

Rother District Council's Response to Bovis Homes Ltd Representation

Responses are given below under the headings they appear in the letter submitted by Bidwells dated 18th June on behalf of Bovis Homes Ltd setting out additional information in support of its representation.

1. Progress on development at north east Bexhill

- 1.1 As stated by Bidwells, there is ongoing pre-application discussions in relation to the forthcoming submission of a planning application for over 1,000 new homes and 7,000sqm of business space, this being the substantial part of a wider strategic urban expansion to the north east of Bexhill, as provided for by the Rother District Local Plan 2006 and the North East Bexhill Supplementary Planning Document 2009. (CIL/CD/015)
- 1.2 At this point, it is uncertain as to whether the application will be determined before or after the introduction of CIL. However, the Council believes that the introduction of CIL will not significantly impact on the overall costs for infrastructure provision – and hence on delivery - as it assesses these to be of a similar order under both the current s106 regime and under a future CIL/s106 regime. This is elaborated upon later in this response.
- 1.3 Since construction of the Bexhill to Hastings Link Road was confirmed, there has been active progress on all elements of the development set out in the North East Bexhill SPD. Barrett Homes was recently granted full planning permission¹ for residential development of 108 homes on the south eastern part of the wider allocation, of which Bovis is the other and clearly principal house builder.
- 1.4 The anticipated scope and scale of development contributions set out in Appendix 2 of the North East Bexhill SPD have been discussed jointly with the respective landowners and developers (including Bovis) to ensure that are met on a pro-rata basis across the allocation. The s106 Agreement attached to the planning permission to Barrett Homes includes obligations and contributions that the Council, as local planning authority, expect to be mirrored in relation to any application by Bovis for the development of the rest of the allocation. Indeed, Bovis are a party to the Agreement in respect of community centre provision.

¹ RR/2014/223/P; permission dated 13 May 2015

2. Comments on the PBA Report

a) Threshold/ Residual Land Value

2.1 Bovis has suggested that it is unclear as to whether benchmark land values are net or gross and that in any event the figure is too low - although no alternative figure is provided.

2.2 In response, the figures provided are net. Section 4.2.8 – 4.2.16 of the PBA Viability Assessment (VA) (CIL/CD/004) sets out the approach to threshold/ benchmark land values. It was confirmed at the development industry workshop that in the absence of available transactions data that as proxy it would be appropriate to use Wealden's figures, adjusted to take into account the lower property prices.

b) Average sales values

2.3 Bovis state that the sales values are at the upper end; however, they do not offer any explanation as to why they think they are at the upper end or table an alternative figure to test.

2.4 Section 4.2.21 – 4.2.28 of the PBA VA (CIL/CD/004) sets out the approach to determining values for residential development. They are derived through a combination of achieved values provided by Land Registry and by looking at current and recent schemes on the market advertised through property sites such as RightMove.

c) Average build costs

2.5 It is agreed that there has been an increase in build costs in this period as noted by Savills in their representation (Table 4 - Movement in BCIS Costs). However it should be noted that values have also risen over the time. It is not a robust argument to suggest that you change one assumption as a result of time without consideration of the other assumptions.

2.6 To assist the Examination in considering this matter, the table below shows the average price paid of all the properties sold in each year since the start of January 2011 from the Land Registry. The table also denotes the year-on-year percentage change across the period, showing very little difference between 2011 and 2012, followed by 2 years of significant growth (5% in 2012 to 2013 and 4% in 2013 to 2014). From the table it can be seen that the average price paid has risen by 5% from 2013 compared to the average for 2015 so far. This growth in values is similar to the increase in build costs, and in viability terms, would have a much greater positive impact on the bottom line viability figure.

	2011	2012	2013	2014	2015
ROTHER	£244,702	£244,140	£256,036	£265,865	£269,380
Year on year % growth	-	0%	5%	4%	1%

2.7 In recognition that reports are a point in time and the authority cannot be expected to continually update evidence, sensitivity testing was undertaken (see Appendix D, PBA VA (CD/004)) to show the effect of an increase of 10% in values and costs. As can be seen the headroom in Appendix D, the viability is improved if both costs and rates go up by 10%.

d) Developer profit

2.8 Bovis suggest that developer profit should be calculated at 20% on GDV and not on build costs. The PBA report sets out in 4.2.42 PBA VA (CD/004) quite clearly that residential profit is calculated on GDV.

3. Comments on the Charging Schedule and the Regulation 123 List

3.1 Bovis raise concerns about the extent of s106 costs potentially applicable to its site, which together with a CIL of £100/sqm would mean a total charge of over £11m. Bidwells state that: *‘Together, the CIL cost and S106 cost have a significant impact on the threshold land value to the extent that it may not incentivise the landowner to release the land.’* Attention is drawn to a CIL rate of £75/sqm in Norwich, which is considered by Bovis the maximum order of charge here.

3.2 In response, firstly, the Council is very mindful that Bovis’ interest is in a strategic development site, which is important to the delivery of the Local Plan strategy. Indeed, the Council’s proposed CIL distinguishes strategic urban extensions specifically recognising the likelihood of ‘abnormal’ costs not associated with the majority of development sites.

3.3 However, it is not believed that the likely burden of costs will affect deliverability of the development for the reasons set out below.

3.4 It may be helpful at the outset to be clear on the scope of the CIL vis-a-vis s106 payments. The Council has proposed² a revised form of wording of the first sentence in the ‘Exclusion’ column of the table in the Regulation 123 List to be clearer that it relates to on-site infrastructure or works to open up a site to provide safe access that are part and parcel of the actual development:

‘Site specific On-site infrastructure and improvements, including for safe access to the site, needed to make the development acceptable in planning terms.’ (New text is shown underlined)

3.5 Another key introductory point is that while there are certain major infrastructure costs, including primary/nursery school provision and nearby junction improvements, applicable to this development, as highlighted by Bidwells, these are regarded as being development costs associated with strategic sites.

² RDC Response to Persimmon Homes, paragraph 9.5

3.6 Paragraph 4.2.51 of the PBA Viability Assessment (CIL/CD/004) refers to the scale of such allowances:

'We therefore also make an allowance for opening up works such as utilities, land preparation and spine roads as well as meeting wider strategic planning requirements. There will be different levels of development costs according to the type and characteristics of each site. As these are generic appraisals we have taken an average figure based on size of site. Opening up costs vary between £100K and £250K/Ha increasing as schemes get bigger. We therefore assume an opening cost of £100K/Ha for sites with 100 to 499 units and £250k/ha for UEs of 500 to 1,000 units.'

3.7 While the levels of contributions for the Bovis site are not yet known, it is informative to review the contributions agreed with Barratt Homes for the adjoining land within the same strategic allocation. The costs are presented under the current s106 regime and, for comparison, under a CIL regime in Appendix 1:

3.8 It can be seen from the first table that the total s106 cost has been £1,477,000.

3.9 Had this development come forward under the CIL regime, based on the Regulation 123 List, contributions towards a new leisure centre, public realm, library, rights of way and sustainable transport improvements, being a little over a half of the total costs, would have been covered by CIL. However, by applying the proposed CIL rate to the development and using Barrett's average house size, the CIL liability would have been £547,500, giving a combined CIL/s106 cost of £1,497,636.

3.10 Hence, it can be seen that, in this case, the total combined CIL/s106 costs would have been virtually identical to what they actually have been prior to CIL.

3.11 This calculation should be applicable to the Bovis land and should remove any fears that the CIL regime will be unduly onerous.

3.12 Incidentally, it is noted that the standard s106 costs of £115,990 equates to £1074/dwelling³, virtually identical to the £1,000 allowance made by PBA in its appraisals.

3.13 While there are some substantial items such as the new school and junction improvements, which would still be liable for s106 payments, these represent critical items of infrastructure to enable this strategic development to proceed. It can be seen that the cost of these still falls within the allowance made by PBA for the opening up of strategic sites.

3.14 Furthermore, with similar overall costs as under the current s106 approach - which has been found to facilitate viable development within the same strategic site - there should be every confidence that development remains viable.

³ £115,990/108 dwellings = £1,074

3.15 Several further general points may also be made in terms of viability:

- the actual costs being sought are well within the levels estimated in Appendix 2 of the SPD, with certain contributions, most notably to the new Link Road (which has actually been wholly funded by the public purse) no longer being required. Hence, the order of costs being sought is certainly no more than Bovis should have factored in as 'reasonable expectations' when acquiring their relatively recent interest in the site.
- while Bidwells are understandably keen to maximise land value on behalf of Bovis and the landowners, Trinity College, they do not provide any figures to show, nor claim, that the proposed CIL will make development unviable.
- PBA has calculated in its response to Savills that, over and above the allowance for opening up costs, the buffer for the Bexhill Strategic Sites (as a proportion of the average headroom for the typologies tested) is 36%. This is readily sufficient to cater for unknown costs and changes to reflect site specific circumstances.
- While reference is made by Bidwells to Greater Norwich having a CIL of £75psm, it is noted that it is a rate applicable across the whole city area, including previously developed, inner city sites. It is therefore not surprising that the rate is lower than this Council is proposing for its major greenfield fringe sites. In any event, the District Council relies on its local evidence.

Appendix 1

Site Name: Barratts S106 Contributions (Pre adoption of CIL)	
Planning Reference: RR/2014/1223/P	
Number of Units: 108	
Date: 13-05-2015	
Pre – adoption of CIL	
S106 Contributions	Cost (£)
Community Centre	162,000
Community Worker	27,540
Countryside Park	101,088
Employment Land	68,904
Leisure Centre	108,000
Open Space - formal (pitches)	223,992
Art and the Public Realm	172,800
Play and Open Space - children	-
Informal Open Space + management	-
Affordable housing	-
Combe Valley Way (Link Road)	-
Mount View Street (Gateway)	-
Archaeology	9,990
Education - early years (house)	77,112
Education - early years (2 bed flat)	1,674
Education - primary (house)	206,617
Education - primary (2 bed flat)	4,475
Library	25,488
Rights of Way	2,376
Transport Contributions	178,956
Local Employment and Skills	-
Travel Plan	106,000
Total	1,477,012

Post adoption of CIL					
CIL	Cost (£)	S106	Standard Costs (£)	Strategic Site Costs (£)	CIL/s106 costs
	-	Community Centre		162,000	
	-	Community Worker		27,540	
Countryside Park	101,088				
		Employment Land		68,904	
Leisure Centre	108,000				
Open Space - formal (pitches)				223,992	
Public Realm	172,800				
		Play and Open Space - children			
		Informal Open Space + management			
		Combe Valley Way (Link Road)			
		Mount View Street (Gateway)			
		Archaeology	9,990		
		Education - early years (house)		77,112	
		Education - early years (2 bed flat)		1,674	
		Education - primary (house)		206,617	
		Education - primary (2 bed flat)		4,475	
Library	25,488				
Rights of Way	2,376				
Transport Contributions	117,124	Holliers Hill Road Junction Improvements		61,832	
Local Employment and Skills					
		Travel Plan	106,000		
Total	526,876		115,990	834,146	1,477,012
CIL liability based on Baratt Homes house types - see Note below	547,500		115,990	834,146	1,497,636
CIL liability based on PBA assumptions - see Note below	646,000		115,990	834,146	1,596,136
Note: The CIL Cost in the table is simply a listing of the infrastructure that would be covered by CIL. It does <u>not</u> indicate the CIL liability. For illustrative purposes, based on Barratts predominant house type, a 3-bed house, which is actually c73sqm. GIA, the CIL liability would be £547,500. (i.e. 76 CIL liable dwellings x £100psm x 73sqm). If an average floor area of 85sqm GIA were applied (being PBA's average floorspace), the CIL liability would be £646,000. Hence, overall CIL/s106 costs would have been £1,497,636 based on Barratts scheme, which can be seen as being virtually the same (+1.4%) as was achieved under the current regime. (The overall cost would have been 8% higher using PBA's assumed average floor area.)					1.014
					1.081
Note: Strategic site costs. PBA allow for £250k/ha. The Barratt Homes site area is 3.4 hectares, giving an opening-up allowance of £850,000.					