

Stratford-on-Avon District Council Community Infrastructure Levy Examination

Post Reconvened Hearing: Response to
PBA Document dated 23rd December 2016

Prepared on behalf of:

IM Properties PLC

February 2017

Turley

Contents

1.	Introduction	1
2.	Response to Points 1 - 5	2
3.	Wider Concerns Raised at the Hearing	15
Appendix 1: Correspondence from Roger Tustain - Nexus Planning		27
Appendix 2: Correspondence from Paul Boileau – Brookbanks Consulting		28
Appendix 3: Correspondence from Richard Miller – Barratt Homes		29
Appendix 4: IM's GLH Appraisal 2 ('GLH 2')		30
Appendix 5: Savills Letter to SDC & Correspondence from Richard Burke – CEG		31
Appendix 6: CBRE Residential Market Context Addendum Report		32
Appendix 7: RICS BCIS Cost Reports		33
Appendix 8: RLB Cost Analysis Report		34
Appendix 9: Letter from Lodders Solicitors (obo IM) to SDC dated 7 th February 2017		35

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February 2017

1. Introduction

- 1.1 IM Properties PLC ('IM') has reviewed the document titled '*Response to Briefing Note prepared by IM Properties*' ('the PBA Response'), which was published by PBA and SDC on 23rd December 2016, following the reconvened Stratford-on-Avon CIL Examination Hearing on 19th December 2016.
- 1.2 This document provides IM's response to the Examiner, SDC and PBA. It sets out IM's response to each of the key points in the PBA Response. Additional supporting appraisals are appended alongside other relevant evidence.
- 1.3 In summary, whilst IM is pleased that a number of the errors verbally confirmed at the reconvened Hearing have been rectified by PBA, IM has again established several significant flaws with PBA's evidence and conclusions.
- 1.4 This document demonstrates that, with correction of these flaws, there is no headroom for CIL to be levied at GLH. This has remained the consistent position of IM throughout SDC's CIL preparation and Examination process and is underpinned by robust, appropriate, evidence.
- 1.5 Supplemental to IM's evidence, statements prepared by the joint promoters at GLH and their agents are attached as appendices. These statements confirm that:
 - The joint-promoters at GLH (CEG / Bird Group) do not support the proposed CIL rate of £110/m² and agree with IM that this rate will harm the viability and deliverability of the entire site; and
 - The joint-promoters at GLH do not agree with the account put forward by SDC and PBA at Examination (and within various parts of their evidence) that the joint promoters supplied information (on profit draw-down and residential pricing comparable evidence) that has subsequently led to SDC / PBA treating GLH in a fundamentally different way to all other site typologies within the evidence base.
- 1.6 The Examiner will be aware that a separate letter from IM sent by Lodders Solicitors has been sent to SDC highlighting concerns. The letter, dated 6th February 2017, should be read in conjunction with this document. It is attached for reference at **Appendix 9**.

2. Response to Points 1 - 5

Point 1: Sales Rate

- 2.1 IM notes that PBA has corrected the error that was included in their viability evidence submitted to the Examiner in advance of the reconvened Hearing in December 2016. IM welcomes the correction and confirmation of the mistake.
- 2.2 However, PBA subsequently infers that the Planning Inspector for the Stratford-on-Avon Local Plan accepted a higher rate of development and sale at GLH. This is incorrect.
- 2.3 To clarify for the benefit of the Examiner, whilst the Planning Inspector for Stratford-on-Avon Local Plan had accepted a rate of up to 200 units per annum at GLH (peaking in year 7), this actually incorporated a far lower starting sales rate. The lower rate for the early years was recognised as realistic to allow for development and sales momentum to be generated at GLH.
- 2.4 The average rate of 176 units per year across the entire scheme, now reinstated within PBA's latest appraisals for GLH, is consistent with the Local Plan.

Point 2: Timescale for GLH Site Acquisition Costs, Purchaser's Costs and 'Opening Up Costs'

- 2.5 IM notes that PBA has adjusted the above cost timescales to 50% of the construction/sales periods (i.e. 102 months) within the cashflow for their latest appraisals for GLH.
- 2.6 IM welcomes this correction. The treatment of GLH in relation to the above cost timescales is now consistent with the approach taken by PBA in preparing the viability evidence for all other site typologies, including the other strategic sites.

Point 3: Timescale for S106 / S278 Costs

- 2.7 IM notes that PBA has adjusted the amounts and trigger points for S106/S278 costs within their latest appraisals for GLH.
- 2.8 This now reflects the corrected sales / delivery rate for GLH (as per Point 1) and is now consistent with the actual S106 / S278 infrastructure costs and trigger (payment timetable) agreed between IM and SDC in meetings held between the first CIL Hearing and the reconvened Hearing.
- 2.9 IM welcomes this correction.

Point 4: Developer's Profit Drawdown

Latest Position & Implications

- 2.10 IM notes that PBA is now stating that any profit from the GLH scheme will be drawn down during 2 months at end of appraisal following all sales and completion of the development (i.e. in 2031).
- 2.11 For the Examiner's benefit, IM again wishes to point out that the viability appraisals for all other typologies, including the strategic sites such as LMA, take the opposite approach. For all other typologies profit is drawn down throughout the sales period.
- 2.12 PBA's approach continues to result in a substantially lower interest cost for GLH. The impact of this is highly significant. It is a major contributing factor to the erroneously high CIL 'headroom' identified by PBA / SDC at GLH.

Consideration of PBA's Rationale & Supporting Evidence

- 2.13 As the Examiner will no doubt recall and would have noted at the reconvened Hearing, PBA verbally confirmed that their approach to developer's profit drawdown applied to the GLH viability appraisals was an error.
- 2.14 PBA had confirmed that this error would be corrected and GLH treated consistently with the other strategic sites and residential site typologies within the CIL viability evidence base. This was supported by IM at the reconvened Hearing.
- 2.15 IM notes that PBA is now reneging on that stated position. IM is extremely disappointed that PBA has taken this stance. IM consider PBA's position to remain fundamentally flawed.
- 2.16 To distil PBA's position; within their response document PBA seeks to justify this stance on the basis of four points:
 - (a) A discussion with Nexus, who are the town planning firm representing CEG and the Bird Group (i.e. the other party jointly promoting land at GLH), in which Nexus supposedly confirmed that developers would draw down profit at the end of the GLH scheme;
 - (b) That it is reasonable and rational to take a fundamentally different approach to profit drawdown within the CIL viability appraisals for GLH directly as a result of the discussion held with the planning firm representing the other promoting party;
 - (c) That the HCA's Development Appraisal Toolkit (DAT) model utilises the approach whereby profit is drawn down at scheme close;
 - (d) That because PBA has utilised their 'Appendix 1' sales values as evidence to substantiate an alternative sales rate at GLH when compared to other 'zones' (which was supposedly informed by CEG and the Bird Group – although this has never been confirmed and was not formally submitted to the CIL process during consultation), it is reasonable and rational to take a fundamentally different approach to profit draw down too.

- 2.17 IM provides a response to each of these points under a series of sub-headings below.

Point A

- 2.18 Firstly, IM would wish to highlight to the Examiner that it is highly irregular that none of the representatives at the reconvened Hearing from PBA, EPD or SDC recalled that this fundamental departure from the approach taken in all other CIL viability testing was based on discussion with Nexus.
- 2.19 Secondly, PBA's position clearly sets out that this inconsistency was applied intentionally to GLH by PBA / SDC. However, IM is highly concerned that such a fundamental diversion in methodology between GLH and the other sites in viability appraisal was never publicly stated by PBA or SDC in any of the published CIL evidence base documents forming the Examination library.
- 2.20 It is IM's view that, should PBA's approach have genuinely been intentional, this should have been transparently flagged to stakeholders and the Examiner for consideration at a far earlier stage. Instead, confirmation of this has formed no part of any prior Examination documents or PBA's / SDC's evidence base until this latest document published in December 2016.
- 2.21 Thirdly, IM seek to remind the Examiner that reference to, and reliance upon, historic discussion cannot represent appropriate, available and admissible evidence. No documentary evidence has been put before the Examination to confirm that Nexus stated, on behalf of the joint-promoters at GLH, that developers would be taking PBA's proposed approach to profit draw down. It is hearsay.
- 2.22 Perhaps most importantly, in order to seek to corroborate PBA's account, IM has engaged with Nexus in respect of this matter and has shared the PBA Response document. The Managing Director at Nexus, Roger Tustain, has confirmed in writing that, "*Nexus had no input into the CIL viability discussion*". This directly contradicts PBA's account. Mr Tustain's email is provided for transparency at **Appendix 1**.
- 2.23 It is firmly IM's view that neither Nexus, nor the joint promoters themselves, would have stated that the developer would draw down all profit at the end of the GLH scheme of circa 3,000 dwellings. This is completely unrealistic and would be unworkable in practice. This has now been confirmed in writing by Paul Boileau, Managing Director of Brookbanks Consulting, acting as technical finance and cost consultants to CEG / Bird Group at GLH. Mr Boileau's email is provided for transparency at **Appendix 2**.
- 2.24 To elaborate, PLC housebuilders have operating costs and overheads as well as responsibility to shareholders. This requires a housebuilder, like any other business, to generate an annual profit to stay capitalised and afloat. It would not be commercially possible for housebuilders at GLH to agree to halt the drawdown of returns, and forgo receipts, for an 18 year delivery period (or similar) until the scheme is complete. It seems PBA has recognised this in the CIL viability appraisals for all other site typologies, but not for GLH.
- 2.25 IM has shared the PBA Response document with Barratt Homes West Midlands division. Their Land Director Richard Miller has confirmed that PBA's proposed profit draw down at the end of the scheme would not pass Barratt Homes' board approval

process and would be completely at odds with industry practice. A letter confirming Barratt Homes' position on the matter is provided within **Appendix 3** for the Examiner's consideration.

Point B

- 2.26 Firstly, the correspondence received from Nexus and Brookbanks Consulting directly contradicts PBA's account, which leaves no basis whatsoever for PBA's justification for taking a fundamentally different approach to profit drawdown within the CIL viability appraisals for GLH.
- 2.27 On the basis of the above, the Examiner cannot rely on PBA's account. There is nothing tangible to rely upon and all parties at GLH are now publicly challenging PBA's approach.

Point C

- 2.28 IM's view is that PBA's reference to the HCA's Development Appraisal Toolkit ('DAT') model is misleading within the context of this CIL Examination.
- 2.29 IM and Turley are highly familiar with the HCA's DAT model. To clarify for the Examiner, DAT allows users to run appraisals by both calculating returns at the scheme end, or by drawing down the profit throughout the scheme. This is the user's choice and depends on the scheme typology.
- 2.30 The former approach (scheme end) may be utilised for simple, smaller, single phase schemes. The latter (draw down throughout) is appropriate for larger, multi-phase schemes.
- 2.31 However, the HCA has itself acknowledged that even the DAT lacks the sophistication to robustly assess the financial viability of large strategic sites. It has, instead, developed a separate model for such work. This model is utilised by the HCA's ATLAS team, but is not publicly available. Turley has utilised, and modified, this model when working with HCA/ATLAS on strategic site / Garden Village viability assessments.
- 2.32 Irrespective of this, PBA's reference to other available viability appraisal models is irrelevant. PBA has not utilised the HCA DAT model, or anything vaguely similar, in preparing SDC's CIL viability evidence base.
- 2.33 Critically, if PBA is suggesting that the HCA DAT model should be 'upheld' as the appropriate approach, this is completely the opposite approach to all of PBA/SDC's existing CIL viability evidence base consulted upon and submitted for Examination. Quite clearly SDC/PBA opted not to follow the HCA DAT model in this regard.
- 2.34 PBA's attempt to validate an indefensible position therefore poses an inherent contradiction, which surely risks undermining the entirety of SDC's CIL viability evidence base.

Point D

- 2.35 IM's response to 'Point A' above has already confirmed that the discussion, or discussions, held between PBA, Nexus and Brookbanks Consulting (the joint promoter's agents) did not accord with PBA's account. PBA's account simply cannot be relied upon.

- 2.36 PBA's assertion that it is acceptable to take a different approach to profit draw down, because it was determined that an alternative open market sales value would be applied to GLH, is misguided.
- 2.37 PBA has applied alternative open market sales value 'zoning' because the pricing of new build properties varies spatially across Stratford-on-Avon district. This has absolutely no correlation or relationship with the approach to profit draw-down, which does not differ spatially, has no basis in evidence, and has not been tested via stakeholder consultation.
- 2.38 It is not reasonable or rational for PBA to take a fundamentally different approach to profit draw down between GLH and all other site typologies on this basis.

Point 5: Sales Values

Chronology of Sales Value Evidence - GLH

- 2.39 Firstly, PBA's account of the process by which the open market sales value at GLH was arrived at, does not reflect IM's record of events. PBA's account within the 'PBA Response' document is misleading and partial in its disclosure.
- 2.40 PBA made it crystal clear within the PBA/epd November 2016 report (at section 2.3 para. 2.3.4) that PBA was reliant on their 'Appendix A' list of comparable sites/asking prices as providing the evidence base for open market sales values at GLH¹.
- 2.41 PBA's approach was to utilise 'advertised' sales values in 'Appendix A' as the basis for pricing at GLH. Equally, it was PBA's approach to apply a conservative 5% discount from the advertised (asking) prices. By adopting this methodology PBA used 'Appendix A' to determine that £3,150/m² was the appropriate open market sales value for housing at GLH (after the discount is applied).
- 2.42 Within the 'PBA Response', PBA state that the figure of £3,150/m² was 'agreed' following consultation with the 'main developer' at GLH upon obtaining advice from 'their agents'. This is misleading.
- 2.43 Firstly there is no 'main developer' at GLH. The other party – CEG and Bird Group are the joint promoters alongside IM. No party has an overriding stake or control. CEG and Bird Group will not develop the scheme – as promoters they will then sell land under their remit onto housebuilders to deliver upon grant of planning permission.
- 2.44 Secondly, the PBA Response does not confirm which parties were involved in such consultation, when this occurred and there is no record or minute of such consultation. IM has already determined, and stated within the response to Point 4 (above) that PBA's account of engagement with the joint promoters of GLH is incorrect and misleading.

¹ IM wish to clarify for the Examiner that the PBA 'Appendix A' evidence was published by PBA and has not in any way been informed by discussions with IM and neither is it endorsed by IM. Further commentary on sales values is provided for context in Section 3 of this document.

- 2.45 Equally, the 'Appendix A' document is not on letterhead and was not submitted formally as part CIL representations within the statutory consultations by an external party or agent². The joint promoters at GLH have not provided any formal consultation response to the CIL Examination (or prior consultation) that provides sales value evidence or specific comment on proposed sales value evidence presented by PBA. IM conclude that this is PBA's evidence.
- 2.46 Paul Boileau of Brookbanks Consulting confirms exactly this within his correspondence (see enclosed **Appendix 2**). To quote, he confirms that the 'Appendix A' evidence was neither 'agreed' or provided directly by CEG / Bird Group:
- "...the information within 'Appendix A – GLH Comparable Schemes' was not provided directly by CEG / Bird Group. It is not correct that PBA/SDC should attribute this evidence to CEG / Bird Group. Indeed, CEG / Bird have consistently advised that the use of comparable market sales data from established nearby settlements is not a robust approach in isolation. We have advised that the new Lighthorne Heath development will need to establish new market values, which will be challenged due to negative influences of the existing Lighthorne Heath settlement and JLR/ AM as well as a comparable lack of community facilities when compared with established settlements. As a result, we believe PBA are overly optimistic in their sales revenue assumptions."*
- 2.47 Even if a figure of £3,150/m² was discussed, the actual evidence in PBA's 'Appendix A' (incorrectly) overstated values at £3,133/m², when allowing for the 5% discount. Upon conducting a headline review of 'Appendix A' once it was belatedly published by PBA, IM simply pointed out this inconsistency between £3,133/m² and £3,150/m² within submitted representations.
- 2.48 In PBA's evidence submitted just prior to the reconvened Hearing in Dec 2016³, the figure of £3,133/m² was included in the GLH appraisals. This therefore formed the basis for PBA's/SDC's advice to the Examiner for rate setting at the reconvened Hearing. It was unequivocally PBA's/SDC's adopted position.
- 2.49 Subsequently, in IM's Briefing Note presented at the reconvened Hearing (and circulated electronically afterwards), the detailed analysis of PBA's 'Appendix A' confirmed that PBA's calculation of the average asking price is fundamentally flawed⁴.
- 2.50 Within the 'PBA Response', PBA is seeking to disguise this error, and simultaneously 'row back' from the use of their 'Appendix A' evidence.

Calculation of the Average Figure within PBA's 'Appendix A'

- 2.51 PBA suggest that IM is offering an 'alternative approach' to calculation of the average pricing in 'Appendix A', yet this is not a mathematical error.

² Note: PBA's reference to Savills relates only to Savills comments to the reconvened Hearing that local agents should be consulted in arriving at sales values. Savills did not provide any support for 'Appendix A'.

³ IM received this evidence via the Programme Officer at 17.45 on Friday 16th December 2016

⁴ For a full explanation, the Examiner should refer to IM's Briefing Note circulated at, and following, the reconvened Hearing.

- 2.52 It is unequivocally a mathematical error, which demonstrates a lack of due diligence by PBA.
- 2.53 Whether PBA intended using their calculation for illustration (their suggestion) or otherwise, to fail to run the calculation correctly and effectively, and then to present this as crucial evidence to underpin a CIL viability assessment for a strategic site, is unacceptable and inappropriate.
- 2.54 As IM demonstrated within the Briefing Note circulated at the reconvened Hearing, the corrected open market sales value figure (after the 5% discount) using the evidence within 'Appendix A' is £3,040.77/m². This represents a difference of £109.23/m² between PBA's 'illustrative' calculation of £3,150/m² and IM's corrected calculation. It is a significant sum, which should be taken into account.

PBA Distancing Themselves from their own 'Appendix A' & Proposing Alternative Sales Value

- 2.55 IM would continue to reiterate, that 'Appendix A' is evidence put forward by PBA themselves, which PBA has relied upon in the lead-up to and throughout the CIL Examination – inclusive of the reconvened Hearing. It is not evidence provided by IM or the joint-promoters (CEG / Bird Group) and their agents.
- 2.56 Despite seeking to defend this evidence within their response to Point 5 of the 'PBA Response', PBA subsequently then appear to seek to distance themselves and discredit the use of 'Appendix A' altogether within the same document. This is highly contradictory. In itself, it is inappropriate for this stage of the Examination process.
- 2.57 It is IM's express opinion that PBA/SDC have sought to seek to shift away from their own evidence (i.e. 'Appendix A') at this stage due to IM having proven that PBA's analysis of the correct sales value is flawed. The corrected evidence, when run through the CIL viability appraisals no longer gives PBA the justification to seek the proposed CIL rate of £110/m² at GLH. As a result, PBA is now 'rowing back' from 'Appendix A' and seeking to rely upon alternative evidence.

The Flaws in the Alternative 'Way Forward' proposed by PBA/SDC

- 2.58 In any case, the alternative approach or 'way forward' for sales values put to the Examiner by PBA within the 'PBA Response' is, again, flawed. Equally, in IM's view, it is unnecessary.
- 2.59 PBA confirm that they opted to rely on the 'Appendix A' evidence at the reconvened Hearing. It also underpinned their evidence published in November 2016 titled '*Review of Values and Scenario Testing*' dated November 2016, which followed the requests of the Examiner for greater transparency following the first CIL Hearing. It should be noted that the latter, November 2016 evidence, actually represented the first time that PBA published 'Appendix A' in order to defend the values they determined for GLH.
- 2.60 In the latest 'PBA Response', PBA referenced that the 'Appendix A' figures for GLH date from early 2015. It is IM's understanding that PBA relied on this evidence from 2015 as it is broadly consistent with the timescale utilised in confirming the sales values for the other site typologies. The sales timescale is confirmed within PBA's 'Review of Values

and Scenario Testing' (November 2016) document as covering Quarter 4 2014 to Quarter 2 2016. This represents seven quarters, with a mid-point in Q2/3 2015.

- 2.61 If the 'Appendix A' data is representative of early 2015 (say Q1/2 hypothetically), as is suggested (although not proven) in the latest 'PBA Response', this would therefore broadly continue to accord with the timescale for analysis of sales prices across the wider CIL viability evidence base.
- 2.62 On this basis alone IM considers that there is no justification for PBA to seek to lead the Examiner in an alternative direction or 'way forward'. There is no rational reason why the sales value evidence should deviate from that put forward by PBA within 'Appendix A', other than it no longer suits PBA/SDC's objectives when correctly analysed and applied within the GLH viability appraisal by IM. This is not a valid reason.
- 2.63 Secondly, the 'way forward' in assessing and applying an alternative sales value to the GLH appraisal proposed by PBA within the latest 'PBA Response' is totally flawed.
- 2.64 PBA advocate relying upon the asking prices of new build properties within schemes currently (as at October 2016) on the housing market within the borough. This information is set out within Section 4 (Tables 4.1-4.9) of PBA's 'Review of Values and Scenario Testing' (November 2016) document.
- 2.65 PBA subsequently apply a 5% discount to asking prices and arrive at a 'new' open market sales value of £3,213.50/m² for GLH within Table 1 of the latest 'PBA Response'.
- 2.66 This 'new' open market sales value is utilised within GLH viability appraisal 'Sensitivity Test 3' by PBA, which is summarised in Table 2 of the latest 'PBA Response' document.
- 2.67 The fundamental flaw is revealed by IM's review of PBA's supporting viability appraisal for PBA's 'Sensitivity Test 3'. This confirms that PBA has continued to utilise the BCIS base build cost drawn from the average of the period Q4 2014 – Q2 2016 of £1,006/m² for houses and £1,177/m² for flats. This evidence was published by PBA in 'Appendix C' accompanying PBA's 'Review of Values and Scenario Testing' (November 2016) document.
- 2.68 The Examiner will no doubt recall that PBA's rationale for using these dates for BCIS base build costs was such that it was consistent with the period used by PBA in analysis of sales values.
- 2.69 However, for PBA to now seek to use a sales value within 'Sensitivity Test 3', which is based on prices confirmed as dated October 2016, and test these against outdated build costs that form an average of the period Q4 2014 – Q2 2016, is clearly totally flawed. To do so results in PBA's appraisal taking into account any value inflation during the intervening period, but ignoring and excluding any build cost inflation over the same timescale. It results in a completely inconsistent basis for viability appraisal, which will underestimate costs, and falsely overstate the available CIL 'headroom'.
- 2.70 PBA has been acutely aware of avoiding this issue in preparing the wider CIL viability evidence base. The Examiner will recall that the issue of consistency in timescale

between sales values and build costs was discussed at length at the first Hearing. PBA explained at length to the Examiner and participants that their methodology had been designed to seek to ensure consistency.

- 2.71 Ultimately, the use of the 'new' sales value for GLH proposed by PBA, and the running and results of 'Sensitivity Test 3' set out in in Table 2 of the latest 'PBA Response' document disregard the necessity for consistency. It is therefore erroneous and completely misleading to the Examiner.
- 2.72 In summary, it is IM's view that PBA's introduction of a 'new' sales value is unhelpful to the Examination process. It is both unnecessary and has been applied by PBA in a flawed manner within viability testing. IM requests that the Examiner disregards PBA's 'Sensitivity Test 3' on this basis.

PBA's Re-testing Appraisal Results

- 2.73 On the basis of the above analysis, it is IM's firm position that the sensitivities and conclusions set out within the 'Re-testing Appraisal Results' section of the 'PBA Response' document do not represent a robust or appropriate basis for setting a CIL rate at GLH or determining that an 'appropriate balance' has been met under Regulation 14.
- 2.74 In addition, IM would highlight that PBA has not been transparent with the Examiner in the presentation of Table 2 of the latest 'PBA Response' document. Specifically, whilst the table presents PBA's calculation of CIL 'headroom', what it fails to show is the allowance for any buffer. It essentially shows the maximum CIL up to the margin of viability (notwithstanding the illegitimacy of the tests themselves).
- 2.75 Using PBA's own appraisals, IM has recreated 'Table 2' of the 'PBA Response'. This is presented in Table 2.1 overleaf.
- 2.76 Table 2.1 demonstrates that Sensitivity 1 and Sensitivity 2 fail to allow for a CIL rate of £110/m², as SDC propose within the CIL Charging Schedule, whilst accommodating a buffer of 40% (as advocated by PBA and SDC as the minimum buffer for strategic sites within the CIL viability evidence base submitted for Examination).

Table 2.1: Replication of Table 2 of 'PBA Response' with Full Disclosure – Incorporating 40% CIL Buffer

	Net site area	Floorspace (total)	Floorspace (CIL Liable)	Residual Land Value	Benchmark Land Value	Maximum CIL Headroom		PBA SCS CIL Rate		
Appraisal	Ha	Sqm	Sqm	Per Ha	Per Ha	Per Ha	Per Sqm (Total)	Per Sqm (CIL Liable)	£/sqm (Proposed)	Buffer (%)
Sensitivity Test 1	75.34	270,693	179,007	£1,023,884	£640,000	£383,884	£106.84	£161.57	£110.00	32%
Sensitivity Test 2	75.34	270,693	179,007	£830,529	£640,000	£190,529	£53.03	£80.19	£110.00	-37%
Sensitivity Test 3	75.34	270,693	179,007	£1,136,083	£640,000	£496,083	£138.07	£208.79	£110.00	47%

Source: IM utilising PBA Appraisals, 2017

- 2.77 On the basis of Table 2.1 on the previous page, PBA's statement within the latest 'PBA Response' that: "...based on the results of sensitivity test 1 and 3, we maintain our position that the £110 per sqm CIL charge is affordable and remains appropriate for GLH...", is a falsification.
- 2.78 Notwithstanding this, IM's response within this document has confirmed the following:
- There is no basis in evidence for an open market sales value of £3,150/m² to be applied to GLH as PBA has utilised in Sensitivity 1. This figure was based on an erroneous position arising from PBA's flawed analysis of their 'Appendix A' comparable evidence.
 - There is no rational justification for PBA's proposal to introduce a 'new' sales value to GLH within Sensitivity 3. It is unnecessary and unhelpful to the Examination process to seek to deviate in this manner at this stage. In any case, the approach has been applied by PBA in a flawed manner within Sensitivity 3 that disregards the necessity for consistency in the timing of sales values and construction costs. It inflates sales values to present day whilst continuing to utilise a historic build cost (effectively equivalent to mid-2015). It is therefore erroneous and completely misleading to the Examiner.
 - There is no basis in written evidence for PBA to restrict profit draw-down to the very end of the GLH scheme as has continued to be incorporated by PBA in their Sensitivity 1, Sensitivity 2 and Sensitivity 3 appraisals. PBA's account that this advice was provided by GLH's joint promoters has been disputed and discredited by the joint promoter's agents. PBA's approach is also inconsistent with the approach to profit draw-down taken across the entirety of the CIL viability evidence base, with the exception of GLH. IM has also obtained independent opinion from a national PLC housebuilder that confirms PBA's approach to profit draw-down as applied to GLH is completely contrary to real world practice.
- 2.79 For the reasons set out above, the Examiner should attach no weight whatsoever to Sensitivity 1 or Sensitivity 3 prepared by PBA and presented in 'Table 2' of the 'PBA Response'.
- 2.80 IM wish to highlight to the Examiner that PBA's Sensitivity 2 viability appraisal presented within Table 2 of the 'PBA Response' does include the corrected open market sales values evidence drawn from 'Appendix A'.
- 2.81 However, the Sensitivity 2 viability appraisal prepared by PBA does not incorporate the corrected profit draw-down to incorporate this throughout the GLH scheme in a manner consistent with the remainder of the CIL viability evidence base.
- 2.82 IM can confirm that the only difference between PBA's 'Sensitivity 2' appraisal for GLH, and the GLH appraisal submitted by IM within, and accompanying the Briefing Note presented at the reconvened Hearing (referenced 'GLH 2'), is that IM's 'GLH2' appraisal incorporates the corrected approach to profit draw-down. The approach is consistent with all other site typologies (including LMA) within PBA's CIL viability evidence base.

- 2.83 The only valid appraisal scenario for GLH must include the corrected profit draw-down. By failing to present this as a 'sensitivity' appraisal PBA has not disclosed full and appropriate evidence to the Examiner for consideration in reaching a judgement.
- 2.84 IM would urge the Examiner to request that PBA provides 'Sensitivity 2' with the corrected profit draw down (i.e. consistent with the approach already taken by PBA across the rest of the evidence base). This would provide transparency and full disclosure.
- 2.85 Should PBA fail again to disclose this, IM would request that the Examiner places reliance upon IM's submitted appraisal 'GLH2', which conducts this exact exercise. For the Examiner's benefit, appraisal 'GLH2' is attached at **Appendix 4** to this document.
- 2.86 The results of 'GLH2' are replicated in Table 2.1 overleaf. Table 2.1 unequivocally demonstrates that there is no absolutely 'headroom' to provide CIL at GLH. This has remained IM's position throughout the process.
- 2.87 CEG / Bird Group have also provided a letter from their development advisory and residential agents Savills, which is attached at **Appendix 5**. This letter was sent to John Careford at SDC to confirm the current position of CEG / Bird Group with respect to the proposed CIL rate and it is accompanied by a brief statement from CEG endorsing the letter from Savills.
- 2.88 In summary, within the letter Savills confirm their significant concerns regarding the impact of a proposed £110/m² CIL rate on the viability and delivery of GLH in the current and foreseeable climate. Richard Burke, Regional Head of Strategic Development – Midlands at CEG reinforces this by stating within email correspondence that the proposed CIL rate **will affect the viability of bringing forward this important strategic housing allocation.**
- 2.89 The joint promoters at GLH are not seeking to shirk their responsibilities to meeting infrastructure requirements. IM would remind the Examiner, SDC and PBA that GLH will pay a substantial sum in excess of £41.7m in Section 106 and Section 278 infrastructure and financial contributions irrespective of CIL. This equates to more than £13,900 per dwelling, and approximately £230 per CIL liable square metre (£230/m²). This is a very substantial sum **BEFORE** any CIL liability.
- 2.90 **Should the Examiner not consider this sufficient evidence to support a CIL rate of £NIL at GLH, IM request the Examiner holds a dedicated reconvened Hearing specifically with respect GLH in order to bring matters to a conclusion.**

Table 2.2: IM's GLH Appraisal 2 ('GLH 2'): CIL Results Table

Net site area	Floor-space (total)	Floor-space (CIL Liable)	Residual Land Value	Bench-mark Land Value	Maximum CIL Headroom			PBA SCS Proposed CIL Rate	
Ha	Sqm	Sqm	Per Ha	Per Ha	Per Ha	Per Sqm (Total)	Per Sqm (CIL Liable)	£/sqm (SDC & PBA)	Available Buffer (%)
75.34	270,693	181,220	£551,128	£640,000	-£88,872	-£24.74	-£36.95	£110	N/A

Source: IM – Briefing Note Submitted to Reconvened CIL Hearing, December 2016

3. Wider Concerns Raised at the Hearing

- 3.1 IM notes that there were a series of wider concerns with PBA's methodology and evidence base raised at the Reconvened Hearing by both Savills – representing the HBF housebuilder consortium, and Cushman & Wakefield – representing St Modwen.
- 3.2 Whilst not forming the main body of IM's evidence set out in Sections 1 and of this document, or directly incorporated into our viability appraisals for GLH (see Table 2.2 & Appendix 4), IM considered it important that it confirms wider concerns are shared and highlights these formally to the Examiner.
- 3.3 These issues are set out under a series of thematic headings.

Residential Sales Values – Ignoring IM's Submitted Comparable Market Evidence

- 3.4 In addition to the discussion of sales values at GLH within Section 2 of this document, IM wish to highlight as a deficiency in PBA's approach the absence of any reference made by PBA to the extensive market report prepared by Peter Clarke & Co and CBRE and submitted to the Examination by IM⁵. This document provides a detailed assessment of comparable sites and pricing.
- 3.5 PBA has simply not responded to this evidence, despite it representing appropriate available market evidence, of the type recommended by PPG. This is a substantial shortcoming.
- 3.6 CBRE has reviewed PBA's 'Appendix A' and a short addendum commentary to CBRE's previous GLH Residential Market Report is set out at **Appendix 6**. IM would request that the Examiner considers this. In summary, CBRE's conclusions are as follows:
 - (a) PBA's conclusion within 'Appendix A' is that achievable pricing will be £3,133/m² on average, which is inconsistent with the figures used in appraisals and, in any case, would not be realistic or achievable in the current market.
 - (b) GLH will be a new, untested settlement, adjacent to the motorway with a lack of amenities and transport links. As a result, it is CBRE's professional opinion that it will take a period of time, and a number of phases before GLH can create a sense of place, and a new established residential location in its own right. This reflects CBRE's experience on other, similar sized new schemes⁶.
 - (c) The use of data from 'Appendix A' to inform sales values at GLH is fundamentally flawed. The examples used have been sourced from superior and established locations such as Warwick and Leamington, which are simply not comparable to Gaydon / Lighthorne Heath. It is unclear how PBA have reached a conclusion that

⁵ See Appendix 7 to IM's submitted Hearing Statement (dated September 2016) to the first Examination Hearing.

⁶ Note: this view is also shared by Savills – representing the joint promoters of GLH. See letter attached at Appendix 5.

such elevated values would be realistic at GLH. PBA do not make any of the essential pricing adjustments for GLH, as per the CBRE sourced evidence⁷.

- (d) It appears that the majority of the examples in 'Appendix A' are historic with developers no longer selling on these sites – and it is difficult to confirm whether pricing reflects asking prices at a point in time, or achieved sales values. The information given is very poor and also contains mistakes. Mistakes include:
 - (i) The Hatfield property at Ettingham Park used as an example by PBA is 121 sq m, not 112 sq m, equating to an average sales value of £2,975 psm not £3,228 psm. Actual information has been sourced directly from Charles Church by CBRE. This confirms that a blended average sales values across the site equates to £2,982 psm (£277 psf). This is far below the pricing suggested by PBA.
 - (ii) CBRE has obtained information directly from Bellway Homes relating to sales from June 2015 to December 2015 at Chase Meadow. This confirms a 3-bed average price at £3,164 psm (£294 psf), 4-bed average price at £2,797 psm (£260 psf) and a 5-bed average price at £2,889 psm (£268 psf). Overall the blended average sales values across the site equates to £2,990 psm (£273 psf). This shows that the examples used by PBA overestimate average pricing.
- (e) The closest comparable in terms of scale and location to GLH is the St Modwen Homes and Persimmon Homes development at Long Marston (Meon Vale). Persimmon and St Modwen Homes have directly confirmed that they are currently achieving sales values of £252 - £259 per sq ft. CBRE has applied an appropriate uplift to these values to reflect the superior accessibility and prospective employment opportunities at GLH (e.g. JLR within close proximity).
- (f) CBRE concludes that net achievable sales values for GLH should be logically set at an average of £265 - £275 per sq ft (£2,852 - £2,960 per sq m) in order for the GLH project to be viable and to be competitive in drawing purchasers within the local housing market.

3.7 In summary, it is IM's view (supported by CBRE) that PBA's approach to setting sales values and proposed values themselves, are fundamentally flawed.

3.8 Whilst accepting dialogue at the CIL Examination has moved on, IM remain of the view that an open market sales price of £2,960/m² is representative of a realistic upper-end market-facing average sales value for GLH.

Flaws in PBA's interpretation of BCIS Build Costs

3.9 IM has assessed PBA's build costs utilised within their viability assessment 'Review' for their accuracy and validity. IM's analysis has been cross-checked and confirmed as

⁷ Note: this view is shared by Brookbanks Consulting – representing the joint promoters of GLH. See correspondence within Appendix 2.

accurate and reliable by Rider Levett Bucknall ('RLB') – a nationally recognised firm of quantity surveyors and specialist construction cost consultants.

- 3.10 IM obtained Median BCIS build cost data for the 'Estate Housing' and 'Flats (apartments): 3-5 storey' categories, reweighted to Stratford on Avon, over 7 quarters (Q4 2014- Q2 2016) from RICS BCIS Online and cross referenced this with PBA's data. In line with PBA's adopted methodology the 'default period' was firstly analysed. It should be highlighted that the 'default period' draws on submitted tender costs over a 15 year period.
- 3.11 PBA's data produced average build costs for 'estate housing' of £1,006/m². However, independent review by IM demonstrates that the actual average recorded on RICS BCIS would equate to £1,022/m² using the same methodology. If PBA's approach is followed, the evidence obtained from BCIS directly demonstrates that PBA should increase the build costs by £16/m². Similarly, PBA's data produced an average build costs for 'Flats (apartments)' of £1,177/m², yet review of BCIS shows the average cost to actually be £1,194/m². At present the build costs used by PBA to underpin the appraisals in the 'Review' are wrong and both underestimate construction costs and overstate viability.
- 3.12 IM also assessed the impact of restricting the BCIS costs to tenders undertaken within the last 5 years ('5 year period').
- 3.13 This is considered to be a more robust basis for utilising BCIS costs – for it draws only on those tendered schemes that will have constructed to current Building Regulations (or recent versions) and excludes more historic tenders for schemes dating back beyond 5 years. BCIS records 'Estate Housing' at an average cost of £1,031/m² with tenders restricted to the last 5 years. This is £25/m² higher than the PBA costs for the default period – and clearly demonstrates the higher cost implications of constructing to current, and recent, Building Regulations.
- 3.14 A full comparison is shown in Table 3.1 for transparency. In addition, all BCIS downloads are provided at **Appendix 7** to demonstrate their reliability to the Examiner. Importantly, this issue would apply to all site typologies across the viability evidence base – not just GLH.

Table 3.1: RICS BCIS Comparison Table (Q4 2014 – Q2 2016): Default Period (15 Years) & 5 Year Period

Data source	Type	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Average (£/m2)
PBA's Adopted BCIS Costs (£/m2)	Estate Housing	958	995	1,021	999	1,007	1,014	1,051	£1,006
	Flats (apartments)	1,120	1,164	1,194	1,168	1,177	1,185	1,229	£1,177
IM Sourced BCIS Cost: Stratford on Avon (default period) (£/m2)	Estate Housing	970	1008	1,049	1,004	1,015	1,023	1,082	£1,022
	Flats (apartments)	1,134	1,177	1,226	1,173	1,186	1,195	1265	£1,194
IM Sourced BCIS Cost: Stratford on Avon (5 year period) (£/m2)	Estate Housing	979	1,017	1,058	1,013	1,024	1,032	1,092	£1,031
	Flats (apartments)	1,184	1,230	1,280	1,225	1,239	1,248	1,321	£1,247

Source: RICS BCIS

- 3.15 IM continues to remain concerned that the use of an overly elongated analysis period is reducing construction costs to an unreasonable degree.
- 3.16 It was agreed at Examination that the most recent available four quarters of sales and build cost data would be utilised – for example Q3 2015 to Q2 2016. The rationale was to give a large sample of data, but to attempt to embed current market values and costs as far as possible too.
- 3.17 IM has applied the same BCIS analysis as described above, over a four quarter period (Q3 2015- Q2 2016). PBA's adopted build costs returned an average cost of £1,018/m², for 'Estate Housing' based on the default tender period.
- 3.18 However, when this data was collated directly from BCIS it confirmed a cost of £1,031/m². This is £25/m² higher than PBA's adopted costs. The average, for 'Estate Housing', when restricted to the 5 year tender period increased further to £1,040/m², which is £34/m² greater than PBA's applied costs.
- 3.19 Table 3.2 overleaf presents a summary.

Table 3.2: RICS BCIS Comparison Table (Q3 2015 – Q2 2016): Default Period (15 Years) & 5 Year Period

Data Source	Type	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Average (£/m2)
PBA's Adopted BCIS Costs (£/m2)	Estate Housing	999	1,007	1,014	1,051	£1,018
	Flats (apartments)	1,168	1,177	1,185	1,229	£1,190
IM Sourced BCIS Cost: Stratford on Avon (default period) (£/m2)	Estate Housing	1,004	1,015	1,023	1082	£1,031
	Flats (apartments)	1,173	1,186	1,195	1265	£1,205
IM Sourced BCIS Cost: Stratford on Avon (5 year period) (£/m2)	Estate Housing	1,013	1,024	1,032	1,092	£1,040
	Flats (apartments)	1,225	1,239	1,248	1,321	£1,258

Source: RICS BCIS

- 3.20 Finally, to place PBA's adopted costs within a **current market** context IM has collected BCIS cost data from Q3 2016 and Q4 2016 for both the 'default' and the 5 year period following the same methodology. This responds to the flaw in PBA's latest 'Sensitivity 3' appraisal, which disregards the necessity for consistency in the timing of sales values and construction costs.
- 3.21 The average of cost of 'Estate Housing' for the two quartiles utilising the default period is £1,069/m² equating to an increase over PBA's adopted costs of £63/m².
- 3.22 When restricted to the 5 year period the average cost increases further to £1,079/m².
- 3.23 This is presented within Table 3.3 overleaf.

Table 3.3: RICS BCIS Comparison Table - Current Market Costs (Q3 2016 – Q4 2016)

Data Source	Type	Q3 2016	Q4 2016	Average (£/m2)
IM Sourced BCIS Cost: Stratford on Avon (default period) (£/m2)	Estate Housing	1,067	1,071	£1,069
	Flats (apartments)	1,247	1,252	£1,250
IM Sourced BCIS Cost: Stratford on Avon (5 year period) (£/m2)	Estate Housing	1,077	1,081	£1,079
	Flats (apartments)	1,303	1,307	£1,305

Source: RICS BCIS

Review of Unit Sizes – Additional PBA Evidence Based on EPC Data

- 3.24 Firstly, IM wishes to highlight to the Examiner that a review of unit sizes was not discussed at the Examination, nor was it agreed as an action either at the Examination or thereafter.
- 3.25 By doing so within the PBA/ EPD November 2016 report, PBA has decided to introduce additional evidence that fundamentally alters the appraisals and the results at this late stage.
- 3.26 PBA relies on EPC Certificate data (for circa 500 dwelling sales) to alter the unit sizes within the revised viability appraisals. The approach is based on an assumed attribution of unit types (from Land Registry records) to dwellings (by number of bedrooms). Although it is imperfect and imprecise, it is not completely unreasonable.
- 3.27 The only figure that appears significantly out of kilter with the current market is the assigning of 80m² (861ft²) for 2-bed house. This is far larger than 2-bed dwellings being built by volume housebuilders, which range from 65m² (700ft²) to a maximum of 70m² (750ft²) – broadly aligning with PBA's previous size (at 70m²). National housebuilders will predominantly build 2-bed houses in a terraced format – and very rarely as a semi-detached format due to the reduction in land-use efficiency. Therefore PBA's approach to take an average of terraced and semi-detached properties to arrive at a 2-bed unit size is flawed and is skewing the unit size incorrectly upwards.
- 3.28 In summary, IM would accept the new unit sizes proposed by PBA, other than the 2-bed size. The 2-bed unit size should be returned to 70m² (750ft²) to avoid skewing the viability appraisal results.
- 3.29 Due to PBA introducing new evidence on unit sizes, in the form of EPC measurements, IM has considered it necessary to review and clarify the basis upon which EPC dwelling measurements are taken. It does not appear that PBA has checked this, which is an oversight.
- 3.30 Since the reconvened Hearing, IM has engaged with several certified EPC assessors and has also had due regard to the RDSAP manual⁸, which forms the basis of training for EPC assessors.
- 3.31 Dialogue with the assessors and review of the RDSAP manual confirms that garages, whether internal, attached or external (i.e. detached) are explicitly excluded from the EPC measurement of dwelling size. The only exception is where a garage is centrally heated. As housebuilders do not provide central heating within garages, the garages are always excluded when measuring new build properties.
- 3.32 By utilising the EPC measurement, this has confirmed that PBA is excluding garage provision from its appraisals. This has two impacts on viability and the 'headroom' available for CIL.

⁸ http://www.bre.co.uk/filelibrary/accreditation/rdsap9_91/BRE_RdSAP_Manual_v8_0-March_2012.pdf

- 3.33 Firstly, the construction cost of garages is not allowed for within the appraisals. IM has engaged with a national housebuilder to prepare an illustrative layout for the area of GLH in IM's control (1,000 units). This has been hypothetically scaled up by a factor of three to represent the entirety of GLH (i.e. 3,000 units). This confirms that a national housebuilder would include circa 1,137 garages, of varying types. Garages would generally only be provided with open market houses. On this basis, this represents 0.58 garages per unit. The cost of construction would equate to approximately £12.75m. This is equivalent to £6,534 per unit (based on 1,950 open market units) at GLH.

Table 3.4: GLH – Garage Provision: Type, Volume & Construction Costs

Garage Type	Unit Size (sqm)	Unit (No.)	Total Size (sqm)	Unit Cost (£)	Total Cost (£)
Integral	18	186	3,348	£4,904.00	£912,144.00
Single Detached	18	546	9,828	£9,808.00	£5,355,168.00
Double Shared Detached	36	240	8,640	£16,022.00	£3,845,280.00
Double Hipped Detached	36	117	4,212	£14,893.00	£1,742,481.00
Triple Shared Detached	54	36	1,944	£19,474.00	£701,064.00
Double Gabled Detached	36	12	432	£15,476.00	£185,712.00
Total		1,137	28,404		£12,741,849.00

Source: IM / National Housebuilder

- 3.34 This omission has significant implications. . It is noted that PBA has made allowance for contingency; **however, meeting the necessary cost of providing garages would alone absorb more than 90% of this total contingency.**
- 3.35 Secondly, garages (whether integral, attached or detached) fall within the RICS definition of Gross Internal Area ('GIA'). This is the basis upon which CIL liability is calculated in accordance with the CIL Regulations. All charging authorities are therefore charging CIL liability on garages.
- 3.36 As the use of the EPC figures demonstrates, PBA has not made any floorspace allowance for garages in preparing their appraisals. Critically, this means that PBA is vastly underestimating the CIL chargeable floorspace within development.
- 3.37 The effect of including the garages within the development area, as would be practice in calculating CIL liability in reality, increases the CIL liable floor area from 181,220m² to 209,624m² at GLH, which equates to an increase from 2,405m²/net ha to 2,782m²/net ha.

- 3.38 PBA and SDC's current recommended CIL rate of £110/m² at GLH would result in a CIL liability of £19.93m without considering garages. **This would increase to £23.05m with garages correctly included.** This is a substantial sum, and clearly illustrates the scale of error by exclusion of garages.
- 3.39 Essentially, PBA should be assessing the CIL 'headroom' at GLH against a larger CIL liable floor area – because of the necessity to include garages.

Applying Professional Fees to External Works

- 3.40 PBA has repeatedly stated that they disagree with adding costs which are already estimated provisions, as the rationale for not applying professional fees to external works. IM contends that this is simply wrong and suggests a poor level of due diligence from PBA with regard to the reality of development costs.
- 3.41 Whilst PBA's provision of 10% for external works is estimated, it equates to an actual sum of just (£100/m² or £9.35/ft²) based on their recommended BCIS cost for 'Estate Housing' of £1,006/m² (93.50/ft²). There is no clear reason why professional fees would not be required in designing, delivering and obtaining statutory approvals for these works.
- 3.42 IM has also instructed Quantity Surveying and cost consultancy Rider Levett Bucknall ('RLB') to provide a review of PBA's cost inputs within the CIL evidence base. RLB confirms that professional fees are expended in designing roads, drainage, laying out plots and landscaping and are required to secure planning consent and technical approvals. These are all 'external works' items. On this basis professional fees are a legitimate cost.
- 3.43 **RLB has concluded that the 10% 'external works' cost is insufficient to meet both the costs of constructing external works and the necessary incurred professional fees.** Further analysis is included within the following sub-section and detailed analysis is included within RLB's reporting, which is provided at **Appendix 8**.
- 3.44 We would highlight to the Examiner that PBA (and SDC) has already adopted and accepted the application of professional fees (and contingency) to the works included within 'Site Opening Up' costs for GLH. These costs have been recommended for use by PBA / SDC. This is a clear demonstration that the application of such fees to building works is valid and necessary – and PBA has set their own logical precedent by adopting this.
- 3.45 This is not a matter of unnecessary detail, but a matter of appropriately reflecting reality to a measured extent. For PBA to seek to state that such fees would not apply to other site works is inconsistent, incorrect, and misaligned with the real world requirements of development. IM note that other representors also consistently highlighted this issue to PBA / SDC in representations.

- 3.46 IM remains firmly of the view that professional fees should be applied to external works, by way of an appropriate consistent percentage (i.e. 12% * external works cost per m²). This is consistent with pages 44 - 45 of the Harman Guidance.

Applying Contingency to External Works

- 3.47 PBA has disagreed with IM's recommendation to apply a contingency allowance to external works for the same illogical reason as set out with respect to professional fees.
- 3.48 As stated, whilst PBA's provision of 10% for external works is estimated, it equates to an actual sum of just (£100/m² or £9.35/ft²) based on their recommended BCIS cost for 'Estate Housing' of £1,006/m² (93.50/ft²).
- 3.49 Following the Examination IM has progressed design work for GLH. This has facilitated a greater understanding of necessary external works infrastructure to service development. To enable an understanding of cost implications IM has also instructed RLB to prepare a headline cost estimate for external works.
- 3.50 The headline cost estimate and a proving layout were utilised to reproduce the appropriate level of external fees applicable to GLH. This equated to a requirement for an equivalent of 12% of base build costs.
- 3.51 Compared to PBA's adopted external works cost of 10%, there is a difference – or shortfall - of £20.34/m² (£1.89/ft²). Quite simply, if the PBA budget for external works was utilised, the developer would run out of money to complete the external works. Detailed analysis is included within RLB's reporting, which is provided at **Appendix 8**.
- 3.52 Given that almost all the contingency allowance provided by PBA would be utilised to accommodate the missing cost of garage provision, there would not be enough budget remaining to meet the shortfall in the external works allowance. **It is therefore RLB's recommended that a 12% allowance is introduced for external works, and the 5% contingency is also applied to external works to accommodate unforeseen cost escalations or items.**

Appendix 1: Correspondence from Roger Tustain - Nexus Planning

Matthew Spilsbury

Subject: FW: Meeting next week...

From: Roger Tustain [<mailto:r.tustain@nexusplanning.co.uk>]

Sent: 12 January 2017 16:06

To: Jonathan Dyke <Jonathan.Dyke@improperties.co.uk>

Subject: Re: Meeting next week...

Jonathan

Thanks for this. Just to clarify, Nexus had no input into the CIL viability discussion - it was all led by Paul at Brookbanks. I think they are just associating GLH with Nexus.

I will use this statement to question CEG as we discussed.

See you next week.

Roger

Roger Tustain
Managing Director

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Appendix 2: Correspondence from Paul Boileau – Brookbanks Consulting

Matthew Spilsbury

From: Paul Boileau <Paul.Boileau@brookbanks.com>
Sent: 27 January 2017 12:38
To: Jonathan Dyke
Cc: '(richard.burke@ceg.co.uk)'
Subject: 10192 GLH: CIL REPRESENTATIONS

Dear Jonathan

On behalf of CEG and the Bird Group, I have reviewed the document published by PBA/SDC on 23rd December 2016 titled 'Response to Briefing Note prepared by IM Properties', which is understood to represent PBA/SDC's latest position on setting a CIL rate at Gaydon Lighthorne Heath (GLH).

I note PBA/SDC places reliance both upon discussions with Nexus, and representations submitted to the CIL process by Brookbanks, acting on behalf of CEG and the Bird Group, who are the joint promoters of GLH ('the joint promoters') alongside IM Properties.

Specifically, reference is made to agreement from CEG / Bird Group that 'profit at GLH would be realised at the end of the scheme'. I am concerned that this has been misconstrued by PBA/SDC during conversations held with respect to GLH back in 2014. Whilst profit will be realised at the end of the scheme, it is not rational for all returns to be held for the entire 17-18 year period of delivery, and returns will also need to be drawn throughout to secure housebuilder interest.

I also note that PBA/SDC advises that CEG / Bird Group provided advice on likely open market sales prices at GLH by making reference to specific development schemes in Warwick and Leamington. I have been directed to 'Appendix A – GLH Comparable Schemes', which was published by PBA/SDC in November 2016 to accompany the document titled 'Review of Residential Values, Costs and Scenario Testing' following the CIL Hearing. Whilst discussions were held between CEG / Bird Group and PBA/SDC with respect to the aspirations for GLH, the information within 'Appendix A – GLH Comparable Schemes' was not provided directly by CEG / Bird Group. It is not correct that PBA/SDC should attribute this evidence to CEG / Bird Group. Indeed, CEG / Bird have consistently advised that the use of comparable market sales data from established nearby settlements is not a robust approach in isolation. We have advised that the new Lighthorne Heath development will need to establish new market values, which will be challenged due to negative influences of the existing Lighthorne Heath settlement and JLR/ AM as well as a comparable lack of community facilities when compared with established settlements. As a result, we believe PBA are overly optimistic in their sales revenue assumptions.

I also draw attention to my representations submitted to the CIL Draft Charging Schedule consultation dated September 2014. Whilst this confirmed the promoters comfort with the emerging CIL proposals at the time, it highlighted that further technical work was ongoing in relation to cost analysis at GLH and that assumptions within PBA/SDC's viability evidence for GLH warranted further consideration to ensure that the appraisals are robust and underpinned by reliable technical and sales data.

A representation was subsequently submitted by Nexus on behalf of the joint promoters, and dated September 2015. This is referenced by PBA/SDC within the 'Response to Briefing Note prepared by IM Properties'. Whilst it confirms the joint promoters comfort with the rate at that point, more detailed technical work on costs and market testing with the development industry conducted by the joint promoters in mid-late 2016 / early 2017 has resulted in the joint promoters' internal calculations changing.

It is very clear there has been a significant downward shift in market confidence since the European Referendum. While it is true that housing sales activity has remained reasonably buoyant, as a result of Government support, there has been a notable reduction in strategic land activity and a sizeable downward adjustment in land values. The higher availability of consented sites, coupled with an expectation of more difficult trading conditions on the horizon, has resulted in all house builders, without exception, having raised their hurdle rates. Most of the national house building firms, being those of the scale that are able to support the significant cashflow demands of projects such as GLH, now require blended market returns in the region of 30%. Compared with the 20% / 6% taken in the PBA analysis for the Market / Affordable homes respectively, this results in a considerable reduction in land value and undermines the robustness of the CIL work, which consequently no longer reflects market conditions. The CIL work should therefore be updated to reflect these market conditions.

It is without question that Brexit will result in volatile market conditions over the next 2-3 years. As such, it is evident that the principle of setting fixed CIL liabilities, based on levying costs that move strategic developments to the edge of commercial

viability, with only a limited headroom to accommodate variance, is not sound in such conditions. A more flexible approach is needed, at the very least providing increased headroom to accommodate the likely increased future fluctuations in market conditions. The alternative may result in strategic developments, such as GLH, stalling as result of relatively modest changes to the housing market economy.

When viewed alongside the misconceptions of PBA/SDC relating to earlier conversations, and the resultant errors arising within PBA/SDC's CIL viability assessment for GLH, the joint promoters consider they must withdraw any acceptance of the proposed CIL rate of £110/m². It is now the joint promoter's position that the proposed rate would place the overall viability of land within their control at GLH at risk.

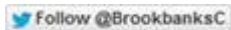
Kind Regards

Paul Boileau
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Appendix 3: Correspondence from Richard Miller – Barratt Homes



13th January 2017

Mr J Dyke
IM Properties PLC
IM House
South Drive
Coleshill
B46 1DF

Dear Mr Dyke,

RE: Gaydon Lighthorne Heath Allocation – CIL Examination

Further to our recent discussions, I have reviewed PBA's 'Response to Briefing Note prepared by IM Properties' dated 23rd December 2016 and have identified below our thoughts on some of the issues raised.

The principal point raised by PBA which is completely unworkable is the suggestion that developers would draw down all profit at the end of the GLH scheme of circa 3,000 dwellings.

This project would have a projected delivery programme of 15 – 20 years and along with significant up front infrastructure costs, we would have operating costs and overheads along with a responsibility to deliver a return for our shareholders. A housebuilder, like any other business, is required to generate an annual profit to stay capitalised and afloat. Housebuilders target a gross margin, operating margin and return on capital employed (ROCE) on an annual basis which are known as 'hurdle rates'. Each are measures of profitability and are measured both at a site-specific level and corporate level on a monthly, quarterly and an annual basis. As a FTSE 100 Company these are reported in our trading statements to the City.

If a site is not assessed as being expected to meet the minimum annual corporate 'hurdle rates' established through our banking covenants, then the site is not acquired or its delivery is postponed, halted until market conditions improve to the necessary levels, or re-planned to enhance profitability.

PBA's proposal to delay the drawdown of returns, and forgo profit, for a 15 – 20 year delivery period until the scheme is complete is unrealistic and for the reasons set out above, is not something that we would be able to obtain a Board approval for. PBA's statement is therefore completely at odds with industry practice.

Yours sincerely

Richard Miller
Land Director

Appendix 4: IM's GLH Appraisal 2 ('GLH 2')

Note: Appraisal GLH2 is firstly provided in Summary format, and then in full format with cashflow for complete disclosure to the Examiner

Gaydon-Lighthorn		GLH		3,000 Units		Appraisal GLH 2			
ITEM									
Net Site Area (Ha)		75.34		Greenfield		Strategic Site		Residual Value	
Stamp Duty		New						£551,128 per net ha	
Private		Affordable		Social Rent		Affordable Rent		Intermediate	
Nr of units		1950.00		1050.00		630		210	
						60%		20%	
								20%	
Matthew Spilsbury: Residual value per net Ha is substantially reduced with corrected cashflow. Falls to £551k per Ha, showing no CIL 'headroom' as falls below £640k/ha.									
Matthew Spilsbury: Utilises corrected open market values as concluded within Appendix A of PBA 'Review' document. This represents their evidenced assessment of achievable sales prices (instead of asking prices).									
1.0 Development Value									
1.1 Private Units		Flats (NIA)		No. of units		Size sq.m		Total sq.m	
		2 bed house		97.50		56.10		5,470	
		3 bed house		682.50		80.00		54,600	
		4+ bed house		780.00		91.33		71,240	
				390.00		125.500		48,945	
				1,950.0				180,255	
								£psm	
								£2,250.00	
								£3,040.77	
								£3,040.77	
								£3,040.77	
								Total Value	
								£12,306,938	
								£166,025,808	
								£216,624,149	
								£148,830,278	
1.2 Social Rent		Flats (NIA)		No. of units		Size sq.m		Total sq.m	
		2 bed house		110.25		56.10		6,185	
		3 bed house		236.25		80.00		18,900	
		4+ bed house		236.25		91.33		21,578	
				47.25		125.500		5,930	
				630.0				52,592	
								£psm	
								£900	
								£1,216	
								£1,216	
								£1,216	
								Total Value	
								£5,566,523	
								£22,988,189	
								£26,244,849	
								£7,212,544	
1.3 Affordable Rent		Flats (NIA)		No. of units		Size sq.m		Total sq.m	
		2 bed house		36.75		56.1		2,062	
		3 bed house		78.75		80.0		6,300	
		4+ bed house		78.75		91.3		7,193	
				15.75		125.5		1,977	
				210.0				17,531	
								£psm	
								£1,193	
								£1,612	
								£1,612	
								£1,612	
								53%	
								Total Value	
								£2,458,547	
								£10,153,117	
								£11,591,475	
								£3,185,540	
1.4 Intermediate		Flats (NIA)		No. of units		Size sq.m		Total sq.m	
		2 bed house		36.75		56.1		2,062	
		3 bed house		78.75		80.0		6,300	
		4+ bed house		78.75		91.3		7,193	
				15.75		125.5		1,977	
				210.0				17,531	
								£psm	
								£1,519	
								£2,053	
								£2,053	
								£2,053	
								67.5%	
								Total Value	
								£3,131,169	
								£12,930,856	
								£14,762,727	
								£4,057,056	
Gross Development Value									
£668,069,765									
2.0 Development Costs									
Matthew Spilsbury: Stamp Duty Land Tax (SDLT) rate is based on current HMRC requirements. Consistent with PBA.									
Matthew Spilsbury: Uses rate of 1.75% for purchaser's costs. This is consistent with PBA.									
Matthew Spilsbury: Cashflow corrected so land cost run over half of development timescale. Consistent with PBA's approach for other sites.									
2.1 Site Acquisition		Net site value (residual land value)		SDLT		4.97%		Purchaser Costs	
								1.75%	
								6.72%	
								£41,521,981	
Site Costs									
£44,314,215									
2.3 Build Costs									
2.3.1 Private Units		Flats		No. of units		Size sq.m		Total sq.m	
		2 bed house		97.50		66.00		6,435	
		3 bed house		682.50		80.00		54,600	
		4+ bed house		780.00		91.33		71,240	
				390.00		125.50		48,945	
				1,950.0				181,220	
								Cost per sq.m	
								£1,176.71	
								£1,006.43	
								£1,006.43	
								£1,006.43	
								Total Costs	
								£7,572,129	
								£54,951,078	
								£71,698,073	
								£49,259,716	
2.3.2 Affordable Units		Flats		No. of units		Size sq.m		Total sq.m	
		2 bed house		183.75		66.0		12,128	
		3 bed house		393.75		80.0		31,500	
		4+ bed house		393.75		91.3		35,963	
				78.75		125.5		9,883	
				1,050.0				89,473	
								Cost per sq.m	
								£1,176.71	
								£1,006.43	
								£1,006.43	
								£1,006.43	
								Total Costs	
								£14,270,551	
								£31,702,545	
								£36,193,739	
								£9,946,673	
2.3.3 Extra-over BR2013				0.00%		build cost			
								£0	
3,000.00									
£275,594,504									
2.4 Extra Over Construction Costs									
2.4.1 Externals		10%		on build cost		Matthew Spilsbury: Kept just on build cost as PBA		£27,559,450	
2.4.2 Site Abnormals (remediation / demolition)		£0		per net ha				£0	
2.4.3 Site Opening Up Costs		£17,403		per unit		Matthew Spilsbury: Timescale amended to 50% of development - in line with appraisals for PBAs other typologies		£52,209,862	
£79,769,312									
2.5 Professional Fees									
2.5.1 Professional fees at 10% - as per PBA		10%		on build costs only		Matthew Spilsbury: Professional fees applied to base build cost only as per PBA recommendation		£27,559,450	
£27,559,450									
2.6 Contingency									
2.6.1 Higher Housing Cost is only applied to base build costs - as per PBA recommendation.		5%		on build costs only		Matthew Spilsbury: Contingency applied to base build cost only as per PBA recommendation		£13,779,725	
£13,779,725									
2.7 Developer Contributions									
2.7.1 Lifetime Homes				per unit		Matthew Spilsbury: CIL is not included in the cashflow as per PBA's recommendation.			
2.7.2 Higher Housing Cost		2.50%						£6,889,863	
2.7.3 CIL		£0		per sqm (OM only)				£0.00	
2.7.4 S106 / S278		£13,910.67		per unit		Matthew Spilsbury: Timing of S106/S278 cost is now as per agreed triggers in IDP between SDC and IM following CIL Examination. Updated to reflect shortened delivery period.		£41,732,000	
£48,621,863									
2.8 Sale Cost									
2.8.1 Private Units Only		3.00%		on OM GDV		Matthew Spilsbury: Consistent with PBA - only on open market houses		£16,313,615	
£16,313,615									
TOTAL DEVELOPMENT COSTS (including land)									
£505,952,685									
3.0 Developer's Profit									
3.1 Private Units		20%		on OM GDV		Matthew Spilsbury: Cashflow corrected to be consistent with other site typologies tested by PBA. Now drawn down over sales period.		£108,757,434	
3.2 Affordable Units		6%		on AH transfer values				£7,456,956	
£116,214,390									
TOTAL PROJECT COSTS (EXCLUDING INTEREST)									
£622,167,075									
TOTAL INCOME - TOTAL COSTS (EXCLUDING INTEREST)									
£45,902,690									
4.0 Finance Costs									
4.1 Finance		APR		6.50%		on net costs		PCM	
								0.526%	
								-£45,902,690	
£668,069,765									
TOTAL PROJECT COSTS (INCLUDING INTEREST)									
PROJECT BALANCE									
£0									

			Net site area	Floorspace (total)	Floorspace (CIL Liable)	Residual Land Value	Benchmark Land Value	Maximum CIL Headroom			PBA SCS CIL Rate	
			Ha	Sqm	Per Ha	Per Ha	Per Ha	Per Ha	Per Sqm (Total)	Per Sqm (CIL Liable)	£/sqm (Proposed)	Buffer (%)
GLH	Appraisal GLH 2		75.34	270,693	181,220	£551,128	£640,000	-£88,872	-£24.74	-£36.95	£110.00	N/A

[illegible]

		Net site area	Floorspace (total)	Floorspace (CIL Liabale)	Residual Land Value	Benchmark Land Value	Maximum CIL Headroom			PBA SCS CIL Rate	
					Per Ha	Per Ha	Per Ha	Per Sqm (Total)	Per Sqm (CIL Liabale)	£/sqm (Proposed)	Buffer (%)
GLH	Appraisal GLH 2	Ha 75.34	Sqm 270,693	Sqm \$11,220	Per Ha £551,128	Per Ha £640,000	Per Ha -£88,872	Per Sqm (Total) -£24.74	Per Sqm (CIL Liabale) -£36.95	£/sqm (Proposed) £110.00	Buffer (%) N/A

Site	Appraisal	Net site area	Floorspace (total)	Floorspace (CIL Liable)	Residual Land Value	Benchmark Land Value	Maximum CIL Headroom			PBA SCS CIL Rate	
		Ha	Sqm	Sqm	Per Ha	Per Ha	Per Ha	Per Sqcm (Total)	Per Sqcm (CIL Liable)	£/sqm (Proposed)	Buffer (%)
GLH	Appraisal GLH 2	75.34	270,693	181,220	£551,128	£640,000	-£88,872	-£24.74	-£36.95	£/sqm (Proposed)	Buffer (%)

		Net site area	Floorspace (total)	Floorspace (CIL Liable)	Residual Land Value	Benchmark Land Value	Maximum CIL Headroom			PBA SCS CIL Rate	
							Per Ha	Per SqM (Total)	Per SqM (CIL Liable)	£/sqm (Proposed)	Buffer (%)
Site	Appraisal	Ha	Sqm	Sqm	Per Ha	Per Ha	Per Ha	Per SqM (Total)	Per SqM (CIL Liable)	£/sqm (Proposed)	Buffer (%)
GLH	Appraisal GLH 2	75.34	270,693	181,220	£551,128	£640,000	-£88,872	-£24.74	-£36.95	£110.00	N/A

		Net site area	Floorspace (total)	Floorspace (CIL Liable)	Residual Land Value	Benchmark Land Value	Maximum CIL Headroom			PBA SC5 CIL Rate	
							Per Ha	Per Sqm (CIL Liable)	£/sqm [Proposed]	Buffer (%)	
GLH	Appraisal GLH 2	75.34	270,693	\$m \$11,220	Per Ha £551,128	Per Ha £640,000	Per Ha -£88,872	Per Sqm (Total) -£24.74	Per Sqm (CIL Liable) -£36.95	£/sqm £110.00	Buffer (%) N/A

		Net site area	Floorspace (total)	Floorspace (CIL Liable)	Residual Land Value	Benchmark Land Value	Maximum CIL Headroom			PBA SCS CIL Rate	
							Per Ha	Per Sqm (Total)	Per Sqm (CIL Liable)	£/sqm (Proposed)	Buffer (%)
GLH	Appraisal GLH 2	75.34	270,693	181,220	£551,128	£640,000	-£88,872	-£24.7	-£36.95	£110.00	N/A

		Net site area	Floorspace (total)	Floorspace (CIL Liable)	Residual Land Value	Benchmark Land Value	Maximum CIL Headroom			PBA SCS CIL Rate	
							Per Ha	Per Sqm (Total)	Per Sqm (CIL Liable)	£/sqm (Proposed)	Buffer (%)
GLH	Appraisal GLH 2	75.34	270,693	181,220	£551,128	£640,000	-£88,872	-£24.7	-£36.95	£110.00	N/A

Site	Appraisal	Net site area	Floorspace (total)	Floorspace (CIL Liable)	Residual Land Value	Benchmark Land Value	Maximum CIL Headroom			PBA SCS CIL Rate	
		Ha	Sqm	Sqm	Per Ha	Per Ha	Per Ha	Per Sqcm (Total)	Per Sqcm (CIL Liable)	£/sqm (Proposed)	Buffer (%)
GLH	Appraisal GLH 2	75.34	270,693	181,220	£551,128	£640,000	-£88,872	-£24.74	-£36.95	£110.00	N/A

Appendix 5: Savills Letter to SDC & Correspondence from Richard Burke – CEG

31 January 2017
Savills Letter 010217 (John Careford)

The Savills logo consists of the word "savills" in a red, lowercase, sans-serif font, positioned on a bright yellow rectangular background.

Mr John Careford MRTPI
Acting Policy Manager (Planning & Housing)
Policy Team
Stratford on Avon District Council
Elizabeth House
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Dear Mr Careford

GAYDON LIGHTHORNE HEATH, WARWICKSHIRE

I write to provide you with our views on the development land market at a national level and across the region, in particular with relevance to Gaydon Lighthorne Heath (GLH), Warwickshire, where Savills acts as sole retained agent to CEG / Bird Group.

- The UK's decision to leave the EU in mid-June had a significant impact on the development land market, with housebuilders quickly adopting a more cautious attitude to risk and in many cases increasing profit margins in the expectation that demand for new homes would fall over the short to medium term;
- At a national level, the temporary cease in activity resulted in land values stagnating or falling during Q3 of 2016, with UK Greenfield development land values falling by 0.4% during this period according to the Savills Development Land Index;
- Viewed holistically, the land market has returned to growth during the last three months of the year, with Greenfield land values increasing by 0.5% over this period. However, there remains significant variation across the country with demand focused on stronger, established markets, close to established residential areas, good infrastructure and with proven demand from end purchasers;
- Housebuilders are bidding selectively, with land buyers typically focusing on lower risk, 'oven ready' sites with little or no remediation required and no significant up front infrastructure requirements. Generally, there is less demand for larger sites in rural or economically weaker / untested markets;
- PLC housebuilders are becoming more active in the land market once again, however are typically targeting smaller, consented parcels of 100 – 150 dwellings. This is in contrast the trend observed throughout much of 2014 / 2015, where demand from volume housebuilders was increasingly for larger lot sizes, which provided an established development pipeline while enabling them to benefit from the increased sales values which can be derived through a captive market and investment in placemaking and a high quality public realm;
- Deferred payment terms have become more common in order to improve developers' Return on Capital Employed, and hurdle rates have increased in response to their reduced attitude to risk and the large supply of consented land currently coming to the market;
- Regional and SME operators have been able to take advantage of the more selective land buying by the PLC housebuilders, however are typically focused on small, fully serviced parcels with no infrastructure requirements;

Offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East.

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GLH represents a new and untested market away from the established settlements of Stratford, Warwick, Leamington and Banbury. As a result properties will have to be priced more competitively to attract new buyers until the community facilities are delivered and the development is established as a mature location in its own right;

The significant up front infrastructure works required will reduce interest from PLC housebuilders currently focused on smaller, oven ready parcels, and a more flexible approach to delivery will therefore be required in order to achieve a sustainable new community over the medium to longer term. Particular emphasis must be placed on the initial phases in order to ensure the delivery of a high quality gateway which will set the tone for the wider development.

In Summary, Savills acting as development advisor and land agent to CEG/Bird Group, would have significant concerns about the impact of a proposed £110/m² CIL rate on the viability and delivery of GLH in the current and foreseeable climate.

I trust that this overview is helpful, however please let me know if you require any further information.

Yours faithfully

A handwritten signature in black ink, appearing to read "Tim Watson", written in a cursive style.

Tim Watson MRICS
Associate Director

Matthew Spilsbury

Subject:

FW: Stratford-on-Avon District Council - CIL

----- Original message -----

From: Richard Burke <Richard.Burke@ceg.co.uk>

Date: 06/02/2017 10:52 (GMT+00:00)

To: Jonathan Dyke <Jonathan.Dyke@imland.co.uk>

Cc: Tim Watson <TWatson@savills.com>, "Jason Hill (JHill@savills.com)" <JHill@savills.com>

Subject: Stratford-on-Avon District Council - CIL

Dear Jonathan

I refer to the attached letter from Savills to Stratford-on-Avon District Council in relation to CIL.

I confirm CEG's endorsement of the contents of this letter, as promoter of GLH and that I agree that the proposed CIL rate will affect the viability of bringing forward this important strategic housing allocation.

Regards

Richard

RICHARD BURKE

Regional Head of Strategic Development - Midlands



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Appendix 6: CBRE Residential Market Context Addendum Report

GAYDON LIGHTHORNE HEATH

Residential Market Context Report

ADDENDUM REPORT

December 2016



INTRODUCTION

CBRE was instructed to prepare an independent Residential Market Context Report (dated August 2016) as evidence forming part of IM's submission to the Stratford on Avon Community Infrastructure Levy ("CIL") Examination in September 2016.

We have since read the evidence of Peter Brett Associates ("PBA") supporting the Council's CIL Submission "Review of residential values, costs and scenario testing" (November 2016).

In response, CBRE has prepared this short addendum report. It focuses in particular on the validity and reliability of the 'comparable evidence' presented by PBA in 'Appendix A', which PBA propose to be comparable to Gaydon Lighthorne Heath (GLH).

Disappointingly, from our review of PBA's November 2016 reporting, and Appendix A, it is clear that CBRE's Market Context Report submitted to the Examination by IM has been ignored with no information or comparables presented in our report being taken into account.

INDEPENDENT REVIEW OF PBA'S NOVEMBER 2016 REPORT AND APPENDIX A

PBA's report has reached a conclusion of sales values equating to £3,150 per sq m (£293 per sq ft) for general housing at GLH. This contradicts previous analysis by PBA in document PC1E, which had advocated and utilised values at £3,050 per sq m (£283 per sq ft).

From the current local market transactional evidence reviewed and an updated analysis of the market outlined as presented in our previous report, CBRE remains firmly of the opinion that neither of these sales values figures is achievable at GLH in the current market.

PBA state that the GLH sales values are based on evidence presented in Appendix A. This document identifies a very restricted pool of evidence. The blended average of the comparables cited by PBA equates to £3,298 per sq m (£306 per sq ft). An assumed 5% incentive discount has been applied to this which equates to £3,133 per sq m (£291 per sq ft).

CBRE is of the opinion that the use of data from Appendix A to inform sales values at GLH is fundamentally flawed.

A major flaw in PBA's evidence provided is that these have been sourced from superior and established locations such as Warwick and Leamington, which are simply not comparable to Gaydon. It is unclear how PBA have reached a conclusion that such elevated values would be realistic at GLH.

In addition, it appears that the majority of the examples in Appendix A are historic with developers no longer selling on these sites – and it is difficult to confirm whether pricing reflects asking prices at a point in time, or achieved sales values. The information given is very poor.

CBRE do not believe that the analysis undertaken by PBA takes into account local new build comparable evidence as provided in our previous report. In addition, PBA do not make any of the essential pricing adjustments for GLH, as per the CBRE sourced evidence.

As concluded in our August 2016 Market Context Report GLH will be a new, untested settlement, adjacent to the motorway with a lack of amenities and transport links. As a result, it is our professional opinion that it will take a period of time, and a number of phases before GLH can create a sense of place, and a new established residential location in its own right. This reflects CBRE's experience on other, similar sized new schemes.

To re-confirm our previous conclusions, based on our analysis of new build transactional activity we believe the closest comparable in terms of scale and location to GLH is the St Modwen Homes and Persimmon Homes development at Long Marston (Meon Vale).

Persimmon and St Modwen Homes have directly confirmed that they are currently achieving sales values of £252 - £259 per sq ft. We have applied an appropriate uplift to these values to reflect the superior accessibility and substantial employment opportunities at GLH (e.g. JLR within close proximity).

On this basis CBRE concludes that net achievable sales values for GLH should be logically set at an average of £265 - £275 per sq ft (£2,852 - £2,960 per sq m) in order for the GLH project to be viable and to be competitive in drawing purchasers within the local housing market.

We outline below a review of the comparables presented by PBA;

SITE	LOCATION	DEVELOPER	SITE OVERVIEW	RELEVANCE TO GLH	COMMENTS
ETTINGHAM PARK	Wellesbourne	Charles Church	175 unit scheme on southern outskirts of Wellesbourne	Not comparable. Superior and established location	<p>NOTE: The Hatfield property used as an example by PBA is 121 sq m, not 112 sq m, equating to an average sales value of £2,975 psm not £3,228 psm</p> <p>Actual information sourced directly from Charles Church;</p> <p>3 bed average = £2,982 psm (£277 psf)</p> <p>4 bed average = £2,987 psm (£278 psf)</p> <p>5 bed average = £2,922 psm (£271 psf)</p> <p>Blended average sales values across the site equates to £2,982 psm (£277 psf)</p>
BEAUMONT MEADOW	Warwick	Taylor Wimpey	76 unit scheme of the edge of Warwick	Established, superior location in Warwick. Not comparable	Taylor Wimpey no longer marketing site. Historic information. Last sale 26 th June 2015
WARWICK GATES	Heathcote, Warwick	David Wilson Homes	220 unit scheme (88 of which Affordable)	Established superior location in Warwick. Not comparable	David Wilson Homes have one property remaining on site. Information not available from Developer
THE FAIRWAYS	Leamington Spa	Bovis	110 unit scheme on	Established superior location in	Information not available from Developer

			southern outskirts of Leamington Spa	Leamington Spa. Not comparable.	
CHASE MEADOW	Warwick	Bellway	103 unit scheme	Established location in Warwick. Not comparable.	<p>Bellway no longer marketing site. Historic information. Last sale was December 2015.</p> <p>Information sourced directly from Bellway Homes (June 2015 to December 2015);</p> <p>3 bed average = £3,164 psm (£294 psf)</p> <p>4 bed average = £2,797 psm (£260 psf)</p> <p>5 bed average = £2,889 psm (£268 psf)</p> <p>Blended average sales values across site equates to £2,990 psm (£273 psf)</p>
FARRINGTON CLOSE	?	?			<p>Not aware of scheme, developer or location.</p> <p>Insufficient information provided by PBA</p>

Appendix 7: RICS BCIS Cost Reports

£/m² study

Description: Rate per m² gross internal floor area for the building Cost including prelims.

Last updated: 26-Nov-2016 12:19

› Rebased to 1Q 2016 (273; forecast) and Stratford-on-Avon (102; sample 24)

Maximum age of results: 5 years

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
Estate housing							
Generally (5)	1,065	699	917	1,032	1,162	3,380	730
Single storey (5)	1,219	792	1,056	1,214	1,344	1,793	107
2-storey (5)	1,031	699	904	1,007	1,113	2,053	578
3-storey (5)	1,083	719	970	1,062	1,213	1,549	44
4-storey or above (5)	3,380	-	-	-	-	-	1
Estate housing detached (5)	1,257	798	1,061	1,220	1,414	1,793	5
Estate housing semi detached							
Generally (5)	1,076	711	923	1,051	1,168	1,792	190
Single storey (5)	1,251	792	1,081	1,248	1,362	1,721	33
2-storey (5)	1,037	711	916	1,013	1,123	1,792	149
3-storey (5)	1,074	798	919	1,051	1,140	1,549	8
Estate housing terraced							
Generally (5)	1,080	719	916	1,028	1,176	3,380	144
Single storey (5)	1,237	825	1,007	1,284	1,449	1,731	12
2-storey (5)	1,044	728	908	1,006	1,112	2,053	113
3-storey (5)	1,075	719	982	1,062	1,186	1,499	18
4-storey or above (5)	3,380	-	-	-	-	-	1
Flats (apartments)							
Generally (5)	1,319	736	1,111	1,261	1,487	4,302	251
1-2 storey (5)	1,254	750	1,112	1,198	1,381	1,939	51
3-5 storey (5)	1,283	736	1,079	1,248	1,448	2,380	172
6+ storey (5)	1,658	973	1,350	1,568	1,659	4,302	28

£/m2 study

Description: Rate per m2 gross internal floor area for the building Cost including prelims.

Last updated: 26-Nov-2016 12:19

› Rebased to 1Q 2015 (269; sample 29) and Stratford-on-Avon (102; sample 24)

Maximum age of results: 5 years

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
Estate housing							
Generally (5)	1,050	688	904	1,017	1,145	3,331	730
Single storey (5)	1,201	780	1,040	1,196	1,325	1,766	107
2-storey (5)	1,016	688	891	992	1,097	2,023	578
3-storey (5)	1,067	708	955	1,047	1,195	1,527	44
4-storey or above (5)	3,331	-	-	-	-	-	1
Estate housing detached (5)	1,239	786	1,045	1,202	1,393	1,766	5
Estate housing semi detached							
Generally (5)	1,060	701	909	1,036	1,151	1,766	190
Single storey (5)	1,233	780	1,065	1,230	1,342	1,696	33
2-storey (5)	1,022	701	903	998	1,106	1,766	149
3-storey (5)	1,058	786	906	1,036	1,123	1,527	8
Estate housing terraced							
Generally (5)	1,064	708	903	1,013	1,159	3,331	144
Single storey (5)	1,219	813	992	1,265	1,428	1,706	12
2-storey (5)	1,028	718	895	991	1,096	2,023	113
3-storey (5)	1,060	708	967	1,047	1,168	1,477	18
4-storey or above (5)	3,331	-	-	-	-	-	1
Flats (apartments)							
Generally (5)	1,299	725	1,095	1,242	1,465	4,239	251
1-2 storey (5)	1,236	739	1,096	1,181	1,360	1,910	51
3-5 storey (5)	1,264	725	1,063	1,230	1,427	2,345	172
6+ storey (5)	1,634	959	1,330	1,545	1,634	4,239	28

£/m2 study

Description: Rate per m2 gross internal floor area for the building Cost including prelims.

Last updated: 26-Nov-2016 12:19

› Rebased to 1Q 2015 (269; sample 29) and Stratford-on-Avon (102; sample 24)

Maximum age of results: Default period

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
Estate housing							
Generally (15)	1,034	512	884	1,008	1,139	3,331	1841
Single storey (15)	1,147	595	986	1,118	1,302	1,951	312
2-storey (15)	1,008	512	874	984	1,108	2,023	1393
3-storey (15)	1,024	661	840	971	1,148	2,108	134
4-storey or above (25)	1,915	1,109	-	1,611	-	3,331	4
Estate housing detached (15)	1,137	786	943	1,171	1,222	1,766	17
Estate housing semi detached							
Generally (15)	1,039	521	898	1,017	1,146	1,951	429
Single storey (15)	1,203	724	1,030	1,201	1,342	1,951	77
2-storey (15)	1,005	521	890	987	1,106	1,766	333
3-storey (15)	962	710	798	942	1,036	1,527	19
Estate housing terraced							
Generally (15)	1,050	512	879	1,010	1,176	3,331	400
Single storey (15)	1,122	673	936	1,053	1,332	1,706	54
2-storey (15)	1,032	512	877	1,002	1,146	2,023	287
3-storey (15)	1,027	671	838	966	1,104	2,108	58
4-storey or above (5)	3,331	-	-	-	-	-	1
Flats (apartments)							
Generally (15)	1,239	605	1,032	1,182	1,399	4,239	884
1-2 storey (15)	1,170	692	1,012	1,134	1,294	2,238	210
3-5 storey (15)	1,217	605	1,022	1,177	1,391	2,421	593
6+ storey (15)	1,592	905	1,289	1,523	1,735	4,239	77

£/m2 study

Description: Rate per m2 gross internal floor area for the building Cost including prelims.

Last updated: 26-Nov-2016 12:19

› Rebased to 1Q 2016 (273; forecast) and Stratford-on-Avon (102; sample 24)

Maximum age of results: Default period

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
Estate housing							
Generally (15)	1,049	519	897	1,023	1,156	3,380	1841
Single storey (15)	1,165	604	1,000	1,135	1,322	1,980	312
2-storey (15)	1,023	519	887	999	1,125	2,053	1393
3-storey (15)	1,039	671	853	985	1,165	2,139	134
4-storey or above (25)	1,944	1,125	-	1,635	-	3,380	4
Estate housing detached (15)	1,154	798	957	1,189	1,241	1,793	17
Estate housing semi detached							
Generally (15)	1,054	529	912	1,032	1,163	1,980	429
Single storey (15)	1,220	735	1,046	1,219	1,362	1,980	77
2-storey (15)	1,020	529	903	1,002	1,122	1,792	333
3-storey (15)	976	720	810	956	1,051	1,549	19
Estate housing terraced							
Generally (15)	1,065	519	892	1,025	1,193	3,380	400
Single storey (15)	1,139	683	950	1,068	1,352	1,731	54
2-storey (15)	1,048	519	891	1,017	1,163	2,053	287
3-storey (15)	1,043	681	850	980	1,121	2,139	58
4-storey or above (5)	3,380	-	-	-	-	-	1
Flats (apartments)							
Generally (15)	1,258	614	1,048	1,200	1,420	4,302	884
1-2 storey (15)	1,187	702	1,027	1,151	1,313	2,272	210
3-5 storey (15)	1,235	614	1,038	1,195	1,411	2,457	593
6+ storey (15)	1,615	919	1,308	1,545	1,760	4,302	77

£/m2 study

Description: Rate per m2 gross internal floor area for the building Cost including prelims.

Last updated: 26-Nov-2016 12:19

› Rebased to 2Q 2015 (280; forecast) and Stratford-on-Avon (102; sample 24)

Maximum age of results: 5 years

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
Estate housing							
Generally (5)	1,092	717	940	1,058	1,192	3,467	730
Single storey (5)	1,250	812	1,083	1,245	1,379	1,839	107
2-storey (5)	1,058	717	927	1,033	1,142	2,106	578
3-storey (5)	1,111	737	994	1,090	1,244	1,589	44
4-storey or above (5)	3,467	-	-	-	-	-	1
Estate housing detached (5)	1,289	819	1,088	1,251	1,450	1,839	5
Estate housing semi detached							
Generally (5)	1,104	729	946	1,078	1,198	1,838	190
Single storey (5)	1,283	812	1,109	1,280	1,397	1,765	33
2-storey (5)	1,064	729	940	1,039	1,152	1,838	149
3-storey (5)	1,101	818	943	1,078	1,169	1,589	8
Estate housing terraced							
Generally (5)	1,108	737	940	1,054	1,206	3,467	144
Single storey (5)	1,268	846	1,033	1,317	1,486	1,776	12
2-storey (5)	1,070	747	931	1,031	1,141	2,106	113
3-storey (5)	1,103	737	1,007	1,090	1,216	1,538	18
4-storey or above (5)	3,467	-	-	-	-	-	1
Flats (apartments)							
Generally (5)	1,353	755	1,140	1,293	1,525	4,413	251
1-2 storey (5)	1,287	770	1,141	1,229	1,416	1,988	51
3-5 storey (5)	1,316	755	1,106	1,280	1,485	2,441	172
6+ storey (5)	1,700	998	1,385	1,608	1,701	4,413	28

£/m2 study

Description: Rate per m2 gross internal floor area for the building Cost including prelims.

Last updated: 26-Nov-2016 12:19

› Rebased to 2Q 2015 (280; forecast) and Stratford-on-Avon (102; sample 24)

Maximum age of results: Default period

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
Estate housing							
Generally (15)	1,076	533	920	1,049	1,186	3,467	1841
Single storey (15)	1,194	620	1,026	1,164	1,356	2,031	312
2-storey (15)	1,049	533	909	1,024	1,154	2,106	1393
3-storey (15)	1,066	688	875	1,011	1,195	2,194	134
4-storey or above (25)	1,994	1,154	-	1,677	-	3,467	4
Estate housing detached (15)	1,184	819	982	1,219	1,272	1,839	17
Estate housing semi detached							
Generally (15)	1,081	542	935	1,059	1,193	2,031	429
Single storey (15)	1,252	754	1,072	1,250	1,397	2,031	77
2-storey (15)	1,046	542	926	1,027	1,151	1,838	333
3-storey (15)	1,001	739	831	980	1,078	1,589	19
Estate housing terraced							
Generally (15)	1,092	533	915	1,052	1,224	3,467	400
Single storey (15)	1,168	701	975	1,096	1,387	1,776	54
2-storey (15)	1,074	533	913	1,043	1,192	2,106	287
3-storey (15)	1,069	699	872	1,006	1,149	2,194	58
4-storey or above (5)	3,467	-	-	-	-	-	1
Flats (apartments)							
Generally (15)	1,290	629	1,075	1,230	1,456	4,413	884
1-2 storey (15)	1,218	720	1,053	1,180	1,347	2,330	210
3-5 storey (15)	1,267	629	1,064	1,226	1,447	2,520	593
6+ storey (15)	1,657	942	1,342	1,585	1,806	4,413	77

£/m2 study

Description: Rate per m2 gross internal floor area for the building Cost including prelims.

Last updated: 26-Nov-2016 12:19

› Rebased to 2Q 2016 (289; forecast) and Stratford-on-Avon (102; sample 24)

Maximum age of results: 5 years

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
Estate housing							
Generally (5)	1,128	740	971	1,092	1,230	3,578	730
Single storey (5)	1,291	838	1,118	1,285	1,423	1,898	107
2-storey (5)	1,092	740	957	1,066	1,179	2,173	578
3-storey (5)	1,147	761	1,026	1,125	1,284	1,640	44
4-storey or above (5)	3,578	-	-	-	-	-	1
Estate housing detached (5)	1,331	845	1,123	1,291	1,497	1,898	5
Estate housing semi detached							
Generally (5)	1,139	753	977	1,113	1,237	1,897	190
Single storey (5)	1,325	838	1,145	1,321	1,441	1,822	33
2-storey (5)	1,098	753	970	1,072	1,189	1,897	149
3-storey (5)	1,137	844	973	1,113	1,207	1,640	8
Estate housing terraced							
Generally (5)	1,143	761	970	1,088	1,245	3,578	144
Single storey (5)	1,309	873	1,066	1,359	1,534	1,833	12
2-storey (5)	1,105	771	961	1,064	1,178	2,173	113
3-storey (5)	1,138	761	1,039	1,125	1,255	1,587	18
4-storey or above (5)	3,578	-	-	-	-	-	1
Flats (apartments)							
Generally (5)	1,396	779	1,176	1,334	1,574	4,554	251
1-2 storey (5)	1,328	794	1,178	1,269	1,462	2,052	51
3-5 storey (5)	1,358	779	1,142	1,321	1,533	2,519	172
6+ storey (5)	1,755	1,030	1,429	1,660	1,756	4,554	28

£/m2 study

Description: Rate per m2 gross internal floor area for the building Cost including prelims.

Last updated: 26-Nov-2016 12:19

› Rebased to 2Q 2016 (289; forecast) and Stratford-on-Avon (102; sample 24)

Maximum age of results: Default period

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
Estate housing							
Generally (15)	1,110	550	949	1,082	1,224	3,578	1841
Single storey (15)	1,233	640	1,059	1,201	1,399	2,096	312
2-storey (15)	1,082	550	939	1,057	1,191	2,173	1393
3-storey (15)	1,100	710	903	1,043	1,233	2,264	134
4-storey or above (25)	2,058	1,191	-	1,731	-	3,578	4
Estate housing detached (15)	1,222	845	1,013	1,258	1,313	1,898	17
Estate housing semi detached							
Generally (15)	1,116	559	965	1,093	1,231	2,096	429
Single storey (15)	1,292	778	1,107	1,291	1,441	2,096	77
2-storey (15)	1,080	559	956	1,060	1,188	1,897	333
3-storey (15)	1,033	763	857	1,012	1,113	1,640	19
Estate housing terraced							
Generally (15)	1,128	550	944	1,085	1,263	3,578	400
Single storey (15)	1,206	723	1,006	1,131	1,431	1,833	54
2-storey (15)	1,109	550	943	1,077	1,231	2,173	287
3-storey (15)	1,104	721	900	1,038	1,186	2,264	58
4-storey or above (5)	3,578	-	-	-	-	-	1
Flats (apartments)							
Generally (15)	1,331	650	1,109	1,270	1,503	4,554	884
1-2 storey (15)	1,257	743	1,087	1,218	1,390	2,405	210
3-5 storey (15)	1,308	650	1,098	1,265	1,494	2,601	593
6+ storey (15)	1,710	972	1,385	1,636	1,864	4,554	77

£/m² study

Description: Rate per m² gross internal floor area for the building Cost including prelims.

Last updated: 26-Nov-2016 12:19

› Rebased to 3Q 2015 (268; sample 23) and Stratford-on-Avon (102; sample 24)

Maximum age of results: 5 years

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
Estate housing							
Generally (5)	1,046	686	900	1,013	1,140	3,318	730
Single storey (5)	1,197	777	1,036	1,191	1,320	1,760	107
2-storey (5)	1,013	686	887	988	1,093	2,015	578
3-storey (5)	1,063	706	952	1,043	1,190	1,521	44
4-storey or above (5)	3,318	-	-	-	-	-	1
Estate housing detached (5)	1,234	783	1,041	1,197	1,388	1,760	5
Estate housing semi detached							
Generally (5)	1,056	698	906	1,032	1,147	1,759	190
Single storey (5)	1,228	777	1,061	1,225	1,337	1,690	33
2-storey (5)	1,018	698	900	994	1,102	1,759	149
3-storey (5)	1,054	783	903	1,032	1,119	1,521	8
Estate housing terraced							
Generally (5)	1,060	706	900	1,009	1,154	3,318	144
Single storey (5)	1,214	810	988	1,260	1,422	1,699	12
2-storey (5)	1,025	715	891	987	1,092	2,015	113
3-storey (5)	1,056	706	964	1,043	1,164	1,472	18
4-storey or above (5)	3,318	-	-	-	-	-	1
Flats (apartments)							
Generally (5)	1,295	722	1,091	1,238	1,460	4,223	251
1-2 storey (5)	1,231	737	1,092	1,177	1,355	1,903	51
3-5 storey (5)	1,259	722	1,059	1,225	1,421	2,336	172
6+ storey (5)	1,628	955	1,326	1,540	1,628	4,223	28

£/m2 study

Description: Rate per m2 gross internal floor area for the building Cost including prelims.

Last updated: 26-Nov-2016 12:19

› Rebased to 3Q 2015 (268; sample 23) and Stratford-on-Avon (102; sample 24)

Maximum age of results: Default period

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
Estate housing							
Generally (15)	1,030	510	880	1,004	1,135	3,318	1841
Single storey (15)	1,143	593	982	1,114	1,298	1,944	312
2-storey (15)	1,004	510	870	981	1,104	2,015	1393
3-storey (15)	1,020	658	837	967	1,144	2,100	134
4-storey or above (25)	1,908	1,105	-	1,605	-	3,318	4
Estate housing detached (15)	1,133	783	940	1,167	1,218	1,760	17
Estate housing semi detached							
Generally (15)	1,035	519	895	1,013	1,142	1,944	429
Single storey (15)	1,198	721	1,026	1,197	1,337	1,944	77
2-storey (15)	1,002	519	887	983	1,102	1,759	333
3-storey (15)	958	707	795	938	1,032	1,521	19
Estate housing terraced							
Generally (15)	1,046	510	876	1,007	1,171	3,318	400
Single storey (15)	1,118	671	933	1,049	1,327	1,699	54
2-storey (15)	1,028	510	874	998	1,141	2,015	287
3-storey (15)	1,023	669	835	963	1,100	2,100	58
4-storey or above (5)	3,318	-	-	-	-	-	1
Flats (apartments)							
Generally (15)	1,234	602	1,029	1,178	1,394	4,223	884
1-2 storey (15)	1,165	689	1,008	1,130	1,289	2,230	210
3-5 storey (15)	1,213	602	1,019	1,173	1,385	2,412	593
6+ storey (15)	1,586	902	1,284	1,517	1,728	4,223	77

£/m2 study

Description: Rate per m2 gross internal floor area for the building Cost including prelims.

Last updated: 26-Nov-2016 12:19

› Rebased to 3Q 2016 (285; forecast) and Stratford-on-Avon (102; sample 24)

Maximum age of results: 5 years

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
Estate housing							
Generally (5)	1,112	729	957	1,077	1,213	3,529	730
Single storey (5)	1,273	826	1,102	1,267	1,403	1,872	107
2-storey (5)	1,077	729	944	1,051	1,162	2,143	578
3-storey (5)	1,131	750	1,012	1,109	1,266	1,617	44
4-storey or above (5)	3,529	-	-	-	-	-	1
Estate housing detached (5)	1,312	833	1,107	1,273	1,476	1,872	5
Estate housing semi detached							
Generally (5)	1,123	742	963	1,097	1,219	1,871	190
Single storey (5)	1,306	826	1,129	1,303	1,422	1,797	33
2-storey (5)	1,083	742	957	1,057	1,172	1,871	149
3-storey (5)	1,121	833	960	1,097	1,190	1,617	8
Estate housing terraced							
Generally (5)	1,127	750	957	1,073	1,228	3,529	144
Single storey (5)	1,291	861	1,051	1,340	1,513	1,807	12
2-storey (5)	1,090	760	948	1,050	1,161	2,143	113
3-storey (5)	1,123	750	1,025	1,109	1,238	1,565	18
4-storey or above (5)	3,529	-	-	-	-	-	1
Flats (apartments)							
Generally (5)	1,377	768	1,160	1,316	1,552	4,491	251
1-2 storey (5)	1,310	783	1,161	1,251	1,441	2,024	51
3-5 storey (5)	1,339	768	1,126	1,303	1,511	2,485	172
6+ storey (5)	1,731	1,016	1,410	1,637	1,732	4,491	28

£/m2 study

Description: Rate per m2 gross internal floor area for the building Cost including prelims.

Last updated: 26-Nov-2016 12:19

› Rebased to 3Q 2016 (285; forecast) and Stratford-on-Avon (102; sample 24)

Maximum age of results: Default period

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
Estate housing							
Generally (15)	1,095	542	936	1,067	1,207	3,529	1841
Single storey (15)	1,216	631	1,044	1,185	1,380	2,067	312
2-storey (15)	1,067	542	926	1,043	1,174	2,143	1393
3-storey (15)	1,085	700	890	1,029	1,216	2,233	134
4-storey or above (25)	2,029	1,175	-	1,707	-	3,529	4
Estate housing detached (15)	1,205	833	999	1,241	1,295	1,872	17
Estate housing semi detached							
Generally (15)	1,101	552	952	1,078	1,214	2,067	429
Single storey (15)	1,274	767	1,092	1,273	1,422	2,067	77
2-storey (15)	1,065	552	943	1,046	1,172	1,871	333
3-storey (15)	1,019	752	845	998	1,097	1,617	19
Estate housing terraced							
Generally (15)	1,112	542	931	1,070	1,246	3,529	400
Single storey (15)	1,189	713	992	1,115	1,412	1,807	54
2-storey (15)	1,094	542	930	1,062	1,214	2,143	287
3-storey (15)	1,088	711	888	1,024	1,170	2,233	58
4-storey or above (5)	3,529	-	-	-	-	-	1
Flats (apartments)							
Generally (15)	1,313	641	1,094	1,252	1,482	4,491	884
1-2 storey (15)	1,239	733	1,072	1,201	1,371	2,372	210
3-5 storey (15)	1,290	641	1,083	1,247	1,473	2,565	593
6+ storey (15)	1,686	959	1,366	1,613	1,838	4,491	77

£/m² study

Description: Rate per m² gross internal floor area for the building Cost including prelims.

Last updated: 26-Nov-2016 12:19

› Rebased to 4Q 2014 (259; sample 31) and Stratford-on-Avon (102; sample 24)

Maximum age of results: 5 years

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
Estate housing							
Generally (5)	1,010	663	870	979	1,102	3,207	730
Single storey (5)	1,157	751	1,002	1,151	1,275	1,701	107
2-storey (5)	979	663	858	955	1,056	1,948	578
3-storey (5)	1,028	682	920	1,008	1,151	1,470	44
4-storey or above (5)	3,207	-	-	-	-	-	1
Estate housing detached (5)	1,193	757	1,006	1,157	1,341	1,701	5
Estate housing semi detached							
Generally (5)	1,021	675	875	997	1,108	1,700	190
Single storey (5)	1,187	751	1,026	1,184	1,292	1,633	33
2-storey (5)	984	675	869	961	1,065	1,700	149
3-storey (5)	1,019	757	872	997	1,081	1,470	8
Estate housing terraced							
Generally (5)	1,024	682	869	975	1,116	3,207	144
Single storey (5)	1,173	783	955	1,218	1,375	1,642	12
2-storey (5)	990	691	861	954	1,055	1,948	113
3-storey (5)	1,020	682	931	1,008	1,125	1,422	18
4-storey or above (5)	3,207	-	-	-	-	-	1
Flats (apartments)							
Generally (5)	1,251	698	1,054	1,196	1,411	4,082	251
1-2 storey (5)	1,190	712	1,055	1,137	1,310	1,839	51
3-5 storey (5)	1,217	698	1,023	1,184	1,373	2,258	172
6+ storey (5)	1,573	923	1,281	1,488	1,574	4,082	28

£/m2 study

Description: Rate per m2 gross internal floor area for the building Cost including prelims.

Last updated: 26-Nov-2016 12:19

› Rebased to 4Q 2014 (259; sample 31) and Stratford-on-Avon (102; sample 24)

Maximum age of results: Default period

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
Estate housing							
Generally (15)	995	493	851	970	1,097	3,207	1841
Single storey (15)	1,105	573	949	1,077	1,254	1,879	312
2-storey (15)	970	493	841	948	1,067	1,948	1393
3-storey (15)	986	636	809	935	1,105	2,029	134
4-storey or above (25)	1,844	1,068	-	1,551	-	3,207	4
Estate housing detached (15)	1,095	757	908	1,128	1,177	1,701	17
Estate housing semi detached							
Generally (15)	1,000	501	865	979	1,103	1,879	429
Single storey (15)	1,158	697	992	1,157	1,292	1,879	77
2-storey (15)	968	501	857	950	1,065	1,700	333
3-storey (15)	926	683	768	907	997	1,470	19
Estate housing terraced							
Generally (15)	1,010	493	846	973	1,132	3,207	400
Single storey (15)	1,080	648	902	1,014	1,283	1,642	54
2-storey (15)	994	493	845	965	1,103	1,948	287
3-storey (15)	989	646	807	930	1,063	2,029	58
4-storey or above (5)	3,207	-	-	-	-	-	1
Flats (apartments)							
Generally (15)	1,193	582	994	1,138	1,347	4,082	884
1-2 storey (15)	1,126	666	974	1,092	1,246	2,155	210
3-5 storey (15)	1,172	582	984	1,134	1,339	2,331	593
6+ storey (15)	1,533	872	1,241	1,466	1,670	4,082	77

£/m2 study

Description: Rate per m2 gross internal floor area for the building Cost including prelims.

Last updated: 26-Nov-2016 12:19

› Rebased to 4Q 2015 (271; forecast) and Stratford-on-Avon (102; sample 24)

Maximum age of results: Default period

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
Estate housing							
Generally (15)	1,041	516	890	1,015	1,148	3,355	1841
Single storey (15)	1,156	600	993	1,126	1,312	1,966	312
2-storey (15)	1,015	516	880	992	1,117	2,038	1393
3-storey (15)	1,032	666	847	978	1,157	2,123	134
4-storey or above (25)	1,930	1,117	-	1,623	-	3,355	4
Estate housing detached (15)	1,145	792	950	1,180	1,231	1,780	17
Estate housing semi detached							
Generally (15)	1,047	525	905	1,025	1,154	1,966	429
Single storey (15)	1,212	729	1,038	1,210	1,352	1,966	77
2-storey (15)	1,013	525	896	994	1,114	1,779	333
3-storey (15)	969	715	804	949	1,043	1,538	19
Estate housing terraced							
Generally (15)	1,057	516	886	1,018	1,184	3,355	400
Single storey (15)	1,131	678	943	1,061	1,342	1,719	54
2-storey (15)	1,040	516	884	1,009	1,154	2,038	287
3-storey (15)	1,035	676	844	973	1,112	2,123	58
4-storey or above (5)	3,355	-	-	-	-	-	1
Flats (apartments)							
Generally (15)	1,248	609	1,040	1,191	1,409	4,271	884
1-2 storey (15)	1,178	697	1,019	1,142	1,304	2,255	210
3-5 storey (15)	1,226	609	1,030	1,186	1,401	2,439	593
6+ storey (15)	1,604	912	1,299	1,534	1,748	4,271	77

£/m² study

Description: Rate per m² gross internal floor area for the building Cost including prelims.

Last updated: 26-Nov-2016 12:19

› Rebased to 4Q 2016 (286; forecast) and Stratford-on-Avon (102; sample 24)

Maximum age of results: 5 years

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
Estate housing							
Generally (5)	1,116	732	961	1,081	1,217	3,541	730
Single storey (5)	1,277	829	1,106	1,271	1,408	1,878	107
2-storey (5)	1,081	732	947	1,055	1,166	2,151	578
3-storey (5)	1,135	753	1,016	1,113	1,270	1,623	44
4-storey or above (5)	3,541	-	-	-	-	-	1
Estate housing detached (5)	1,317	836	1,111	1,278	1,481	1,878	5
Estate housing semi detached							
Generally (5)	1,127	745	967	1,101	1,224	1,878	190
Single storey (5)	1,311	829	1,133	1,308	1,427	1,803	33
2-storey (5)	1,087	745	960	1,061	1,176	1,878	149
3-storey (5)	1,125	835	963	1,101	1,194	1,623	8
Estate housing terraced							
Generally (5)	1,131	753	960	1,077	1,232	3,541	144
Single storey (5)	1,296	864	1,055	1,345	1,518	1,814	12
2-storey (5)	1,093	763	951	1,053	1,165	2,151	113
3-storey (5)	1,127	753	1,028	1,113	1,242	1,571	18
4-storey or above (5)	3,541	-	-	-	-	-	1
Flats (apartments)							
Generally (5)	1,382	771	1,164	1,321	1,558	4,507	251
1-2 storey (5)	1,314	786	1,165	1,256	1,446	2,031	51
3-5 storey (5)	1,344	771	1,130	1,307	1,517	2,493	172
6+ storey (5)	1,737	1,020	1,415	1,643	1,738	4,507	28

£/m² study

Description: Rate per m² gross internal floor area for the building Cost including prelims.

Last updated: 26-Nov-2016 12:19

› Rebased to 4Q 2016 (286; forecast) and Stratford-on-Avon (102; sample 24)

Maximum age of results: Default period

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
Estate housing							
Generally (15)	1,099	544	939	1,071	1,211	3,541	1841
Single storey (15)	1,220	633	1,048	1,189	1,385	2,075	312
2-storey (15)	1,071	544	929	1,046	1,179	2,151	1393
3-storey (15)	1,089	702	894	1,032	1,221	2,241	134
4-storey or above (25)	2,036	1,179	-	1,713	-	3,541	4
Estate housing detached (15)	1,209	836	1,003	1,245	1,300	1,878	17
Estate housing semi detached							
Generally (15)	1,104	554	955	1,081	1,218	2,075	429
Single storey (15)	1,279	770	1,095	1,277	1,427	2,075	77
2-storey (15)	1,069	554	946	1,049	1,176	1,878	333
3-storey (15)	1,022	755	848	1,001	1,101	1,623	19
Estate housing terraced							
Generally (15)	1,116	544	935	1,074	1,250	3,541	400
Single storey (15)	1,193	716	996	1,119	1,417	1,814	54
2-storey (15)	1,097	544	933	1,065	1,218	2,151	287
3-storey (15)	1,092	714	891	1,027	1,174	2,241	58
4-storey or above (5)	3,541	-	-	-	-	-	1
Flats (apartments)							
Generally (15)	1,317	643	1,098	1,257	1,487	4,507	884
1-2 storey (15)	1,244	736	1,076	1,206	1,376	2,380	210
3-5 storey (15)	1,294	643	1,087	1,252	1,478	2,574	593
6+ storey (15)	1,692	962	1,371	1,619	1,844	4,507	77

Appendix 8: RLB Cost Analysis Report

Review of PBA Costs | 5 December 2016

1.0 REQUIREMENT

- RLB were asked to review the costs contained in PBA's appraisal for the Gaydon Lighthorne Heath Site in Warwickshire.
- RLB were asked to comment on the adequacy of the costs that had been applied.
- RLB were asked to prepare comments in the form of a concise briefing note for the developer IM Properties and their consultant Turley.
- This report forms that briefing note and gives an overview of the review methodology adopted. Supporting calculations are appended.

2.0 OBSERVATIONS

2.1 Site Enabling Costs

- It is noted that the appraisal contains £52m for site opening up costs.
- RLB have examined the report prepared by Brookbanks that confirms the scope of such costs, and reviewed in the context of the PBA appraisal and external works.

2.2 Build cost

- PBA have used a build cost averaging £94.58/sf.
- It is noted that no separate allowance is made for garages, and it is understood that the areas to which the rate is applied does not include for garages.
- PBA's costs therefore appear to have omitted the cost of garages. We would expect these to be reflected in an appraisal.

2.3 External Works

2.3.1 PBAs Position

- PBA have calculated the external works costs at 10% of the build cost. This equates to £9.46/sf.

2.3.2 RLB Analysis Methodology

- **To establish if PBA's position is adequate, RLB have "reverse engineered" the all in cost into a number of sub-cost headings.** This has been undertaken for that portion of the site within IM Properties' control (1,000 units).
- This is based on an analysis of similar projects and a proportional split into key cost headings.
- **The sub-cost headings are then divided back by appropriate "all in" rates to establish the quantum of development that could be sustained by PBAs allowances.** A number of key metrics are arrived at (see Table 1).

2.3.3 RLB Proposal

- RLB's expectation would have been for external costs at 12% of the build cost. This equates to £11.35/sf.
- **RLB have been provided with a proving layout for the portion of the site in IM Properties' control. This has been used to quantify some of the key metrics.**
- On a similar basis, the remaining costs are calculated pro-rata to establish the overall quantum of development that can be sustained.

Review of PBA Costs | 5 December 2016

2.3.4 Findings of Reverse Engineered Costs (Table 1)

The key differences are highlighted red, with these two items representing 78% of the cost differences. In the case of RLB's costs these are supported by a measure of a proving layout.

Cost Heading	Key Metric		Cost Difference (£/SF)	Comments
	PBA	RLB		
Demised to dwelling				
Driveways	32m2/dwelling	34m2/dwelling	0.08	After the actual estimation of costs below, there is limited pro-rata cost available for these demised costs.
Paths & Patios	15m2/dwelling	16m2/dwelling	0.04	
Drainage	5m/dwelling	5m/dwelling	0.02	
Landscaping	40m2/dwelling	42m2/dwelling	0.03	The areas allowed per dwelling are very much at the lower end of expectation, even in RLB's allowances.
Fencing	14m/dwelling	15m/dwelling	0.04	
Service Ducts & Sundries	n/a	n/a	0.02	
On plot roads, sewers & services:				
LOS, feature areas	n/a	n/a	0.00	
Feature railings and end walls	3.7m/dwelling	4.2m/dwelling	0.08	
Road, footpath, street lighting	5.6m road/dwelling	7.7m road/dwelling	1.05	RLB measure taken from proving layout.
Drainage	67% of roads	90% of roads	0.44	Expectation that the majority of “on plot” roads have sewers.
Service connections	£787/plot	£800/plot	0.01	
Sundries	n/a	n/a	0.07	

2.3.5 Summary of External Works Analysis

- RLB have "reverse engineered" PBA external works costs into a number of sub-cost headings. All in rates have then been applied to identify the quantum of development that could be sustained by PBA's costs.
- The Reverse Engineering of PBA's costs supports the view that the allowance made is insufficient to deliver the scheme.** The principal differences are in on-plot roads and drainage.
- RLB's alternative cost of 12% of build costs is supported by actual measures** and a similar reverse engineered cost appraisal.

Review of PBA Costs | 5 December 2016

2.4 Professional Fees

- PBA do not apply Professional Fees to the external works costs, only to the build costs.
- Professional fees are expended in designing roads, drainage, laying out plots and landscaping and are required to secure planning consent and technical approvals.
- **Professional Fees are a legitimate cost and it has been demonstrated that the external works rate of 10% used is inadequate to cover them.**
- RLB have applied fees at the same 10% used by PBA elsewhere in their appraisal.

2.5 Contingency

- PBA do not apply contingency to the external works costs
- There are a number of unknowns in designing and building roads and external works including at design and construction stages. It is appropriate that a contingency figure is included to cover these risks.
- **Contingency is a legitimate cost and it has been demonstrated that the external works rate of 10% used is inadequate to cover contingency.**
- RLB have applied fees at the same 5% used by PBA elsewhere in their appraisal.

3.0 SUMMARY OF FINDINGS

3.1 Key findings of RLB's analysis

- **The build cost excludes the cost of garages and these should be added.**
- **The use of 10% for external works has been demonstrated to be inadequate, 12% would be a more appropriate figure.**
- **Contingency and Professional Fees should be added to external works at the same rate as the remainder of the build cost.**

3.2 Summary of proposed cost adjustments

The following adjustments are proposed to PBA's costs:

Cost Heading	PBA £/sf	RLB £/sf	Adjustment Required £/sf
External Works	9.46	11.35	1.89
Professional Fees*	9.46	10.59	1.14
Contingency*	4.73	5.83	1.10
TOTAL	23.65	27.77	4.12

* including on build costs, in PBA case only taken on build costs.

		REVERSE ENGINEERED PBA							RLB							DIFFERENCE						
Ref	Description	%	Qty	U	Rate	Cost £	£/sf	£/unit	%	Qty	U	Rate	Cost £	£/sf	£/unit	%	Qty	U	Rate	Cost £	£/sf	£/unit
							1,008,227	1,000						1,008,227	1,000					665,922		658
SUMMARY:																						
1	DWELLING COST					95,362,520	94.58	95,363					95,362,520	94.58	95,363					0	0.00	0
2	EXTERNALS	10%				9,536,252	9.46	9,536	12%				11,443,502	11.35	11,444					1,907,250	1.89	1,907
3	FEES	10%				9,536,252	9.46	9,536	10%				10,680,602	10.59	10,681					1,144,350	1.14	1,144
4	CONTINGENCY	5%				4,768,126	4.73	4,768	5%				5,874,331	5.83	5,874					1,106,205	1.10	1,106
5	TOTAL COST					119,203,150	118.23	119,203					123,360,956	122.35	123,361					4,157,806	4.12	4,158

NOTES

- This is not a cost plan estimate of the proposed layout. It is a "reverse engineered" cost analysis of the scheme to build up to "all in rates" used by both parties.
- RLB reserve their position in respect of actual estimated costs. Where built up from first principles, these may exceed this cost analysis which is provided here to illustrate key discussion points only.

BREAKDOWNS:

2		EXTERNALS			9,536,252			9.46	9,536	11,443,502			11.35	11,444	1,907,250			1.89	1,907		
2.1		Demised to dwelling			45%			4,291,313	4.26	4,291	40%			4,532,298	4.50	4,532	240,984			0.24	241
2.1.1	Driveways	34%	32.4 m2	45	1,459,047	1.45	1,459	34%	34.2 m2	45	1,540,981	1.53	1,541	1.8 m2	81,935	0.08	82				
2.1.2	Paths & Patios	18%	15.4 m2	50	772,436	0.77	772	18%	16.3 m2	50	815,814	0.81	816	m2	43,377	0.04	43				
2.1.3	Drainage	10%	4.8 m	90	429,131	0.43	429	10%	5.0 m	90	453,230	0.45	453	0.3 m	24,098	0.02	24				
2.1.4	Landscaping	14%	40.1 m2	15	600,784	0.60	601	14%	42.3 m2	15	634,522	0.63	635	2.2 m2	33,738	0.03	34				
2.1.5	Fencing	16%	13.7 m	50	686,610	0.68	687	16%	14.5 m	50	725,168	0.72	725	0.8 m	38,557	0.04	39				
2.1.6	Service Ducts & Sundries	8%			343,305	0.34	343	8%			362,584	0.36	363		19,279	0.02	19				
2.2		On plot roads, sewers & services:			55%			5,244,939	5.20	5,245	60%			6,911,205	6.85	6,911	1,666,266			1.65	1,666
2.2.1	LOS, feature areas	7%			367,146	0.36	367	5%			367,146	0.36	367		0	0.00	0				
2.2.2	Feature railings and end walls	12%	3,702 m	170	629,393	0.62	629	10%	4,200 m	170	714,000	0.71	714	498 m	84,607	0.08	85				
2.2.3	Road, footpath, street lighting	53%	5,560 m	500	2,779,817	2.76	2,780	55%	7,670 m	500	3,835,000	3.80	3,835	2,110 m	1,055,183	1.05	1,055				
2.2.4	Drainage	10%	3,746 m	140	524,494	0.52	524	14%	6,903 m	140	966,420	0.96	966	3,157 m	441,926	0.44	442				
2.2.5	Service connections	15%	1,000 nr	787	786,741	0.78	787	12%	1,000 nr	800	800,000	0.79	800	0 nr	13,259	0.01	13				
2.2.6	Sundries	3%			157,348	0.16	157	3%			228,639	0.23	229		71,291	0.07	71				

KEY METRICS

Road length allowed	5,560 m	7,670 m	2,110 m
Dwellings	1,000 nr	1,000 nr	0 nr
Feature Railings	3.7 m	4.2 m	0.5 m
Road length per dwelling	5.6 m	7.7 m	2.1 m
% Drainage to Road	67%	90%	23%

**Appendix 9: Letter from Lodders Solicitors
(obo IM) to SDC dated 7th
February 2017**

Our Ref: VL/IMP00009/00004
Your Ref:

6 February 2017



Mr D. Webb
Executive Director and Head of Paid Service
Stratford on Avon District Council
Elizabeth House
Church Street
Stratford upon Avon
CV37 6HX

By Post and Email: dave.webb@stratford-dc.gov.uk

Dear Sirs

Stratford on Avon District Council Community Infrastructure Levy ("CIL") Examination Hearing

We are instructed by IM Properties Development Limited and are writing to you on behalf of our client to express concern about the approach being taken by Stratford on Avon District Council ("the Council") at the CIL Examination. The Council's approach to date is seriously risking rendering the process unlawful as a result of the following identified issues which are set out in more detail in the attached 'Schedule of Issues'.

1. Procedural issues

There has been an abject failure by the Council to provide a coherent and consistent evidence base at an appropriate time, which was acknowledged via a verbal apology from the Council's lead officer before the Examiner at the reconvened Hearing on 19th December 2016. This includes late delivery to the Examination of new evidence published by the Council, and failure to critically address fundamental questions raised by our client regarding the Council's evidence.

2. Substantive concerns

The evidence submitted to the Examination by the Council is replete with errors, is not properly substantiated and does not meaningfully respond to the various criticisms raised. Further, the evidence produced is internally inconsistent for each CIL charging area as well as inconsistent between different CIL areas.

3. Expert evidence

The Council's expert evidence has been produced in a manner at odds with the duties placed upon experts in the light of the case of *The Ikarian Reefer*. This is not a proper basis to proceed as the Council's expert has essentially descended into the arena rather than presenting objective independent (and properly substantiated) expert evidence.

Lodders Solicitors LLP

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4. Consistency in decision making

This is a key principle of the planning system and is by extension a key consideration in an examination. It is wholly wrong to use differential methodologies for each of the CIL charging areas and there is a requirement to substantiate methodologies even if a commercial agreement has been reached with objectors.

Enclosed with this letter is a Schedule of Issues which sets out in more detail our client's concerns and the options available to the Council to address them. These options are open to the Council to accept but entail serious reconsideration of the current approach being taken to the CIL Examination, which jeopardises the delivery of a crucial part of the Council's housing supply.

Our client would welcome the opportunity to discuss the points raised in this letter and the accompanying Schedule of Issues in more detail with the Council.

Please acknowledge receipt of this letter.

Yours faithfully

Lodders Solicitors WP

For and on behalf of Lodders Solicitors LLP

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Annex 1: Schedule of Issues - Draft

Procedural Issues

1. PBA/SDC published substantial new evidence to supposedly support its proposed CIL Charging Schedule at a point which has seriously disrupted the process of examining the Council's case. That is to say that a revised, detailed appraisal evidence for GLH was provided on Friday 16th December 2016 at 17:45pm, despite the Hearing being scheduled to reconvene at 11am on Monday 19th December 2016. It is considered that this placed IM and other stakeholders participating in the reconvened Examination Hearing at a major disadvantage. It forced IM to provide a hurried respond at short notice and resulted in SDC/PBA being provided with an additional opportunity to alter its evidence base, notwithstanding that the Examiner had not made any provision for this ahead of the reconvened Hearing.

A. the Examiner is invited to conclude that she should have sought to adjourn the reconvened Hearing on grounds that this information placed both the Examiner and other stakeholders at a disadvantage in considering and responding to the additional evidence, notwithstanding that all parties did their best to assist on that date.

2. At both the Hearing on 20th September and the reconvened Hearing on 19th December 2016, IM considered that key issues and matters were raised, but no agreement on any issue was achieved prior to moving to the next point. Furthermore fundamental questions were asked of PBA / SDC, but there was no critical analysis of the response given, despite this frequently being inadequate or evasive. Concerns were not properly addressed and/or responded to. Instead, the discussion was simply moved on. This meant that there was an absence of investigation of the PBA/SDC evidence base and methodology during the Hearings. Instead, the Examiner requested that clarifications were addressed following the Hearings via written additional submissions from PBA / SDC.

A. Was appropriate process followed at the Hearings in permitting SDC / PBA the opportunity to respond to points raised in follow-on written communication, rather than requiring them to respond to, and reach a point of closure on, each issue raised by participants during the Hearing itself? Essentially such a procedure seriously undermined the efficacy of the hearings themselves.

3. PBA / SDC have failed to disclose the latest Examination evidence to all stakeholders. PBA/SDC's report titled '*Response to Briefing Note prepared by IM Properties*' ('the PBA Response') was provided to IM via the Programme Officer on 23rd December 2016. As at 26th January 2017, this information is yet to be uploaded to SDC's CIL Examination web-page.

It is not known to what extent this has been further promulgated to other stakeholders nor whether their views have been sought, notwithstanding it involves a fundamentally different case in a number of key respects.

A. Is it appropriate that PBA/SDC has not disclosed key evidence base documents informing the CIL Examination to wider stakeholders and participants for proper public consideration?

4. IM does not consider that PBA has undertaken its duties as expert witness to SDC in accordance with the requirements of law. This conclusion has been reached on the basis of the following:
 - i. PBA has withheld key items of evidence from stakeholders and the Examiner. For example, despite IM's requests for disclosure at both the Preliminary and Draft Charging Schedule consultation stages, PBA's calculations for the timing of costs and values (i.e. cashflows) for all site typologies were not disclosed until following the first Examination Hearing, and only then at the Examiner's request. Once disclosed for stakeholder review, this revealed both fundamental mathematical errors and inconsistencies in the treatment of GLH and other site typologies, which discredited PBA's evidence base for setting CIL rates at GLH. These errors were verbally admitted by PBA before the Examiner at the reconvened Hearing on 19th December 2016, which prompted a verbal apology from SDC's lead officer to both the Examiner and participants for PBA's shortcomings.
 - ii. Despite formal oral recognition by PBA and SDC of errors within PBA's viability evidence base for GLH, PBA has subsequently reneged on these statements within the subsequent viability evidence for GLH published on 23rd December 2016 titled '*Response to Briefing Note prepared by IM Properties*' ('the PBA Response'). For example, PBA has now introduced an entirely new opinion on the sales value evidence to be used for GLH within this latest document despite this not being raised at the reconvened Hearing. If accepted by the Examiner this new evidence would permit PBA to 'sidestep' a key error identified in their evidence base that would otherwise undermine their recommendations for CIL rate setting at GLH. Moreover it would involve reliance upon part of the evidence base that has not been the subject of any proper consultation.
 - iii. PBA's evidence submitted to the Examination has, on repeated occasions, selectively omitted material facts that would detract from the recommendations made. For example, in the latest viability evidence for

GLH published by PBA/SDC on 23rd December 2016 titled '*Response to Briefing Note prepared by IM Properties*' ('the PBA Response'), PBA has opted not to include the available 'buffer' back from the maximum 'CIL headroom' available with a CIL rate of £110/m² applied, as this would be demonstrated as falling below the minimum 40% buffer in two out of the three 'Sensitivity Tests' presented in Table 2. Disclosure would demonstrate to the Examiner that application of the CIL rate of £110/m² is inappropriate for GLH. Hence, this information has been omitted. In addition, PBA has opted not to present a 'Sensitivity Test' that corrects all the errors and inconsistencies in the previous evidence, as identified by IM, despite committing to do so at the reconvened Hearing, and at the Examiner's request. Again, disclosure would demonstrate to the Examiner that application of the CIL rate of £110/m² is inappropriate for GLH.

- iv. Following the investigation and critique of participants to the Examination, PBA's latest viability evidence for GLH published on 23rd December 2016 titled '*Response to Briefing Note prepared by IM Properties*' ('the PBA Response') adopts fundamentally different assumptions and an alternate approach to calculation of the evidence submitted to the Examination within PBA's Economic Viability Study (September 2015) to underpin the CIL Submission Charging Schedule (October 2015). Despite this, PBA conclude within the PBA Response that their latest viability evidence reaches exactly the same conclusions, as to the appropriate CIL rate for SDC to set at GLH, as within their original evidence from September 2015.

The requirements of an expert witness are clearly set out in the case of *The Ikarian Reefer* [1993] 2 Lloyd's Rep 68, per Cresswell J.:

1. Expert evidence should always be the independent product of the expert uninfluenced by the exigencies of litigation;
2. An expert witness should provide independent assistance to the court by way of an unbiased opinion in relation to the matters within his area of expertise. He should never adopt the role of an advocate;
3. An expert should always state the facts or assumptions on which his opinion is based. He should not omit to consider material facts which could detract from his concluded opinion.
4. An expert should make it clear when a particular question or issue falls outside his area of expertise.

5. If an experts view is based upon incomplete data or inadequately researched material then he should state that his opinion is provisional.
6. If an expert witness alters his view (for example having seen the evidence of the other side) then he should say so immediately and communicate that view to the other side.
7. Where an expert relies upon photographs, plans, calculations, analyses, measurements, survey reports or other similar material then this must be provided at the same time as his report.

A. Have PBA failed in their duty as SDC's expert witness to provide objective unbiased opinion, and to clearly demonstrate "an appropriate balance" in presenting their evidence as required by Regulation 14?

B. Why has the Examiner not required PBA to prepare appropriate evidence to fully replicate IM's identified errors and recommended alterations to PBA's viability appraisals for GLH, such that a fully balanced and rounded perspective can be established and the evidence weighed accordingly?

C. Will the Examiner agree to a further Hearing to specifically examine the new evidence prepared by PBA/SDC for GLH, and to facilitate discussion and resolution of outstanding issues raised by IM? In essence to remedy the above serious errors in the process pursued to date.

D. In reaching a conclusion as to the appropriate CIL rate to apply to GLH, can the Examiner apply equal weight to the evidence submitted to the Examination by SDC/PBA and IM in light of the successive rounds of mistakes and selective disclosure of evidence by SDC/PBA?

5. IM are extremely concerned that Long Marston Airfield ('LMA') is receiving different treatment to GLH and the other site typologies by PBA, SDC and the Examiner through the CIL Examination process. The CIL rate that is now being proposed for LMA of £30/m² is not consistent with the viability evidence base prepared by PBA (or anyone else in the evidence base before the Examination). PBA's latest evidence, published in November 2016 within the document titled '*Review of Residential Values, Costs & Scenario Testing*' recommends that the Examiner reduces the proposed rate for LMA from £75/m² to £0/m² (see para. 7.1.3). Despite this, and in direct contradiction of the PBA evidence, a report to SDC's Cabinet on 28th November 2016 confirmed that Councillors did not support PBA's conclusion of a CIL rate of £0/m² at LMA and that a CIL rate would continue to be sought in line with the

previous evidence. Subsequently, at the reconvened Hearing it was agreed between SDC / PBA and NLP (representing Cala Homes, who are promoting LMA) that an alternative CIL rate of £30/m² would be recommended to the Examiner for LMA. NLP has sought to justify this rate within their 'Further Statement' document dated 2nd September 2016 and submitted to the reconvened Hearing. The rate is advocated on the basis that it represents a pro-rata proportional contribution to the Stratford Transport Package/Other Stratford TC Improvements. SDC has endorsed this rate of £30/m² within the document published in January 2017 titled '*CIL Examination – Proposed Rate at Long Marston Airfield*'.

A. Can the Submission Charging Schedule be considered to be based on appropriate available evidence if the rate proposed for LMA is not supported by, or even broadly consistent with, the viability evidence base? Why has an entirely inconsistent approach been pursued between GLH and LMA?

B. Does a viability appraisal need to be prepared by PBA to demonstrate that the proposed rate of £30/m² can be supported viability by LMA?

C. Is it lawful for SDC / NLP to seek to justify the CIL rate for LMA based on the ring-fencing of CIL funds for payment towards the Stratford Transport Package/Other Stratford TC Improvements?

Substantive Concerns

6. In the latest document titled '*Response to Briefing Note prepared by IM Properties*' ('the PBA Response'), published by PBA/SDC on 23rd December 2016, PBA/SDC place reliance upon discussions held with Nexus Planning (agents for the CEG / Bird Group) to inform technical aspects of the approach to preparing the CIL viability appraisal evidence for GLH. CEG/Bird Group are the joint-promoters of GLH – alongside IM.

A. Is it appropriate for PBA/SDC to request that the Examiner and other stakeholders rely on unrecorded, historic conversations between PBA and one representative party as 'appropriate evidence' to inform significant areas of the GLH viability appraisal?

B. Is it credible for PBA/SDC to place greater weight upon unrecorded, historic conversations between PBA and one representative party, than detailed technical evidence submitted to the Examination by IM? Ordinary principles of evidence would afford such contentions the least weight, and yet they appear to be treated as critical by PBA/SDC.

C. Where, within the representations submitted to the Examination on behalf of the joint-promoters of GLH, are the formal statements that justify the approach to viability testing undertaken by PBA/SDC? If such statements exist in other forms why have they not been provided in accordance with the established principles of law (see *Ikarian Reefer* (supra))?

7. The PBA Response, published by PBA/SDC on 23rd December 2016, introduces 'present day' open market sales evidence for GLH. PBA has based this on their collated evidence of asking prices of marketed properties in settlements within the district (and beyond) as at November 2016. It is inserted into the GLH appraisal 'Sensitivity Test 3', upon which the Examiner is asked by PBA to place significant weight. This now entails PBA/SDC departing from the evidence submitted for Examination within 'Appendix A' of their document titled *'Review of Residential Values, Costs & Scenario Testing'* published in November 2016.

A. Where is the justification for PBA to defend the use of their 'Appendix A' as evidence for sales prices at GLH in evidence submitted for Examination, then to subsequently seek to discredit this as evidence?

B. Where is the evidence to demonstrate PBA's approach is consistently applied throughout their evidence base?

8. GLH 'Sensitivity Test 3' appraisal published by PBA/SDC within the PBA Response on 23rd December 2016 uses open market sales values based on advertised properties in November 2016 (collated by PBA). However, this appraisal still incorporates build costs that represent an average over the period Q4 2014 – Q2 2016 (i.e. 7 quarters with the mid-point representative of Q2-3 2015). PBA's approach in Sensitivity Test 3 allows for any value inflation during the intervening period, but excludes any build cost inflation over the same timescale. It results in a completely inconsistent basis for viability appraisal, which will underestimate construction costs (or over-state values). This will not be obviously apparent to the Examiner in the PBA Response document, but can readily be observed from a careful review of the accompanying viability appraisal. The failure of PBA/SDC to acknowledge this discrepancy leads IM to conclude that it comprises a seriously misguided approach.

A. How can the Examiner place any weight on successive rounds of flawed and misleading evidence from PBA, which cannot be considered 'appropriate' or fit for purpose?

B. Where is the evidence to demonstrate that PBA's approach, in applying different timescales for sales values and build costs, is consistently applied throughout their evidence base?

9. PBA/SDC has not been transparent with the Examiner in the presentation of Table 2 of the latest 'PBA Response' document. Whilst the table presents PBA's calculation of CIL 'headroom' at GLH, it fails to show the allowance for any buffer. It only shows the maximum CIL up to the margin of viability (notwithstanding the illegitimacy of the tests themselves).

PBA recommended a minimum buffer of 40% of the maximum CIL 'headroom' for strategic sites to the Examination.

A. How can the Examiner reach a judgement on appropriate balance (Regulation 14) when PBA/SDC has not disclosed whether sufficient buffer from the margin of development is retained when the rate of £110/m² is applied at GLH?

- 10.** The PBA/SDC appraisals for GLH withhold any return (profit) to the developers/investors at GLH until completion of the final dwelling sale in Year 17. This is inconsistent with industry practice. It is also inconsistent with PBA's approach to all other viability appraisals within the evidence base for all other site typologies. These appraisals distribute profit annually over the development period. IM has made this point on multiple occasions.

A. Where is the evidence to demonstrate PBA's approach to profit distribution for GLH is standard industry practice?

B. Where is the evidence to demonstrate that PBA's approach to profit distribution is consistently applied throughout their evidence base?

C. Why has PBA/SDC not presented an appraisal 'Sensitivity Test' to the Examiner that incorporates IM's advocated approach to profit distribution to demonstrate the impact on CIL 'headroom' and provide the Examiner with a complete perspective?

- 11.** PBA/SDC has not specified which 'Sensitivity Test' within the latest 'PBA Response' document is now the preferred evidential basis for setting a CIL rate at GLH.

A. How can the Examiner reach a judgment on appropriate balance (Regulation 14) when PBA/SDC has not confirmed the recommended basis for rate setting given this now clearly differs from the evidence submitted for Examination to underpin the CIL SCS?

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