



Parkwood  
Consultancy Services

Stratford-on-Avon District Council

Community Infrastructure Levy

Review of residential values,  
costs and scenario testing

November 2016



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Appendix B	Updated Sales Values for Stratford on Avon District
Appendix C	Updated Build Costs
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Appendix F	Site Typologies and Strategic Sites Reappraisals with the Accepted Sensitivity Test Changes



# 1 Introduction

1.1.1 To assist the Examination it was considered appropriate to provide a review of the values and costs previously used to inform the CIL rates and provide a response and updated evidence to support the alternative scenarios. These checks, in the form of sensitivity testing, were requested by the Examiner during the hearing and in post hearing discussions with the Council, as set out in the Council's webpage for the Stratford CIL Examination.

1.1.2 The report sets out:

- Approach and results of previous work on values
- New build transactions
- Development review for new build schemes within the local housing market
- Implications of revised data including dwelling sizes
- Updated build costs
- Scenario testing and results
- Recommendations for CIL

1.1.3 Appendices referred to in this report are annexed as separate MS-Excel data files.

## 2 Previous work on values

- 2.1.1 The Council has relied on the information and analysis set out in the “Economic Viability Study: Submission Charging Schedule” September 2015 PBA (EBD.2) report to support its CIL rate setting. Whilst it is accepted that values will have changed in the period from which values were drawn at that time until now, it is worth being clear as to how those values were sourced, especially as a number of submissions have questioned their validity.
- 2.1.2 To put this review in context it is worth considering the two main areas of contention:
- The actual per sqm values used to appraise the strategic sites, in particular Gaydon Lighthorne Heath and Long Marston Airfield and;
  - The general value areas adopted by PBA and the Council to broadly inform the appraisals and setting of CIL zones.

### 2.2 Value areas

- 2.2.1 Value areas for the purposes of setting zones for CIL were first considered in the “Community Infrastructure Levy Economic Viability Study” September 2013 (EBD.17). It is made clear in this report and subsequent updates that the value areas were initially derived (as a starting point) by reviewing average house prices, regardless of type, across the district, breaking down these averages by postcode area and setting broad bands of values. The data was taken from Land Registry transaction January 2011 – December 2012, the latest available at that time. This is set out in section 6.5 of that report and summarised in section 5.1 of the PBA September 2015 report “Economic Viability Study: Submission Charging Schedule” (EBD.2).
- 2.2.2 This review of property transactions by average price per postcode subsector showed three distinct areas, with lower values being achieved in the west of the district, the highest values within a central band and a medium value area to the east (Figure 6.3, p.g.26 EBD.17). It should be noted (and as explained in EBD.17) that this was a starting point for consideration of setting separate charging zones and that in itself it was not the per sqm values used in the appraisals.
- 2.2.3 Whilst values may have changed since the original work in 2013, it is not likely that the patterns would have varied significantly. At the time of review for the September 2015 report (EBD. 2) there had been no significant changes to the variation in values that warranted a change in approach. It should also be noted that the broad value areas were agreed at the developer workshop (EBD.4.2.6)
- 2.2.4 As the report (EBD.17) further explores, the location of future development without planning permission was also a key consideration in determining CIL zones. This found that the majority of planned growth at this time was within the central area or on strategic sites (around 70%), with only 10% anticipated

in the west and 20% in the east. Incidentally this exercise also helped inform the typologies tested at that time as these were considered by the Council as the most representative to come forward within each of the three broad areas.

- 2.2.5 Following the viability testing undertaken to inform EBD.17 and subsequent iterations it was found that, whilst development in the west was less viable and would potentially be at risk, it was considered that on balance the added complexity of preparing fine-grained data for setting a CIL zone, without the benefit of defined settlements (i.e. the boundary would separate wide-ranging rural areas), did not outweigh the relatively small risk of less delivery in the west, given that its overall contribution was minimal in comparison to other areas. Therefore, as set out in para 6.7.5 in terms of the justification and 6.7.6 of EBD.17, a common charge across the district was recommended, with the exception of strategic sites which were and continue to be considered separately. This approach was maintained in EBD. 17, albeit with less explanation.

## 2.3 Values

- 2.3.1 The values set out in EBD.17 were derived through a combination of Land Registry new build transactions, advertised prices through Rightmove and similar and through discussions with the development industry at the workshop held at the time (workshop notes are within Appendix C in EBD. 12).
- 2.3.2 At the time, and until fairly recently, it was extremely difficult to match Land Registry data on transactions to dwelling sizes. The Land Registry presents its data as flat, terrace, semi or detached property types but not the size of those property types. Therefore, in common with most studies at this time and until recently, a judgement was taken as to the average size of each of these types of dwellings. This judgement was based on discussions with the Council, review of planning applications and in consultation with the development industry. This has now changed as discussed later in this report.
- 2.3.3 The values adopted at each stage are set out in Table 2.1.

Table 2.1 Tested values in Stratford District

	EBD17 - EVS PDCH, September 2013	EBD12 – EVS DCS, June 2014	EBD2 – EVS SCS, September 2015
West	£2,600	£2,650	£2,850
East	£2,800	£2,850	£3,050
Central	£3,200	£3,250	£3,450
Gaydon Lighthorne Heath	(as Central)	(as Central)	£3,150

Long Marston Airfield	(not yet defined a strategic site)	(not yet defined a strategic site)	(as Central)
Notes	Figures derived as set out above.	Increase of 1.5 % based on prices increases shown in property reports and Land Registry.	The values for this iteration were derived in the same way as the original work as described above. The only difference is that instead of workshop, local agents were contacted to test the revised figures through phone conversations.
Flats (net) sqm	55	55	55
Flats (gross) sqm	65	65	65
Terrace sqm	70	70	70
Semi sqm	80	80	80
Detached sqm	120	120	120

2.3.4 As can be seen, the values attributed to Gaydon Lighthorne Heath shifted from the central value to its own value (as described in para 5.3.6 EBD 2). This was following further consultation with the developer, who specified a number of schemes in the vicinity that were considered more reflective of achievable values for this type of development at that time, which are summarised in Appendix A. The developer accepted the principle that whilst this was a 'new' settlement that testing should reflect established locations as this development would become one in due course.



### 3 Update of values

3.1.1 The Examiner has requested an update in build costs and values to help inform her consideration of the proposed CIL rates. In terms of the values it was considered appropriate to draw on updated Land Registry data from Q4 2014 and present the information in a consistent manner to that previously reported. Therefore the data is presented as follows:

- Values by each of the three value areas i.e. Central, East and West;
- A separate consideration for Long Marston Airfield Strategic Site – this is a change to the previous approach, which set a ‘central’ value for Long Marston; and
- A separate consideration for Gaydon Lighthorne Heath Strategic Site.

3.1.2 As previously undertaken, this is a statistical exercise without the benefit of a further sense test with local agents, although we would assume that they will be informed by the same information in any event. However, to provide some comfort as to the values currently being sought by housebuilders, we have looked also at the main developments in the Stratford District area that are currently on the market (as of October 2016) as advertised either on property websites or the housebuilders own sales information.

3.1.3 It is also important to note that since the previous work, where a judgement had to be made regarding the size of dwellings for identifying values per square metre, a more exact approach has been undertaken whereby Land Registry records for new build houses are matched with their Energy Performance Certificate (EPC) statements, which provide floorspace data for all sold units. Therefore, the values will not be readily comparable with those used previously. Also it does provide the opportunity to consider the accuracy of the floorspace assumptions used within the appraisals. The EPC data, along with data from new builds currently on the market, will show the size of properties which are currently being developed. These can be compared with the previous assumptions and adjustments made if necessary.

#### 3.2 Updated Land Registry data

3.2.1 Land Registry data shows nearly 500 transactions for new build property in the Stratford District area, which are included in Appendix B. As previously described, Land Registry data only provides the type of property, i.e. Flat, Terrace, Semi or Detached, the address and the price – it does not provide the size. But rather than estimate what an average size property is within each of those descriptions to determine a price per sqm, it is possible to match the properties with their EPC statement which provides sqm for every recently sold property since 2007. The EPC records have been matched with the Land Registry records to provide a value per sqm in Appendix B.

3.2.2 Table 3.1 sets out the average values by value area within Stratford District. Table 3.2 shows the data for flats, but due to more limited transaction the

data is shown for the whole of the district only. The full set of data is set out in Appendix B.

- 3.2.3 Note that the table separates the recent start of new builds at Meon Vale, which has just started to release dwellings to the open market. As can be seen from reviewing the Meon Vale sales figures compared with the rest of the averages for the district (particularly compared the Central value area where it is located), and also the example of new builds elsewhere in the district (as discussed below and later in Section 4) the values are much lower than expected. However, it was argued at the Examination that these values should be relied on in assessing Long Marston Airfield (LMA). But we would disagree based on a comparison between what we know about the two schemes, which is discussed here.
- 3.2.4 Currently, we know that the LMA is being designed as a self-contained new community that has recently been submitted to CLG for Garden Village status. It proposes a new community with 3,500 dwelling, substantial employment land, a new secondary school in addition to two new primary schools, a nursery, neighbourhood and local centres and substantial additional community facilities, potentially including a new library. The LMA site is also located nearer to the high value town of Stratford upon Avon, and will benefit from the delivery of a proposed South Western Relief Road (SWRR) to Stratford-upon-Avon.
- 3.2.5 Cala Homes, the developer for the LMA site, are building new homes in the nearby area at values far greater than those being reported by the sales, mostly of Persimmon Homes, at Meon Vale. One of them is The Arbour, Welford On Avon, which is less than 4 miles from the site. A new build property "The Gressingham" 4 bed semi-detached house, which is approximately 108 sqm and is currently being marketed by Cala Homes on Zoopla for £390,000 (after discount). This equates to £3,619 per sqm. Similarly, in another nearby Cala scheme at Shepherd's Fold in Mickleton, which is less than 4 miles from the LMA site, Cala are advertising new 1, 2, 3, 4 & 5 bedroom homes from £399,950 to £649,950. The cheapest one is Plot 75 a 3 bedroom bungalow, which is about 84 sqm and is currently being marketed by Cala Homes for £390,000 (after discount). This equates to £4,639 per sqm. The cheapest 4 bedroom detached house at the same location is 'The Gloucester' on Plot 71, which is about 119 sqm and is currently being marketed by Cala Homes for £419,950. This equates to £3,530 per sqm. These values are in line with the values that might be expected for the Central location that is in easy access of Stratford upon Avon.
- 3.2.6 The Meon Vale development is in its initial phase of building 1,050 homes and associated facilities proportional to its size. As shown above, we have data on the sales values achieved for approximately 10% of the first built open market units. Most of these appear to be the cheaper Persimmon Homes units and not the higher end Charles Church units that are also due to come forward on site. Also, because the sales data that we currently have is for the beginning phase of the scheme. With occupiers buying properties that are near to a

construction site with other homes and community infrastructure still to be built, then we would assume that these reported sales values are discounted to encourage take up and to generate early cashflow in the scheme.

- 3.2.7 As acknowledged at the Examination the initial phases of new developments such as these will produce lower values than would be expected at later phases and do not reflect the average return for a completed scheme, which the CIL testing needs to consider. Therefore, some caution needs to be taken when using these figures within the appraisal. This point was acknowledged by promoters of Gaydon Lighthorne Heath as previously described.
- 3.2.8 Therefore, while the Meon Vale sales values in tables 3.1 and 3.2 may offer comparable values for the LMA, they are also likely to be slightly lower than the average value that we would expect for a completed scheme at Meon Vale and likewise at LMA.

Table 3.1 Average house property values by value area, Q4 2014 to Q2 2016

Value area	Transactions	Average size (sqm)	Average price £ per sqm
Central	124	118	£3,454
East	116	122	£2,961
West	141	112	£2,731
Meon Vale (Long Marston)	83	105	£2,760

Source: Land Registry and EPC records accessed October 2016

Table 3.2 Average flat property by value area

Value area	Transactions	Average size (sqm)	Average price (£ per sqm)
Central	8	71	£2,437
East	0	-	-
West	0	-	-
Meon Vale (Long Marston)	21	105	£2,228

Source: Land Registry and EPC records accessed October 2016

- 3.2.9 Also for the above reasons, we have separated the values and floorspace figures recorded at Meon Vale from the rest of the district to avoid skewing the data. But we do not ignore them and we would agree to partly factoring them into the values appropriate to the Long Marston Airfield site, which is to

the north of the Meon Vale site. But in doing so, we would anticipate that the average value of the Long Marston scheme to be substantially higher for the reasons above. Therefore, we update the values of houses and flats at the LMA based on the mid-point values between Meon Vale and the Central area.

## 4 New build on the market

4.1.1 There are a number of schemes currently on the market for sale in the Stratford District area. The majority of these schemes are comparable to the medium to large typologies considered within the report. We have ordered these by location. These properties were all advertised in October 2016 on Rightmove and/or the housebuilders own website.

### Southam

Table 4.1 Southam

Scheme and location	House name	House type	Bedroom	Size (sqm)	Price	Price p sqm
Lilley Meadow	The Canford	Terrace	2	64	£214,995	£3,359
Southam	The Gosford	Semi	3	85	£259,995	£3,049
	the Shelford	Detached	4	127	£374,995	£2,948
	The Alton	Detached	3	108	£279,995	£2,593
	The Bradenham	Detached	4	107	£327,995	£3,062
	The Wilton	Detached	5	163	£439,995	£2,692
	The Easedale	Semi	3	86	£272,995	£3,156
	Whitford	Detached	4	116	£339,995	£2,932
	Heydon	Detached	4	155	£459,995	£2,965
	The Chastleton	Detached	3	110	£290,000	£2,636
Southam Grange	The Bembridge	Detached	4	115	£325,000	£2,826
Southam	The Malham	Detached	4	130	£385,000	£2,962
	The Caulke	Detached	4	140	£390,000	£2,786
	The Hardwick	Detached	4	95	£300,000	£3,158
						<b>£2,937</b>

### Long Itchington

Table 4.2 Long Itchington

Scheme and location	House type		Bedroom	Size (sqm)	Price	Price p sqm
Spinney Fields	Belton	Bungalow	2	37	£255,000	£6,892
Long Itchington	Archford	Semi	3	75	£275,000	£3,667
	Hadley	Detached	3	90	£325,000	£3,611
	Fairway	Detached	3	95	£332,500	£3,500
	Irving	Detached	4	105	£350,000	£3,333
	Wroxham	Detached	4	140	£460,000	£3,286
	Eden	Detached	4	145	£475,000	£3,276

	Winstone	Detached	4	165	£545,000	£3,303
	Henley	Detached	5	180	£580,000	£3,222
						<b>£3,400</b>

## Bidford-on-Avon

Table 4.3 Bidford-on-Avon

Scheme and location	House type		Bedrooms	Size (sqm)	Price	Price p sqm
Avon Meadows	Wellesbourne	Detached	4	142	£399,995	£2,817
Bidford	Kentdale	Detached	4	109	£299,995	£2,752
Salford Priors, Walnut Grange	The Southwold	Semi	3	78	£239,995	£3,077
Bidford	The Canterbury	Detached	4	122	£373,000	£3,057
	The Chester	Detached	5	123	£430,000	£3,496
	The Sheringham	Semi	3	88	£275,000	£3,125
						<b>£3,054</b>

## Wellesbourne

Table 4.4 Wellesbourne

Scheme and location	House type		Beds	Size (sqm)	Price	Price p sqm
Mountford Place	The Hanbury	Semi	3	71	£235,000	£3,324
Welsbourne	The Roseberry	Detached	4	102	£335,000	£3,290
	The Chedworth	Detached	4	114	£380,000	£3,347
	The Penshaw	Detached	2	63	£235,000	£3,753
	The Winster	Detached	5	118	£363,000	£3,065
						<b>£3,356</b>

## Long Marston

Table 4.5 Long Marston

Scheme and location	House type		Beds	Size (sqm)	Price	Price p sqm
Marston Grange	Flat	Flat	2	62	£160,000	£2,581
Long Marston	Flat	Flat	2	64	£170,000	£2,656
Marston	The Thornsett	Detached	4	147	£356,000	£2,422

Gardens						
Long Marston	The Berrington	Detached	4	150	£360,000	£2,400
						<b>£2,515</b>

## Kineton

Table 4.6 Kineton

Scheme and location	House type		Beds	Size (sqm)	Price	Price p sqm
Kineton gardens	The Astley	Detached	4	132	£439,950	£3,333
Kineton	The Berrington	Detached	4	140	£469,950	£3,357
	The Osterley	Detached	4	155	£489,950	£3,161
	The Thornsett	Detached	4	150	£499,950	£3,333
	The Osterley	Detached	4	155	£519,950	£3,355
						<b>£3,308</b>

## Stratford-upon-Avon

Table 4.7 Stratford-upon-Avon

Scheme and location	House type		Beds	Size (sqm)	Price	Price p sqm
Midsummer Park	The Thornford	Detached	4	145	£514,995	£3,549
Stratford	The Shelford	Detached	4	127	£459,995	£3,617
	Lindale	Detached	4	120	£429,995	£3,588
	Kentdale	Detached	4	114	£414,995	£3,655
	Midford	Detached	4	109	£389,995	£3,588
	Fransham	Detached	3	97	£349,995	£3,622
	Flatford	Semi	3	80	£299,995	£3,729
Stratford Leys	The Wilmcote	Semi	3	80	£289,995	£3,625
Stratford	The Sheringham	Detached	3	88	£361,995	£4,114
	The Bidford	Detached	4	122	£379,995	£3,115
	The Canterbury	Detached	4	124	£429,995	£3,468
	The Evesham	Detached	4	170	£539,995	£3,176
	The Arundel	Detached	5	162	£544,995	£3,364
	The Truro	Detached	5	184	£619,995	£3,370
Hathaway Gardens	Beckford	Semi	2	68	£260,000	£3,844
Stratford-upon-Avon	Stafford	Semi	3	81	£309,995	£3,818
	Chatham	Detached	3	88	£349,995	£3,966

	Trentham	Detached	3	109	£389,995	£3,585
	Bentley	Detached	4	133	£469,995	£3,530
	Moreton	Detached	5	198	£659,995	£3,338
						<b>£3,583</b>

## Warwick

Table 4.8 Warwick

Scheme and location	House type		Beds	Size (sqm)	Price	Price p sqm
The Redwoods	Alton G	Terrace	3	101	£326,995	£3,244
Warwick	Ardingham		3	90	£336,995	£3,751
	Yewdale	Detached	3	86	£339,995	£3,931
	Canford	Semi	2	64	£249,995	£3,906
Warwick Gateway/Heat hcote	The Polesworth	Semi	3	108	£349,995	£3,241
Warwick	The Tibberton	Detached	3	110	£391,995	£3,564
	The Oxford	Detached	5	145	£509,995	£3,517
	The Ansell	Detached	4	170	£519,995	£3,059
	The Arundel	Detached	5	194	£569,995	£2,938
Warwick Gates II	Faversham	Detached	3	105	£364,995	£3,476
	Woodbridge	Semi	4	117	£369,995	£3,162
	Harwick	Detached	4	156	£429,995	£2,756
	Leamington	Semi	4	135	£434,995	£3,222
	Rochester	Semi	4	105	£356,995	£3,400
Poets Meadow	Hadley	Detached	3	95	£374,995	£3,947
Leamington/Warwick	Exeter	Detached	4	160	£484,995	£3,031
	Holden	Detached	4	138	£522,995	£3,790
	Eden	Detached	4	145	£529,995	£3,655
	Buckingham	Detached	5	200	£674,995	£3,375
	Hatherley	Detached	5	210	£689,995	£3,286
	Lichfield	Detached	5	240	£734,995	£3,062
Oakley Meadow	The Staunton	Detached	3	80	£349,950	£4,374
Bishop's Tachbrook	The Egglestone	Detached	4	125	£441,950	£3,536
Warwick	The Sawley	Detached	4	125	£443,950	£3,552
	The Rainham	Detached	4	120	£439,950	£3,666
						<b>£3,458</b>



## Leamington

Table 4.9 Leamington

Scheme and location	House type		Beds	Size (sqm)	Price	Price p sqm
The Fairways	The Epsom	Detached	3	90	£342,995	£3,811
Leamington	The Winchester	Detached	5	182	£569,995	£3,132
	The Ascot	Detached	5	220	£662,995	£3,014
Semele Park	The Epsom	Detached	3	90	£376,995	£4,189
Radford, nr Leamington	The Southam	Detached	3	116	£406,995	£3,509
	The Winchester	Detached	5	182	£655,995	£3,604
	The Ascot	Detached	5	220	£679,995	£3,091
Mallory Grange	The Clayton	Detached	3	93	£339,985	£3,663
Leamington	The Corfe	Detached	5	131	£414,000	£3,152
	The Hadleigh	Detached	5	146	£469,995	£3,214
	The Hanbury	Semi	3	71	£264,995	£3,748
	The Hatfield	Detached	3	90	£329,995	£3,666
	The Newton	Detached	5	161	£479,995	£2,983
Heathcote Park	Almond	Semi	2	63	£259,995	£4,109
Leamington	Larch	Semi	3	101	£347,995	£3,446
	Larch Detached	Detached	3	101	£357,995	£3,545
	Belmont	Detached	4	121	£429,995	£3,547
	Acacia	Detached	4	144	£499,995	£3,472
						<b>£3,494</b>

4.1.2 In order to help the Examiner compare these values with those used in the report, we have summarised the results in Table 4.10.

Table 4.10 Summary of values by area, average of £/sqm

	Detached	Flat	Semi	Terrace	All
Central	£3,159	£2,422	£3,472		£3,150
East	£3,039		£3,051	£3,107	£3,042
Leamington	£3,181		£3,485		£3,232
Warwick	£3,226		£3,132	£3,001	£3,198
West	£2,803		£2,868		£2,825
Overall Average	£3,121	£2,422	£3,219	£3,054	£3,123
Average unit size (sqm)	132	63	86	82	122

## 5 Review of dwelling sizes

- 5.1.1 As set out previously in this report, the same dwelling sizes have been used for testing throughout the process. However, it is clear from the EPC records that what is being built at present is different to what had previously been assumed for unit sizes.
- 5.1.2 In reviewing unit sizes for new build in Stratford District using EPC records that give only property type compared with the modelled unit sizes that use only the number of bedrooms, the simplest approach is to assume that a 4+ bed sized house is equal to an average for all detached properties, while a 3 bed house is an average across all detached, semi-detached and terraced properties, and a 2 bed house is an average across all semi-detached and terraced properties. The results are shown in Table 5.1.
- 5.1.3 Since the updated values set out within this report are based on different sizes of property, it seems a reasonable approach to apply the new sizes within the appraisal sensitivity testing to ensure consistency with the data and its use within the appraisal process. So the retesting has treated the likely unit sizes to reflect a mid-point to size between the average floorspace sizes across Stratford District (incl Meon Vale) and the average floorspace sizes as used in the PBA September 2015 report (EBD.2), as reported in Table 5.1.

Table 5.1 Revised average units sizes, sqm

<b>EPC records on new builds between Oct14 to Jun-16</b>	<b>Detached</b>	<b>Semi</b>	<b>Terraced</b>	<b>Flat</b>	
New builds in Stratford District (incl Meon Vale)	131	87	90	67	
<b>Tested new build sizes</b>	<b>4+ bed house</b>	<b>3 bed house</b>	<b>2 bed house</b>	<b>Flats (GIA)</b>	<b>Flats (NIA)</b>
New builds in Stratford District (converted from type to beds #)	131	103	90	67	57
Unit size in Sept 2015 Report (EBD.2)	120	80	70	65	55
Average unit sizes used in this report	126	91	80	66	56

## 6 Sensitivity testing of residential sites

### 6.1 Sensitivity Items Sought by Examiner

#### **New-build sales values using Q4 2014 to latest available**

6.1.1 We have updated the sales values along with the floorspace sizes which generate the values, as discussed earlier. Since these new build values are an update with a benefit of EPC record for improved accuracy, we would accept this change and the results are included in Table 6.1 below.

#### **Affordable housing transfer values**

6.1.2 The Council has now provided (confidential and not publishable) evidence to the Inspector on the affordable housing transfer values. The evidence broadly confirms that the Council's original assumptions were appropriate.

6.1.3 However, changes in transfer values provided by three local registered providers following the government's introduction of the rent review has suggested that the sensitivity retesting should include an average based on the responses, as follows:

- Social Rent at 40%
- Affordable Rent at 53%
- Intermediate Rent at 67.5%.

6.1.4 We would accept this sensitivity test change since these revised rates may reflect the government's introduction of rent review in July 2016, which was after the preparation of the viability work informing the PBA Sept 2015 report (EBD.2). The results are included in Table 6.1 below.

#### **BCIS build costs to match date range of sales values**

6.1.5 We have updated the build costs based on an average taken from the available evidence covering the period Q4 2014 to Q2 2016. These are summarised in Appendix C of this report.

6.1.6 To reflect the appropriate costs, we have used the BCIS averages shown in Appendix C in the following way (quoting BCIS definitions):

- For a single dwelling scheme, we have based this on evidence from BCIS for a " 'One-off' housing detached (3 units or less)", as before.
- For sites with less than 15 houses we have taken the average of " 'One-off' housing detached (3 units or less)", " 'One-off' housing semi-detached (3 units or less)" and " 'One-off' housing terraced (3 units or less)".
- For large sites with 15+ houses, we have used the average for " Estate housing (Generally)", as before.

6.1.7 The build costs have also accounted for the revised unit sizes, as discussed earlier.

6.1.8 Since these new build cost data are an update using the same source (BCIS) as was used for the September 2015 report (EBD. 2), we would accept this change and the results are shown in Table 6.1 below.

#### **Sales costs applied only to market housing Gross Development Value**

6.1.9 We would agree with the requested change because the affordable housing stock is usually transferred over to a Registered Provider partner. The results are included in Table 6.1 below.

#### **Updated infrastructure/s106 on strategic sites**

6.1.10 The infrastructure S106 costs have been updated and are listed in Appendix D. Those items in the updated list which have been costed as S106 items have been applied to the GLH and LMA schemes as follows.

6.1.11 For GLH, the updated infrastructure costs are split at the same proportion and time as the previously appraised infrastructure costs that were informed by the PBA April 2014 Strategic Sites study (EBD.21).

6.1.12 For the LMA site, we have considered the infrastructure trajectory thresholds presented in Long Marston Airfield Garden Village Expression of Interest (July 2016, p.35) document. This shows trigger points for large infrastructure like the South Western Relief Road and the new secondary school to occur throughout the whole life of the project, and therefore we have spread the cost equally during the whole build out period.

6.1.13 Since these costs are relying on the latest estimates, we would agree with this change and the results are included in Table 6.1 below.

#### **Land purchase costs / fees: Surveyors fees @ 1%, legal fees @ 0.8%, SDLT at latest HMRC rate**

6.1.14 Surveyors' fee at 1% has already been tested in the PBA September 2015 reported findings, so we would agree to continue applying this assumption.

6.1.15 The stamp duty rates have changed since the PBA September 2015 report was published and therefore we would accept this update to the model.

6.1.16 We do not agree with increasing legal fees from 0.75% to 0.8% of land value to allow for VAT, as argued by Turley. This is due to treating all costs as exclusive of VAT being standard practise in development appraisals. This is because VAT on goods and services is reclaimed from the development companies' VAT bills. Nonetheless we have sensitivity tested this increase and the results are shown in Table 6.1 below.

### **New central brownfield flatted typology of 30 units**

- 6.1.17 The tested typologies in the PBA September 2015 report (EBD.2) are hypothetical in compliance with guidance, which allows the study to deal efficiently with the very high level of detail that would otherwise be generated by an attempt to viability test each site. This approach is set out in the Harman Report, which suggests '*a more proportionate and practical approach in which local authorities create and test a range of appropriate site typologies reflecting the mix of sites upon which the plan relies*'.<sup>1</sup>
- 6.1.18 We have included this additional typology in the sensitivity testing shown in Table 6.1 below, however we do not consider that the Stratford on Avon Core Strategy is relying on such sites to ensure effective delivery of its Core Strategy. We therefore consider it unnecessary to reflect this type of scheme in setting the CIL charge.

### **Apply contingency to external works costs**

- 6.1.19 While it is standard practise to include a contingency on development costs in site specific development appraisals, for a high level exercise for CIL this is less important because a financial buffer is included to avoid the majority of development being charged at the margins of viability. In addition, contingency only covers cost price rises and not cost falls, and a cautious approach is already applied in using average build costs from the BCIS because they tend to reflect higher costs than those usually paid by national housebuilders. So the requirement for a contingency rate might be unnecessary.
- 6.1.20 Not including a contingency with a focus on the headroom buffer is a position that has been adopted in numerous CIL studies, particularly those carried out using the Three Dragons model. However, for added comfort we included a contingency of 5% on build costs only, and in more recent studies we have dropped this to 4% when a contingency also applies to externals and professional fees.
- 6.1.21 So we would disagree with the need to keep adding costs by also applying contingency to Externals and PFs which are already estimated as percentages provisions on build costs. Nonetheless we have run the sensitivity test and the results are shown in Table 6.1 below.

### **Apply professional fees to external works costs**

- 6.1.22 While it may be that detailed development appraisals with detailed information are able to identify costs for building and laying externals, for which a professional fee sum can be estimated, the CIL viability modelling should only be a high level test seeking to estimate unknown costs based on assumed provisions. Build costs are taken as an average from BCIS, which is known to reflect higher costs than those usually paid by national

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<sup>1</sup> Local Housing Delivery Group Chaired by Sir John Harman (2012) Viability Testing Local Plans (9)

housebuilders. Adding 10% for externals to provide further costs is appropriate. However, we would disagree with the need to keep adding costs, which are already estimated provisions. Nonetheless we have tested this and the results are shown in Table 6.1 below.

#### **Professional fees (PF) costs: 12%**

- 6.1.23 While the proportion of PFs on build costs will differ depending on the complexity and economics of scale of a site and scheme, we have little evidence that PFs should be above 10%. There are few complex sites in Stratford District to warrant the increase in PFs.
- 6.1.24 Also because we are coming across more viability intelligence with an increasing number of viability studies, we have reduced the PFs provisional sum to 8%. This is particularly the case for larger schemes that tend to build standardised units.
- 6.1.25 For this reason, we would disagree with basing the CIL rate on this assumption. Nonetheless we have sensitivity tested it and the results are shown in Table 6.1 below.

#### **Finance costs: 7%**

- 6.1.26 Given the current low levels of interest rates coupled with a healthy housing market, particularly in Stratford District, we do not consider that 7% is an appropriate rate. We are now using 6.5% in all our CIL studies and in some other recent CIL studies we have reduced this to 6% because of low interest rates and the current housing market is not seen as being risky.
- 6.1.27 For this reason, we would disagree with basing the CIL rate on this assumption. Nonetheless we have tested this and the results are shown in Table 6.1 below.

#### **Increase Opening-up costs to £17k, £20k, £23k**

- 6.1.28 For sensitivity checking, opening-up costs have been increased to £17k per unit on the 2,000 unit Central Urban Extension typology and the two strategic sites: LMA and GLH. This is less than was originally assumed for the Central Urban Extension typology (previously at £18k per unit) and GLH (previously at £17,403) which had been informed by information provided to us by the GLH site promoter for CEG/Bird Group.
- 6.1.29 The opening-up costs have also been increased to £20k per unit and £23k per unit. The concern with making these nominal changes is the scope for double counting the with the identified S106 costs which are also applied to the GLH and LMA development appraisals. This is why a nominal £5k per unit was assumed for additional opening up cost for the LMA site to avoid a potential for double counting S106 infrastructure costs which include strategic opening up costs like the South Western Relief Road.

6.1.30 For these reasons, we would disagree with the revisions to include the changes in opening-up costs given the potential for double counting the S106 costs on the LMA and GLH sites. Nonetheless we have tested this and the results are shown in Table 6.1 below.

#### **CIL included in the cash flow**

6.1.31 Adding CIL to the start of the appraisal is a cost neutral exercise and is therefore unnecessary. To show this, in Appendix E we include the GLH appraisal and cashflow that informed the PBA September 2015 report (EBD.2) followed by the same appraisal with the recommended CIL rate included in the cashflow.

6.1.32 The difference between the two approaches will be in the interpretation of the results. If CIL is not included as an input in the model, then the residual value will need to be in excess of the benchmark land plus the adopted headroom with the remaining financial amount being the CIL rate. If CIL is included as an input in the model, then the residual value will need to only be in excess of the benchmark land plus the adopted headroom.

6.1.33 Any net borrowing on the CIL rate will be deducted off the output residual value that is fed back into the model so that the debt borrowing on the land and the other land costs (such as Stamp Duty plus 1.75% for surveyor and legal fees) can be correctly applied. Since this inputted land value reflects the RLV amount, and the RLV will shrink or increase equal to other models costs falling or rising, it follows that when the CIL is inputted in the model as an early cost with borrowing costs, this additional cost will reduce the land value input cost and its borrowing costs by an equal amount (and slightly more because of the other add-on proportional land costs like stamp duty).

6.1.34 Consequently, the impact of including CIL as an input in a RLV model has the same effect as the alternative of taking CIL from the residual land value output. This is why many RLV appraisals, including ours, do not include CIL as an input and prefer to show it as an output. In our view, this is a cleaner and clearer approach.

#### **Impact of starter homes**

6.1.35 We have not shown this sensitivity since further guidance as to how starter homes will apply remains unavailable. However, should starter homes or a similar requirement be applied, then our view is that this will add to the headrooms achieved from sites within Stratford on Avon because of the lower level of subsidy required in providing starter homes compared to social or affordable rent or other intermediate housing.

## **6.2 Sensitivity Testing Headroom Results**

6.2.1 Table 6.1 below shows the sensitivity tests headroom for each site typology and the strategic sites. The full appraisals with cashflows for all typologies and strategic sites are included in Appendix F.



Table 6.1 Sensitivity matrix and results

Action	Sensitivity results										
		Worst case	Proposed case								
BCIS build costs to match date range of sales values	Agree	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
New-build sales values using Q4 2014 to latest available	Agree	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Affordable housing transfer values to reflect rent review	Agree	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Sales costs applied only to market housing Gross Development Value	Agree	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Updated infrastructure/s106 on strategic sites	Agree	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Land purchase costs / fees: SDLT at latest HMRC rate	Agree	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
New central brownfield flattened typology of 30 units	Disagree	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Apply contingency to external works costs	Disagree	Y		Y							
Apply contingency and PFs to external works costs	Disagree	Y			Y						
Professional fees costs: 12%	Disagree	Y				Y					
Finance costs: 7%	Disagree	Y					Y				
Land purchase costs / fees: legal fees @ 0.8%	Disagree	Y						Y			
Increase Opening-up costs to £17k on Central UE/GLH/LMA	Disagree								Y		
Increase Opening-up costs to £20k on Central UE/GLH/LMA	Disagree									Y	
Increase Opening-up costs to £23k on Central UE/GLH/LMA	Disagree	Y									Y
<b>Resulting headroom</b>	<b>Sept'15 headroom</b>	<b>Worst case</b>	<b>Proposed case</b>								
West village/town (1)	£106	-£185	-£127	-£134	-£149	-£156	-£132	-£127	-£127	-£127	-£127
East village/town (1)	£200	-£69	-£10	-£17	-£31	-£39	-£16	-£10	-£10	-£10	-£10
Central village/town (1)	£458	£303	£364	£357	£342	£335	£357	£363	£364	£364	£364
West village/town (3)	£85	£109	£158	£152	£140	£134	£153	£158	£158	£158	£158
East village/town (3)	£84	£176	£225	£219	£207	£202	£219	£225	£225	£225	£225
Central village/town (3)	£320	£527	£576	£571	£559	£553	£569	£576	£576	£576	£576
West Brownfield infill (5)	£31	£96	£145	£139	£127	£122	£140	£145	£145	£145	£145
Central Small Brownfield (7)	£372	£568	£617	£611	£600	£594	£610	£617	£617	£617	£617
East Greenfield infill (7)	£202	£248	£296	£290	£279	£273	£290	£295	£296	£296	£296
East Brownfield infill (10)	£169	£254	£302	£296	£285	£279	£296	£302	£302	£302	£302
West Brownfield (10)	£40	£123	£170	£164	£153	£147	£165	£170	£170	£170	£170
Central Greenfield (20)	£679	£636	£697	£690	£676	£669	£688	£697	£697	£697	£697
West Brownfield (25)	£13	-£67	-£8	-£15	-£30	-£37	-£15	-£9	-£8	-£8	-£8
West Brownfield (50)	£122	£28	£87	£80	£66	£59	£80	£87	£87	£87	£87
East Brownfield (30)	£363	£266	£325	£318	£304	£297	£317	£325	£325	£325	£325
East Greenfield (75)	£286	£116	£175	£168	£154	£148	£167	£175	£175	£175	£175
West Brownfield (100)	£138	£41	£100	£93	£79	£72	£93	£100	£100	£100	£100
Central Large Brownfield (120)	£636	£667	£728	£722	£708	£701	£718	£728	£728	£728	£728
East Urban extension (200)	£421	£239	£298	£291	£278	£271	£289	£298	£298	£298	£298
Central Urban extension (500)	£597	£551	£613	£607	£593	£587	£599	£613	£613	£613	£613
East Urban extension (500)	£194	£53	£113	£106	£93	£86	£102	£112	£113	£113	£113
Central Urban extension (2000)	£433	£306	£446	£440	£428	£422	£427	£445	£461	£415	£368
CQ Areas 1 & 2	£176	£267	£316	£311	£301	£296	£305	£316	£316	£316	£316
Gaydon-Lighthorne Heath (SS)	£183	£289	£430	£423	£409	£402	£429	£430	£437	£390	£344
Long Marston Airfield	£125	-£347	-£4	-£9	-£21	-£26	-£15	-£4	-£196	-£245	-£293
Central Brownfield flats (30)	-	-£509	-£441	-£449	-£467	-£475	-£445	-£441	-£441	-£441	-£441



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6.2.2 It would be too large to include the full appraisals for every site and for every sensitivity test. So Appendix F only includes the reappraisals for all typologies and strategic sites based on the 'proposed' sensitivity test case as listed in Table 6.1. This has also informed our recommendations in the next section.

## 7 Conclusions and recommendations for CIL

- 7.1.1 Based on the sensitivity testing there are a plethora of potential viability outcomes, as shown in Table 6.1 above. But for setting a CIL rate it will be necessary to determine the most representative situation given the circumstances in Stratford District, which would include the updated sales values, build costs and site infrastructure costs.
- 7.1.2 Our recommendation is to rely on the updated results based on the proposed variables shown in Table 6.1 above. In drawing on this re-run, we summarise the average headroom by the six CIL areas that was previously recommended to the Examiner. The results are summarised in Table 7.1.

Table 7.1 Headroom and recommended CIL rates for Stratford District

Charging zone/type	CIL liable headroom		Recommended CIL rate	
	Sept'15	The Council's proposed case	Sept'15	The Council's proposed case
Sites of 10 dwellings and under	£188	£247	£75	£75
Sites of 11 to 199 dwellings	£319	£301	£150	£150
Sites of 200 plus dwellings	£411	£367	£150	£150
Canal Quarter	£176	£316	£85	£85
Gaydon Lighthorne Heath	£183	£430	£110	£110
Long Marston Airfield	£125	-£4	£75	£0

- 7.1.3 On the basis of testing the updated information and sensitivity work, we would recommend that the previously proposed and examined CIL rates remain affordable. The possible exception is Long Marston Airfield which is showing marginal viability for the purposes of testing a CIL charge, so that the previously recommended CIL rate, or any CIL, may no longer be affordable due to lowering the assumed sales values, the updated build costs and the updated S106 infrastructure costs. We therefore recommend that the Examiner may consider Long Marston Airfield as having a zero rating given the updated information that has become available through this report.