, we have reviewed the Council's Summary of Representations to draft CIL Charging Schedule (Regulation 16) specific to the Brox End Nursery site and provide further comments in the table at Appendix 1.

While a number of the original comments have been addressed, it is evident that site or scheme specific factors are not proposed to be addressed in the CIL viability assessments. The Council response make it clear that the CIL assessment is a high level assessment that cannot practically address specific issues. This includes;

- Size and mix of homes (including issues over gross to net ratios)
- Values for affordable housing
- Allowances / costs for external site works
- Need for cost contingencies
- Allowances for S106 costs
- Project phasing and cashflow
- Site acquisition costs and the benchmark land value.

There remains concern that the proposed redevelopment of the Brox End Nursery site could continue to present viability issues. With [REDACTED] being a Registered Provider, its main objective is to maximise delivery of affordable housing. As such, it would not be ideal to have to rely on a site specific viability assessment at application stage to reduce affordable housing. However, where CIL presents an issue, it may be necessary to seek to reduce other S106 costs.

Modification 4: Page 2 of draft Charging Schedule, Table of CIL Rates for Zone C: Amend proposed rate for Residential Class C3a, C3c and C4 from £185 to £180 per sqm.

No further comment.

Modification 5: Page 4 of draft Charging Schedule, Replace Plan 1 with Plan in Appendix A of this Statement of Modifications.

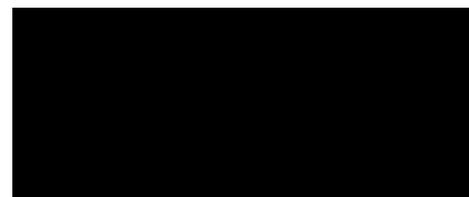
It is noted this revised plan delineates the updated boundary CIL Charging Zones. No further comment at this time.

In addition to the specific responses to the five proposed modifications above, we also provide generic comment on the Viability Review prepared by Andrew Golland Associates (AGA) and the Technical Background Document (July 2020) that has influenced the proposed modifications and revised CIL Charge Rates.

Viability Review

Impact of Covid-19

Among other things, the Viability Review sets out to address the impact of Covid-19 on the residential market and address clarifications and updates on major sites, including a separate appraisal of the Brox End Nursery site.



With regard to the impact of Covid-19, the Viability Review broadly concludes that while it is anticipated the housing market will be negatively affected, there is no definitive opinion on the extent of price falls or fall in demand as a result of the current pandemic or for how long any impact will last. However, it is evidenced that the major UK house builders have sustained large falls in their share prices as confidence in the market has deteriorated and prospects for financial growth in the short to medium term is damaged.

Anecdotal evidence reported by AGA, comprising the views of a range of economic commentators and estate agencies place house price falls at anywhere between 2% to 10% in 2020 with a pick up expected in 2021, potentially in the order of 2% to 3% (EY ITEM Club). The Viability Review does make reference to a likely 'V' shaped economic recovery. However, more recent economic data is suggesting this may be too optimistic and the economy could take a number of years to reach the pre-Covid level.

The Viability Review also makes a passing reference to the double-effect of Covid-19 as well as a No Deal Brexit, suggesting that should this occur we could see falling prices and rising costs as European labour returns to the mainland and materials become more costly to import.

To test the impact of this scenario, AGA has run a series of sensitivity tests with movement in prices falling between 5% and 25% while build costs conversely increase by between 5% and 25%.

The result of this exercise indicates that agricultural sites in Ottershaw (based on a 1ha site), could sustain a fall in sale values of 25% and an increase in costs of 25% and still return a residual site value of c.£1.09m. With agricultural values reported to be £20,000 per ha, this RV offers a substantial 'Plus' over the existing use value (EUV).

Where the benchmark land value (BLV) is set at £2m per ha, it is indicated that sites in Ottershaw could sustain a drop in sale values of 15% and an increase in costs of 15% and continue to generate an RV of £2.34m per ha.

As such, based on the high-level assessments and assumptions adopted by AGA the Ottershaw sites are unlikely to be impacted by Covid-19 or a No Deal Brexit to the extent that the developments become unviable and cannot support the proposed CIL Charge Rates.

Our major concern however would focus on the selection of an appropriate BLV. With the Brox End Nursery site having been allocated and achieved a residential planning permission previously, it is unlikely a landowner would be sufficiently incentivised to release the site for the equivalent of £2m per ha where policy compliant appraisals are indicating the site is worth in excess of £4.8m per ha.

While we appreciate that a broad CIL viability assessment cannot take into account the minutiae of each site or specific development scheme, we would question whether provision should be made to undertake a more specific viability assessment to ensure that the realities of the property market are being accurately considered and the proposed development can therefore be viably delivered. At the least, it would be necessary to reserve the right to undertake a more detailed viability assessment at an application stage while by this point in time it may not be feasible to reduce the CIL rate, we would hope that in raising this matter now the Council would be more receptive to an application for discretionary CIL relief on private sale homes as well as affordable housing should this become necessary to ensure A2Dominion is able to maximise the delivery of affordable homes on site.



Major Site Clarifications

The Viability Review sets out clarification appraisals for three of the major sites originally referred to in the previous CIL viability assessment report. One of these sites includes the Brox End Nursery site.

The Viability Review Report only provides a summary page from the HCA DAT financial model and so it is not possible to fully investigate the assumptions and inputs included.

The appraisal is based on 46 dwellings with 35% affordable housing. With regard to the BLV, it has adopted a site cost of £2.8m based on acquiring 183 Brox Road at £1.3m (EUV of £1.1m plus a 20% premium) and paying £1.5m for the greenfield/agricultural land. We understand from [REDACTED] that it paid significantly more for 183 Brox Road than the adopted £1.3m land value.

With a site area of c.1.4ha we are not certain why the agricultural land has not been applied at a value of at least £2.8m which would produce a BLV of at least £4.1m when the acquisition of 183 Brox Road is included.

The HCA DAT model returns a RV of c.£6.78m which if compared to a BLV of £4.1m would leave a surplus of c.£2.68m. The model assumes an average unit area of 80 sqm which generates a surplus of £728 per sqm. On this calculation it would appear that a £300 per sqm CIL rate would be viable, particularly where 35% of the units would likely qualify for affordable housing CIL relief.

However, where specific cost data is not known such as actual build costs, abnormalities, contingencies, affordable housing values, size and mix of units, tenures etc, there may remain additional costs that would erode the surplus initially identified.

Conclusion

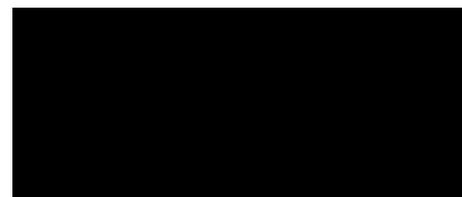
I hope the above comments are considered constructive. Based on the responses received from the consultation in April 2020, it is understood that the Council's assessment of viability in connection with the CIL Charge Rates is not intended to be a 'catch all' assessment and it would be impractical for a study of this nature to achieve that.

Despite this, we are of the opinion that there remain a number of issues that could impact viability of our client's site at the Brox End Nursery that should be addressed to fully determine viability.

It would be helpful to receive a full version of the HCA DAT appraisal for the Brox End Nursey site (at present only the summary page is published in the Viability Review).

From a site specific basis, we are not in agreement that the BLV for the site should be included at £2.8m as this would not fully reflect the premium expected from a hypothetical land owner on the basis the site is allocated for residential development and has a previous planning permission. However, it is also appreciated that in undertaking a CIL viability assessment for the borough it is not always feasible to incorporate such site specific detail. As such, we feel it is necessary to consider this matter further at application stage.

We are also not certain that the CIL viability assessment fully reflects the costs of construction. Again, we appreciate the CIL assessment is limited to testing policy and may include smaller average house sizes and fewer apartments. So again, we feel it is necessary to consider this matter further at application stage.



Where these matters can be considered in greater detail at a scheme specific stage we are of the opinion that viability could be compromised. As such, we would request that in connection with the Brox End Nursery site, the Council remains flexible to the option to grant additional CIL relief should this prove necessary. As has been referred to above, our client is keen to maximise delivery of on-site affordable homes and would not want to utilise the standard FVA process to reduce affordable housing, but would rather seek to reduce financial obligations of other S106 and CIL charges, where considered necessary.

I hope the above comments and requests will be well received and fully considered by the Council.

[Redacted signature line]

[Redacted name line]

[Redacted signature block]

[Redacted footer]

Appendix 1 - Boyer Response to Summary of Representations to Draft CIL Charging Schedule (Regulation 16)

REP-009 Boyer Planning obo A2 Dominion

Original Boyer Comment	Council Response	Further Boyer Comment
<p>Brox End Nursery site within the emerging Local Plan and allocated for at least 40 net additional C3 dwellings. Draft policy refers to the need to provide financial contributions via either CIL or S106. Note the Brox End Nursery site is included in the CIL Viability Report under the heading of Ottershaw East. The viability testing for which has been based on an overall site area of 14.1 hectares (6.6 ha for residential), a 400 sqm health hub and the development of 200 dwellings and two gypsy/traveller pitches.</p> <p>Selection of input pages from the HCA DAT model relating to the Ottershaw sub-market does not include a detailed breakdown of all cost assumptions and timescales adopted. It would therefore be helpful if copies of the full model could be supplied as is the expectation in national planning policy. The NPPG is clear that landowners should be involved when establishing a CIL. The appraisals relied upon to set the proposed CIL rate should be made available in order that the detail of those appraisals can be properly considered. Not aware of any collaboration or engagement undertaken by the Council or their viability consultant in preparing the 2019 viability appraisals for the CIL evidence base.</p>	<p>Whilst the plan in the viability assessment for Ottershaw East shows the Brox End Nursery site included, the site was not included in the assessment of viability. The developable area for Ottershaw East in the Local Plan Main Modifications is 6.6ha, which does not include Brox End Nurseries.</p> <p>The full appraisal for the Brox End Nurseries site is provided in in the viability review. Developers and land owners were consulted as part of the Local Plan evidence collation exercise. No systematic evidence was offered in relation to land value benchmarks.</p>	<p>Noted.</p> <p>Within the Viability Review it has only been possible to locate the summary page from the HCA DAT viability model (page 22 of pdf version). If the full model could be provided this would be helpful.</p> <p>Comments regarding developer engagement noted. A2Dominion is not aware of any invitation to engage in this process referred to at the time of the Local Plan preparation.</p>

Original Boyer Comment	Council Response	Further Boyer Comment
<p>Assumed unit floor areas sit within nationally described space standards although testing does not necessarily allow for construction of larger units that may be expected in Ottershaw to attract buyers for certain units offering more spacious homes to justify the assumed price points and values.</p> <p>Construction costs for apartments proportionally greater than for houses which is attributed to having to accommodate similar fittings in a proportionally smaller area as well as having to accommodate communal areas for stairways, lifts, corridors etc. Proportion of apartments within the CIL Viability Study is broadly 23% of all unit types.</p> <p>To comply with 35% affordable housing provision majority of affordable homes will be provided as apartments as these will ultimately be more affordable in terms of rents payable and initial equity payments on shared ownership units. Therefore proportion of 1 and 2 bedroom apartments could be greater than the proportions tested in the 2019 Viability Study.</p>	<p>Size of units tested are based on a policy compliant development. There are no 2030 Local Plan policies which require larger units on site.</p> <p>Proportion of apartments reflects policy requirement in 2030 Local Plan Policy SL19. The BCIS shows the costs of flats is higher than houses. The CIL is based around developments which have developments which are low rise and which will have a very close net and gross arrangement (as for houses). For this type of development, around 10% (net to gross) is realistic. This applies to around 20% of units meaning a potential 2% (net to gross) adjustment. This would easily be offset by the generally applied external works allowance (at 15%) where houses with individual drives, gardens and borders will be much more costly than the works for flats.</p> <p>Proportion of apartments in the viability assessment reflect 35% affordable housing and with a size mix set out in 2030 Local Plan Policy SL19. The viability of delivering CIL will be a function of the negotiation between the local authority and the developer/promoter of the site. The agreed mix will be highly reflective of the needs as assessed by the Housing department</p>	<p>Policy position noted. Although we reserve the right to demonstrate need for larger homes in this location where necessary at application stage.</p> <p>Response noted. While the CIL appraisal may be based on generic assumptions, we would reserve the right to consider specific design and net to gross ratios for apartments which are in practice, likely to be greater than 10%.</p> <p>We would not agree that variances in net to gross ratios could or should be off-set by the allowance for external works, which is included in appraisals to cover an entirely different matter.</p> <p>Response noted. In view of these comments and impracticality of testing CIL to this level, we would reserve the right to assess S106 obligations at the application stage where mix of unit types is proved not to be in line with CIL viability assumptions. We therefore reserve the right to we reserve the right to provide a site specific viability</p>

Original Boyer Comment	Council Response	Further Boyer Comment
<p>Supporting viability study should have undertaken sensitivity testing to assess schemes with a higher proportion of apartments and larger homes necessary to achieve the suggested values. Would welcome some sensitivity test from the Council to address this point.</p> <p><u>Gross to Net Ratios</u> Dwelling mix applied to 30 and 40 dph schemes include apartments but not clear from the CIL Viability Study what gross to net ratio has been applied to the blocks of apartments. Typical for a gross to net ratio between 80% and 85% to account for shared spaces. Using a rate that fails to account for the sufficient shared space can have a significant impact on overall scheme GDV and or build costs, plus the total cost of CIL to be applied to the GIA.</p>	<p>and local housing associations for the site in particular. Indeed, the proportion of flats could be higher for any individual development. But so could the prices, the costs or the benchmark for the site. This is a matter for the individual site and those involved in delivering it. The question is whether the Council should have followed this eventuality through to its logical conclusions which is that it would then set a CIL which is sensitive not only to location but also the development mix. This would be highly impractical.</p> <p>In light of Covid-19 the Council has undertaken a review of its viability (including sensitivity testing) and any proposed changes to rates in light of this will be subject to further consultation.</p> <p>Noted, however the property at 183 Brox Road is not included in the site allocation red line and neither has it been included in previous planning applications permitted for the Brox End Nursery site.</p>	<p>assessment to fully reflect the impact of unit mix and tenure.</p> <p>We note that the Viability Review does include some sensitivity testing although this is related to changes in sale values and build costs. It does not specifically test variations in unit mix. Based on previous responses and high-level nature of CIL testing, it may be implied that this would not be a practical exercise to complete. In view of this we would reserve the right to undertake a site</p>

Original Boyer Comment	Council Response	Further Boyer Comment
<p>Based on current NPPF/NPPG guidance the benchmark land value (BLV) should be based on existing use value plus a premium (EUV+). There remains no strict guidance on how the premium element of the EUV+ should be assessed. It is therefore down to professional judgement. Greenfield and agricultural land can often present a more complex issue than previously developed brownfield sites as EUV is typically low to start with and no necessity for the current owner to sell the land. CIL Viability states a number of allocated sites are greenfield and agricultural in nature, which applies to the land at Ottershaw East and Brox End Nursery. Initial commentary in paragraph 4.18 of the CIL Viability study makes reference to an overall site value of £282,000 which equates to £20,000 per ha for the gross 14.1 ha site. It does also reference a figure of £700,000 to acquire the existing dwelling on the south east corner of the site, which is based on indicative new house values within the Ottershaw area. In addition, 183 Brox Road would need to be acquired by our client to create a suitable access road to the wider Brox Nursery site. As well as the cost of acquisition the current owners of this house would be aware of the possible 'ransom' value of this house and could therefore seek a substantial premium to enable the delivery of the new homes on this site.</p>	<p>Point regarding benchmark land values is noted, however so is the point regarding alterations to the NPPF/PPG. In this respect benchmark values should not reflect hope value and if significant premiums on low EUVs are expected, an uplift from £25,000 per ha to £2,000,000 per ha is more than significant. This is a land value uplift almost 100 fold and there are no other investments available at this time that would yield a similar return to an investor.</p> <p>The Local Plan Viability Assessment and the CIL Viability Assessment reflect two different 'regimes'. The former was still to some extent influenced by the guidance produced by the RICS (2012) which rejected the use of the EUV Plus' approach subsequently set out in NPPF/NPPG 2019. RICS promoted 'market value', the circularity of which within appraisals was correctly diagnosed as a problem by the Inspector in the Parkhurst (LB Islington) decision. NPPF/G largely picks up on the problems and levels the playing field with other leading guidance, particularly the London Borough Viability Protocol (November 2016).</p>	<p>specific viability assessment at the application stage.</p> <p>Council response appears to be out of place in document. Presumed to relate to issue below regarding benchmark land values.</p> <p>We note reference to gross to net ratios for flats is made above at 10% levels. We would reiterate that an allowance of 10% for communal areas and circulation space is low and not necessarily achievable in practice.</p> <p>Response noted. Issues over the assessment of BLV and premium continue to be an issue for debate. While a BLV across the CIL viability assessments of £2,000,000 per ha appear to reflect a generous uplift in value for agricultural land. However, with the site having achieved a residential planning consent previously it could be argued that it would also be permitted to adopt an AUV approach to assessing the BLV which would be driven by residential land values rather than agricultural land values. We would therefore suggest that a BLV of £2,000,000 per ha in Ottershaw is an under-valuation for the site.</p> <p>Our client, A2Dominion, is a Registered Provider and is seeking to maximize the delivery of affordable housing. As such, once it comes to providing a site specific viability assessment it is</p>

Original Boyer Comment	Council Response	Further Boyer Comment
<p>Responding specifically to agricultural land values, we would draw attention to the latest publications of RICS/RAU 'Farmland Market Directory of Land' indicate the price of farmland / agricultural land is over £10,000 per acre (circa £25,000 per hectare). CIL Viability Study gives further explanation to the selection of a suitable BLV and makes reference to various sources including a DCLG study, The Cumulative Impact of Policy Requirements (2011), which suggested that "a figure of £100,000 to £150,000 per gross acre (£247,000 to £370,500 per gross hectare) is a reasonable benchmark for greenfield land. Assuming a net to gross factor of around 70%, this would mean a land value benchmark on a net basis in the region of £400,000 per hectare". We note that the Local Plan Viability report (2017), assessed the BLV for Ottershaw to be in the order of £3,264,151 per ha although this was based on a policy requirement for 50% affordable housing. Sensitivity testing in the same report indicated land values in Ottershaw with 35% affordable housing to be c.£5.81m (Table 6.2, pg 79). Paragraph's 6.10 and 6.11 of the CIL Viability Study however, determine a universal BLV of</p>	<p>The Council's CIL Viability Assessment could have taken the position of running an argument in line with the NPPF/G which would have gone – identify the uplift from agricultural land to residential (policy compliant) and then ask the question 'does this represent a realistic 'Plus' element with which viability matters are concerned? Or does it not? So, following the current national policy guidance we should be asking whether the existing use value (from agricultural) to policy compliant residual is sufficient as a land owner return?</p> <p>Given that the bulk of supply is from agricultural land, the potential scope for setting CIL is somewhere between £20,000 per hectare and some £4 million (Ottershaw for example as a mid market location) residual value for a policy compliant development. This means a 200 fold increase in value.</p> <p>What the Council have done in setting a LVB at £2 million a hectare is to recognise potential competition for development land (in the form of</p>	<p>not seeking to reduce the affordable housing provision but to ensure viability is not compromised by excessive s106 and CIL costs. Affordable housing is to be subsidized by the development of private 'for-sale' homes which will incur CIL charges.</p> <p>Noted. See comment above regarding previous residential planning permission.</p>

Original Boyer Comment	Council Response	Further Boyer Comment
<p>£2,000,000 per ha is adopted. Based on an assumed density of 30 dph a land value of £2,000,000 would reflect only £66,666 per plot. With average house prices for three bedroom terraced houses reported in the CIL Viability Study to be £558,000, we would argue this is insufficient to incentivise a land owner to release the site for development. Despite alterations to planning policy via the NPPF and NPPG to ensure land prices reflect planning obligations and policy, landowners remain reluctant to release sites where prices do not reflect a significant proportion of the projected GDV. In view of this, we would argue that a significant premium to EUV would therefore be necessary to secure land for development. The fact that greenfield sites at Ottershaw East have been allocated in the Local Plan for a combined total of over 270 dwellings would also add weight to the argument that land values would be significantly in excess of agricultural values. In such circumstances, landowners would be holding out for prices that would more accurately reflect the residual land values for the proposed developments, i.e. closer to the figure of £5.81m than the £2,000,000 now adopted in the CIL Viability Study. The viability testing has not robustly reflected the 'real world' by adopting an artificially low benchmark land value which is set at such a low value that landowners would simply not be sufficiently incentivised to release their land for development.</p>	<p>commercial) and hence have set up a built-in buffer or cushion even before asking the question 'what buffer should be set (between the 'cushion in place' of commercial AUV and residential at a policy compliant level?</p> <p>In Ottershaw then for a greenfield site there is already a built-in cushion of some £2 million per hectare or 100 fold before the Council has then applied yet another buffer or cushion to the surplus between the LVB for commercial and the residual value for housing at a policy compliant level.</p> <p>There are very few investments where a 200 fold return is available at the stroke of a planning consent, so the assertion that this would not incentive sites to come forward is unreasonable.</p>	

Original Boyer Comment	Council Response	Further Boyer Comment
<p><u>Private Sales Values</u></p> <p>Range of new-build homes indicates unit pricing adopted within the CIL Viability Study towards the very top end of price range. At date of preparing this submission UK and wider global economy has stalled while governments aim to restrict the spread of Covid-19 pandemic. Short to medium-term impacts of this action are unknown and not possible to judge how this could impact on achievable sales values. At present, demand has been reported to have collapsed while mortgage lenders have locked-down and temporarily ceased lending on all but most secure of transactions with loan to value ratios no more than 60%. While many would anticipate a return to normal lending once the pandemic is under control, a resurgence in buyer demand is less certain as short to medium-term impacts on buyer's personal finances will need to be considered. In view of this we would like to see additional sensitivity testing to ascertain the impact of falling house prices and to understand whether this would enable a reasonable buffer to be maintained once the proposed CIL rates are charged on developments going forward.</p>	<p>The prices adopted are indicative new build and based on three complete years' worth of data from HMLR. They have been cross checked against current developments in the Borough.</p> <p>It is asserted that pricing adopted is 'towards the very top end of the price range'. There is no evidence provided here to demonstrate why this is the case. The impacts of Covid-19 on the housing market are considered in the viability review and any proposed changes to rates in light of this will be subject to further consultation.</p>	<p>Noted.</p> <p>As part of our response in March/April we did review the local housing market for sold prices as well as pricing for similar house types to that proposed by the developer. At this time we were in the peak of the Covid-19 lockdown and current evidence was scarce. However, a review of homes on the market and asking prices indicated that the average £/sqm was lower than the average value adopted in the viability assessment. This may be attributed in part to Covid-19 and that average homes were larger than those assumed in the viability assessment which, while reflecting a higher price point, would result in a lower £/sqm. Given concerns around the impact of Covid -19 on the housing market coupled economic recession over short/ medium term we expect sales values (£/sqm) relative to build costs will be negatively impacted. We therefore reserve our position to respond to the stated further consultation (impacts of Covid-19 on housing market/proposed changes to CIL rates) when this is published. In addition given the sensitivity around sales values relative to unit mix and tenure we reserve the right to provide a site specific viability assessment to consider this.</p>

Original Boyer Comment	Council Response	Further Boyer Comment
<p><u>Affordable Housing Values</u> Based on Ottershaw sub-market DAT attached to Appendix 2 of the CIL Viability Study, note that affordable housing tenure mix of 27% Social Rented and 73% Shared Ownership. Policy SL20: Affordable Housing in the emerging Local Plan sets out a tenure split of 80% Social/Affordable Rent and 20% Intermediate/Discounted Market housing. Question whether a policy compliant tenure has been tested fully. In regard to our client's proposed development there are no one bedroom homes. All affordable homes will comprise either two-bedroom apartments and houses or three bedroom houses. In view of this it is possible that the values attribute to the affordable housing could be overstated, with values proportionally decreasing for larger occupancy units.</p> <p><u>Construction Costs</u> Assume baseline and location adjustments are extracted from BCIS as at September 2019. Allowance for external works reflects an additional 15% on the baseline rate. Aware that high level development appraisals often adopt allowances for external works in the range 15% - 20% of baseline costs. Depending on the specific site, this can result in wide inaccuracies in build cost assessment. We have reviewed BCIS build costs at the date of this submission and concur that baseline and location factor adjustments are reasonable in terms of Median BCIS ranges.</p>	<p>The viability appraisal Toolkit presents the data in a consolidated way. In this scenario, there are 11 Affordable Housing units, 8 of which are Social Rent: Affordable Rent and 3 of which are Intermediate, so the testing process is policy compliant. It is possible that the AH values are overstated in relation to any individual scheme or site. But that is a matter for the site specific appraisal. The question here is whether the assumptions on Affordable Housing mix, density and tenure are apposite in terms of setting a robust CIL rate. The Council maintains that they are being based on a policy compliant housing mix.</p> <p>This is a correct assumption (September 2019). 15% is the standard industry assumption for external works. If the figure is 20%, representors should provide evidence for this and the circumstances in which this (20%) would apply.</p> <p>Local authorities cannot be placed in a situation where they set policy, or CIL rates based on a) average sales values and b) upper quartile construction costs. If these were to be accepted then vast swathes of local authority plans (particularly in the Midlands and the North) would</p>	<p>Noted. In view of this we reserve the right to provide a site specific viability assessment to fully reflect the impact of unit mix and tenure.</p> <p>Noted. Due to time constraints we would reserve the right to undertake a site specific viability assessment once a detailed scheme is designed and accurate costings are available.</p> <p>Noted. We would reserve the right to undertake a site specific viability assessment once a detailed scheme is designed and accurate costings are available.</p>

Original Boyer Comment	Council Response	Further Boyer Comment
<p>Question whether build costs would be closer to upper quartile rates to ensure the proposed homes are finished to a high standard capable of achieving average sales values set out in the CIL Viability Study. Location adjusted upper quartile BCIS rates are presently; £1,450 per sqm for two storey estate houses and £1,704 per sqm for low rise apartments. In addition, question whether 15% for external works is satisfactory. External works typically include utilities/services, estate roads, hard/soft landscaping, lighting, drainage (including SUDS), etc. The actual cost will depend on scheme layout and the underlying site conditions. Based on schemes that Boyer has been involved with recently external costs have ranged from 11% to 29% of baseline costs. As such, an average allowance for the purpose of a viability assessment would be more appropriate in the order of 20% of baseline costs.</p> <p>Note additional allowance of £10,000 per dwelling related to sustainable design (electric vehicle charging points, water efficiency, M4 Building Regs, 10% renewable energy and SANG/SAMM. We are unable to comment specifically on these allowances at the present time, but consider the costs that have been adopted for 10% renewable energy and impact of designing homes to be compliant with M4 building regulations are low relative to the costs we have experienced on other projects. We would like to see</p>	<p>show no Section 106 requirements or CIL whatsoever.</p> <p>Admittedly, there would be scope to do something along these lines for a Surrey authority. However, the justification for doing so could only be based on the assumption that there are developers operating in Surrey who would be prepared to build dwellings at higher costs than they need to; in doing so they would be throwing money down the drain (by building at high quality only to see average sales values) - this is not a reasonable business model.</p> <p>Costs of sustainable design have been obtained from a number of sources as referenced in the viability review which can be found at: see original doc for address</p> <p>In fact the costs of off-site SANG/SAMM have been double counted for allocation sites as they appear in the table of infrastructure requirements for each site in the CIL viability assessment as well as in the general £10,000 per dwelling. Also, the costs of sustainable design, based on the</p>	<p>Noted. We would reserve the right to undertake a site specific viability assessment once a detailed scheme is designed and accurate costings are available.</p> <p>Noted. We would reserve the right to undertake a site specific viability assessment once a detailed scheme is designed and accurate costings are available.</p>

Original Boyer Comment	Council Response	Further Boyer Comment
<p>a more detailed explanation of these cost and comparable evidence to support them.</p> <p><u>Contingency Costs</u> The CIL Viability Study does not include any contingency costs. A 5% contingency added to BCIS costs should be applied to take account of unforeseen increases in building costs. Given the modelling to support CIL is high level a contingency is considered even more necessary given the lower level of accuracy compared to viability testing for specific planning applications.</p>	<p>sources as set out in the viability review are just under £8,000 per dwelling, but are rounded up to £10,000 to add a degree of flexibility. Therefore £10,000 per dwelling is an overestimation of costs and therefore could cover other cost impacts such as sustainable drainage, net gains in biodiversity etc.</p> <p>Contingency is a contested area. Its purpose is never clear. Sometimes it's justified on the basis that costs 'might increase'. Other time it's justified on the basis that there is 'design risk' (which usually means the scheme may be changed). In the former, cost increases should be measured alongside changes in selling prices. In the case of the latter, the allowance for professional fees should be sufficient. The NPPG (2019) states that 'explicit reference to project contingency costs should be included in circumstances where scheme specific assessment is deemed necessary, with a justification for contingency relative to project risk and developer return'.</p> <p>This means that the appropriate place to apply contingency is at scheme specific level, not at the forward planning level (which is concerned with normal, not abnormal, circumstances). Furthermore NPPG is clear that the requirement to consider contingency should be considered alongside the margin allowed. The CIL Viability Study has adopted a margin of 20% on GDV,</p>	<p>Noted. We would typically allow for a 5% contingency at a planning stage where final designs are still to be agreed and there may still be unforeseen ground conditions to remedy.</p> <p>We note your comment and in view of this we would reserve the right to undertake a site specific viability assessment at application stage.</p> <p>With regard to profit rates at 20% of GDV, we would comment that in the current market with uncertainties over market risk and increasing build costs (Covid-19 and Brexit), a rate of 20% is a</p>

Original Boyer Comment	Council Response	Further Boyer Comment																								
<p><u>Infrastructure Delivery Plan</u> Brox End Nursery identified separately from Ottershaw East in the emerging Plan Policy and Infrastructure Delivery Plan whereas the CIL Viability Study has combined the two.</p> <table border="1" data-bbox="208 619 831 1390"> <thead> <tr> <th>Infrastructure</th> <th>IDP</th> <th>CIL Viability</th> <th>Notes</th> </tr> </thead> <tbody> <tr> <td>Education – Early Years</td> <td>£220,500</td> <td>Assume £1,500 per dwelling for s106 planning obligations</td> <td>Brox Nursery costs in IDP for this are £32.5k</td> </tr> <tr> <td>Education - Primary</td> <td>£513,500</td> <td>Assume £1,500 per dwelling for s106 planning obligations</td> <td>Brox Nursery costs in IDP for this are £78.5k</td> </tr> <tr> <td>Education Secondary</td> <td>£514,00 combined</td> <td>Assume £1,500 per dwelling for s106 planning obligations</td> <td>Brox Nursery costs in IDP for this are £101</td> </tr> <tr> <td>SL2 any other infrastructure identified at application stage</td> <td>Health (GP & Dentists)</td> <td>Assume £1,500 per dwelling for s106 planning obligations</td> <td>Brox Nursery costs in IDP for this are £23.7k</td> </tr> <tr> <td>SL2 any</td> <td>Recreation £1.82m</td> <td>Assume</td> <td>Brox</td> </tr> </tbody> </table>	Infrastructure	IDP	CIL Viability	Notes	Education – Early Years	£220,500	Assume £1,500 per dwelling for s106 planning obligations	Brox Nursery costs in IDP for this are £32.5k	Education - Primary	£513,500	Assume £1,500 per dwelling for s106 planning obligations	Brox Nursery costs in IDP for this are £78.5k	Education Secondary	£514,00 combined	Assume £1,500 per dwelling for s106 planning obligations	Brox Nursery costs in IDP for this are £101	SL2 any other infrastructure identified at application stage	Health (GP & Dentists)	Assume £1,500 per dwelling for s106 planning obligations	Brox Nursery costs in IDP for this are £23.7k	SL2 any	Recreation £1.82m	Assume	Brox	<p>which is at the top end of the recommended range (15% to 20%). The Council therefore has no need at this level to adopt a contingency for the CIL setting process.</p> <p>Viability assessment has not combined Ottershaw East and Brox End Nursery. Therefore infrastructure costs in CIL viability are for Ottershaw East only. Where the CIL viability assessment has not identified an infrastructure cost for each allocation site it is because these costs are to be covered by CIL and including them in the assessment would be double counting infrastructure costs.</p> <p>A separate appraisal for Brox End Nurseries including S106 costs are set out in the viability review.</p>	<p>reasonable target rate of return rather than a top-end rate.</p> <p>Noted.</p> <p>We note from the Viability review that the following allowance is made for S106 costs: Highways (S278) - £69,000 SANG & SAMM = £120,980</p> <p>This reflects c.£4,130 per dwelling. At this stage we are not able to form a robust opinion of potential S106 costs for the proposed scheme.</p> <p>In view of this we would reserve the right to undertake a site specific viability assessment at application stage.</p>
Infrastructure	IDP	CIL Viability	Notes																							
Education – Early Years	£220,500	Assume £1,500 per dwelling for s106 planning obligations	Brox Nursery costs in IDP for this are £32.5k																							
Education - Primary	£513,500	Assume £1,500 per dwelling for s106 planning obligations	Brox Nursery costs in IDP for this are £78.5k																							
Education Secondary	£514,00 combined	Assume £1,500 per dwelling for s106 planning obligations	Brox Nursery costs in IDP for this are £101																							
SL2 any other infrastructure identified at application stage	Health (GP & Dentists)	Assume £1,500 per dwelling for s106 planning obligations	Brox Nursery costs in IDP for this are £23.7k																							
SL2 any	Recreation £1.82m	Assume	Brox																							

Original Boyer Comment				Council Response	Further Boyer Comment
other infrastructure identified at application stage		£1,500 per dwelling for s106 planning obligations Green Infrastructure £817,759 SANG £1.16m SAMM £146,160 Totals £2.12m	Nursery costs in IDP for this are £138.6k excluding SANG which is costed separately at £105.2k Combined cost £243.8k		
SL2 any other infrastructure identified at application stage	Not identified/costed in IDP	S278 Costs £363k			
<p>Based on the above there are inconsistencies between Policy, CIL Viability Study and the Infrastructure Plan. Policy requirements regarded as critical and essential infrastructure in the Infrastructure Delivery Plan, are either absent or included at different value levels. Most significant conclusion from the analysis in the table above is that development costs in the CIL Viability Study are £0.65m lower than those identified in the Infrastructure Delivery Plan. This cost difference is small relative to the potential CIL that will be collected based upon the rate currently proposed for the Ottershaw Area.</p>				<p>Ottershaw East site in the CIL viability assessment does not include Brox End Nursery and therefore the figures in the IDP for Brox End Nursery are not comparable to the figures used in the CIL viability assessment. The costs for Ottershaw East are based on cost assumptions and standards set out in the IDP. A separate appraisal for Brox End Nurseries including S106 costs are set out in the viability review.</p>	<p>Noted.</p>

Original Boyer Comment	Council Response	Further Boyer Comment
<p><u>On-site infrastructure costs</u> CIL Viability Study states the Council has calculated cost of on-site infrastructure for major and strategic sites. With regard to Ottershaw East, this totals £2,486,919 and stated to comprise: S278 Highways: £363,000 Green Infrastructure: £817,759 SANG: £1,160,000 SAMM: £146,160 Total on-site infrastructure cost equates to £12,014 per dwelling based on 200 dwellings and two gypsy/traveller pitches. However, not certain how these figures have been calculated and there are differences compared to the IDP. Would ask the Council to explain how these costs have been calculated/derived for the Ottershaw East sites.</p> <p><u>S106 and S278 Costs</u> CIL Viability Study includes an allowance of £1,500 per dwelling for s106 planning obligations. We have reviewed requirements for potential s106 contributions in regard to early years, primary and secondary education, Library services, SUDS and Thames Basin Heath SPA. While some of these are case specific, it is possible to formulate a high-level view Based on our clients estimated scheme for Brox Nursery, it is estimated that the following approximate s106 contributions would be sought: Early years childcare: c.£30,000</p>	<p>Noted, however the costs of education are to be covered by CIL and inclusion in the assessment would therefore double count costs. There are no requirements for contributions to libraries whether through CIL or S106 and SANG/SAMM will continue through S106, the cost of which is included against each allocation site as appropriate or within the £10,000 per dwelling for sustainable design. These costs have therefore been accounted for.</p> <p>S278 costs are a generic £1,500 per dwelling which is considered reasonable for a high level assessment of viability.</p>	<p>Noted.</p> <p>Noted. As per response above, we note that education contributions are to be collected from CIL.</p>

Original Boyer Comment	Council Response	Further Boyer Comment
<p>Primary school contribution: c.£150,000 Secondary school contribution: c.£160,000 Thames Basin Heaths SPA: c.£90,000 This would equate to approximately £9,350 per dwelling excluding any contributions for library services, SUDS etc. We understand that s278 costs have been included in the appraisals as set out in the section above. However, we would reiterate that at this moment in time it is not clear how these costs have been estimated by the Council.</p> <p><u>Build Programme</u> Unclear what timescales are attributed to the development of each site in terms of pre-construction phases, construction phasing and sales rates. This data would be helpful to understand how part of the finance costs are calculated. Should it transpire that unrealistic timescales are applied to the build-out period and sale of completed units this would artificially reduce finance costs and show an improved viability position than was achievable in reality.</p> <p><u>Sensitivity testing</u> It is not clear what level of sensitivity testing has been undertaken. While there is evidence of different approaches to determine the BLV, we have not seen any evidence of the sensitivity of other key inputs such as residential sale values and selected build costs and whether negative events that could reduce sales values and/or increase build costs could significantly erode any buffer and endanger overall</p>	<p>The issue of phasing and cash flow is considered in the viability review.</p> <p>Sensitivity testing and Covid-19 are considered in the viability review and any proposed changes to rates in light of this will be subject to further consultation.</p>	<p>Noted. Although we would reserve the right to undertake a site specific viability assessment at application stage.</p> <p>Noted. We have reviewed the Viability Review. We note that appraisals have been run with 5% sale value reduction and 5% cost increase. Although 'buffer' has been reduced from 50% to 30% to account for likely recovery from impacts of Covid-19 / Brexit in the years to follow.</p>

Original Boyer Comment	Council Response	Further Boyer Comment
<p>viability. Given current uncertainty around potential for a no-deal Brexit, coupled with Covid-19 pandemic and virtual lockdown of the UK / global economy there is concern that house prices will be adversely affected and could take a pro-longed period of time to recover. As such, negative impacts to growth should be fully tested as well as the potential for any upside improvements in viability to test the impact on development and the ability for schemes to absorb a CIL contribution.</p>		<p>We also note that sensitivity testing extends to reduction of 25% in sales values and 25% increase in costs which still generates a RV of £1.09m which is considered viable where BLV is based on agricultural values.</p> <p>However, given the planning history for the site, particularly the outline planning permission, we do not agree that agricultural values are appropriate in this instance for deriving the BLV.</p>