Development Policy Manager
Development Services
Warwick District Council
Riverside House
Milverton Hill
Leamington Spa
Warwickshire
CV32 5HQ

SENT BY E-MAIL AND POST

29th July 2013

Dear Sir / Madam

WARWICK COMMUNITY INFRASTRUCTURE LEVY (CIL) PRELIMINARY DRAFT CHARGING SCHEDULE CONSULTATION

Thank you for consulting with the Home Builders Federation (HBF) on the Warwick CIL Preliminary Draft Charging Schedule Consultation. The HBF is the principal representative body of the house-building industry in England and Wales. Our representations reflect the views of our membership, which includes multi-national PLC's, regional developers and small, local builders. In any one year, our members account for over 80% of all new "for sale" market housing built in England and Wales as well as a large proportion of newly built affordable housing.

We would like to submit the following representations and in due course we would also wish to appear at the Examination to debate these matters in greater detail.

The Warwick CIL Preliminary Draft Charging Schedule proposes the following charges :-

- Residential Zone A (Warwick) £50 square metre or £30 square metre in Sustainable Urban Extensions (SUEs) ;
- Residential Zone B (Leamington Spa) £170 square metre or £90 square metre in SUEs ;
- Residential Zone C (Kenilworth) £120 square metre or £70 square metre in SUEs ;
- Residential Zone D (rural hinterland) £180 square metre or £110 square metre in SUEs.

Under Paragraph 5.4 of the Preliminary Draft Charging Schedule there is the provision for payment by instalments.

80 Needlers End Lane, Balsall Common, Warwickshire, CV7 7AB
07817 865534 info@hbf.co.uk www.hbf.co.uk

There is some confusion concerning zones A and B between Paragraph 4.3 and the zoning map caused by typing errors, which the Council should correct.

The Council's evidence for the proposed CIL charges is contained within the Community Infrastructure Levy (CIL) Viability Study Final Report dated June 2013 undertaken by BNP Paribas Real Estate.

At this time, the Council does not seem to have prepared a Infrastructure Delivery Plan yet in Section 5 of the Warwick Local Plan Revised Development Strategy consultation document there is reference to proposals for significant infrastructure requirements including :-

- Local shopping centres & community facilities ;
- Primary & secondary schools ;
- Green Infrastructure such as open space, play areas, playing fields (possibly a new stadium for Leamington Football Club) and a new Country Park ;
- Infrastructure road improvements ;
- Public Transport infrastructure such as improved bus services and a new 500 space Park & Ride scheme ;
- Cycling & Walking infrastructure improvements for example new links to the National Cycle Network ;
- Health care facilities.

The DCLG Community Infrastructure Levy Guidance dated 2013 in Paragraph 7 "*requires that a charging authority in setting levy rate must aim to strike what appears to the charging authority to be an appropriate balance between the desirability of funding infrastructure from the levy and the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area*" and in Paragraph 30 "*should avoid setting a charge right up to the margin of economic viability across the vast majority of sites in their area".* The document "*Viability Testing Local Plans Advice for Planning Practitioners"* chaired by Sir John Harman and published in June 2012 also emphasises that "*If the assessment indicates significant risks to delivery, it may be necessary to review the policy requirements and give priority to those that are deemed critical to development while reducing (or even removing) any requirements that are deemed discretionary".*

There is also confusion as the Council makes reference to continuing to charge for S106 payments. Paragraph 85 of the DCLG CIL Guidance specifically states "*The Government expects charging authorities will work proactively with developers to ensure they are clear about charging authorities infrastructure needs and what developers will be expected to pay for through which route. This is so that there is no actual or perceived "double dipping", with developers paying twice for the same item of infrastructure*". Paragraph 87 continues "*When a charging authority introduces the CIL, Section 106 requirements should be scaled back to those matters that are directly related to a specific site, and not set out in a Regulation 123 list*".

80 Needlers End Lane, Balsall Common, Warwickshire, CV7 7AB
07817 865534 info@hbf.co.uk www.hbf.co.uk

Within the BNP Paribas Real Estate CIL Viability Study there are a number of questionable assumptions such as :-

The viability study uses BCIS build costs adjusted for Warwick plus 15% for external works, 5% contingency and 6% allowance for Code for Sustainable Homes Level 4 (Paragraphs 4.12 - 4.16) with £10,000 per plot for infrastructure on SUEs (Paragraph 4.18). However the Harman Report recommends *"The one exception to the use of current costs and current values should be recognition of significant national regulatory changes to be implemented, particularly during the first five years, where these will bring a change to current costs over which the developer or local authority has little or no control. A key example of this is the forthcoming change to Building Regulations arising from the Government's zero carbon agenda"* (page 26). The Council should refer to the document "*DCLG Cost of Building to Code for Sustainable Homes (CfSH) Updated Cost Review 2011*". Table 2 of this document shows that the cost of building to Code 5 represents an increase of 28-31% on build costs dependant on the type of site and its location. As 80% of additional costs for the CfSH relate to energy efficiency and carbon emissions, this represents a significant cost increase.

Section 5 of the Warwick Local Plan Revised Development Strategy consultation document proposes that 25% of homes are built to Lifetime Homes standards, but it is not obvious whether or not this policy requirement has been viability tested. The Council should refer to the document "*The DCLG Assessing the Cost of Lifetime Homes Standards July 2012*", which shows the average additional cost for complying with the 12 criterion relating to internal specification is £1,525. There are also further additional costs associated with the remaining 4 criterion for external specifications.

The sales and marketing costs used are set at the lowest percentage of 3%, which is unlikely in the current challenging market. The Harman Report recommends between 3 - 5% of gross development value.

The viability assessment appears to use a reduced profit margin of 6% for the affordable housing. The Council should refer to Appeal Decision APP/X0360/A/12/2179141 dated 8th January 2013. Under Paragraphs 43 and 44 - Developers Profit, the Inspector states "*The Parties disagree in respect of the profit required in respect of the affordable housing element of the development with the Council suggesting that the figure for this should be reduced to 6%. The appellants supported their calculations by providing letters and emails from six national house-builders who set out their net profit margin targets for residential developments. 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 house-builders figures are to be preferred and that a figure of 20% of gross development value, which is at the lower end of the range, is reasonable*."

On land values The Harman Report recommends a premium over current use and credible alternative use values (page 28) plus the use of a viability cushion (page 30). The appropriate premium is to be determined locally. The premium used in the BNP Paribas Real Estate Viability Study is 20% above CUV (Paragraph 4.34). However the Harman Report recognises green-field and strategic sites will necessitate the greater use of benchmarks. As 66% of the proposed residential land supply in the Warwick Local Plan Revised Development Strategy consultation is green-field and strategic land, the correct benchmarking of land values is critical. The BNP Paribas Real Estate Viability Study uses £250 – 370,000 per hectare (Paragraph 4.38).

Section 5 of the Warwick Local Plan Revised Development Strategy consultation document proposes 40% affordable housing provision on new developments. Paragraphs 6.18 – 6.27 of the BNP Paribas Real Estate CIL Viability Study are very confusing. It is not obvious the amount of affordable housing provision achievable given the proposed CIL charges for each of the three residential CIL charging zones. The Council should cross reference The Affordable Housing Viability Assessment Final Report dated November 2011 by DTZ against the Community Infrastructure Levy Viability Study Final Report dated June 2013 by BNP Paribas Real Estate to identify any inconsistencies between the two reports. The Council must reconcile the proposed CIL charges with its affordable housing policy and synchronise the viability testing of both requirements. The Council should be mindful of the Mid Devon CIL Examiner's Report, which reduced the proposed residential CIL rate as the Local Planning Authority had failed to properly take into account the appropriate rate of affordable housing.

It is hoped that these representations will be helpful in informing the next stages of the Warwick CIL Charging Schedule. If you require any further assistance please contact the under signed.

Yours faithfully
for and on behalf of **HBF**

S E Green

Susan E Green MRTPI
Planning Manager – Local Plans

e-mail: sue.green@hbf.co.uk
Mobile : 07817 86553