PERSIMMON HOMES CENTRAL

WARWICK DISTRICT COUNCIL

CIL DRAFT CHARGING SCHEDULE CONSULTATION

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PERSIMMON PLC

Introduction

This document constitutes Persimmon Homes Limited's formal response to the consultation on the Warwick CIL Draft Charging Schedule. We provide comments on the various issues that are relevant to us as one of the largest house builders in the UK, focusing on the residential aspects of the proposed CIL charge, with a particular emphasis on large scale developments.

For some aspects of our response we have made reference to the comments we submitted as part of the Preliminary Draft Charging Schedule consultation in April 2015 (a copy of these comments is included under Appendix A of this document) and where this is the case they are referred to as our 'April 2015 comments'. We have serious concerns regarding the viability evidence and are disappointed that our previous consortium representations on this issue have not been addressed.

Consultation Response

Benchmark Land Values – 'Residential Land'

In April 2015, Savills, on our behalf, submitted evidence of land values locally. The viability has not been amended to reflect this evidence and does not reflect the cost that house builders and developers are expected to pay. We recommend that BNP adopt a minimum value of £310,000 per gross hectare (£125,000 per acre) rather than £247,000 per gross hectare (£100,000 per acre).

Sale Values

As per our April 2015 comments, we are concerned that BNP has only referred to marketing/guide prices in their assessment values. Where possible, achieved net sales prices should be referred to in the first instance as these are a truer reflection of values where transactions have been undertaken. Although BNP presume a 5% deduction for negotiations on guide prices, we consider this could vary greatly case by case and suggest BNP undertake a more thorough search of achieved sales values.

Developer's Profit

We disagree with the assumption in the Viability Assessment that profits should be 20% on GDV for private and 6% on GDV for affordable housing. As per our April 2015 comments, the minimum acceptable profit margin is **20% on GDV blended** across the private and affordable dwellings. This is supported via the Manor appeal decision in Shinfield (APP/X0360/A/12/2179141, 8 January 2013).

Development typologies

As per our April 2015 comments, we are concerned that no site typologies of between 100 and 300 units have been tested. Our evidence in 2.26 of our previous representations shows clearly that sites within the bracket of 100-300 units amount to just under 2,000 dwellings when combined, and if the proposed CIL rates for these sites are found to be unviable then this will prejudice a significant amount of housing from coming forward. This in turn would prejudice the plan, housing delivery, Section 106 contributions and associated economic benefits of housing delivery.

Site Preparation and Infrastructure Costs

BNP have amended their assumption to £12,000 per dwelling for the cost of site preparation and infrastructure. As per our April 2015 comments, the Harman Report suggests an appropriate range would be £17,000 to £23,000 per dwelling. Such costs are in addition to external costs and therefore would not be covered within the base and external build costs within BNP's viability appraisals. Given this range, we would recommend an average figure of £20,000 per dwelling be taken as an appropriate cost to enable infrastructure works on strategic sites.

Section 106 / 178 Costs

It would be helpful to have a Draft Regulation 123 in order to make a judgement on whether the cost of £1,500 per unit for Section 106/278 is reasonable. Section 106 contributions are likely to be far in excess of £1,500 per unit in CIL areas. This could result in an impact on viability and the impairment on achieving affordable housing and infrastructure delivery.

Suggested CIL Rates

The charge for Residential (non-strategic) in Zone A has increased from £50 to £70 even though they conclude at 6.19 that schemes located in this locality are unlikely to be able to make substantial CIL contributions as well as making a meaningful affordable housing contribution. This would impact the prospects of developers choosing to promote and bring forward land in this area if it would be unviable considering CIL and full affordable housing obligation.

For Residential (strategic) in zones A, C and D all CIL rates have been increased even though they are unjustifiable by BNP's own analysis. This is supported by the evidence provided in our April 2015 comments.

If there is not evidence to show a CIL rate is viable then a CIL rate should not be applied.

CIL Rates – Large Distribution Units

We are surprised that large distribution units are unable to support any CIL charge, as we are more frequently becoming in competition with such uses for land and have been outbid in terms of land value on several occasions, suggesting there is headroom in the viability.

Instalments Policy

An instalments policy assists in development viability, as a key part of ensuring a viable development is to manage the cash-flow. With this in mind, a policy with a higher number of instalment periods would improve scheme viability, though we recognise the need to have an appropriate balance with the practicality of monitoring payments. The proportion of the levy paid upon commencement (or shortly after) should be minimised (for example, 10-15%) as this is the point at which schemes are absorbing a lot of cost without receiving any revenue and will already be cash-negative. It would also be more reasonable and viable for developers to expect payments of £2m or more to be made over a period of 2 years or more rather than 18 months.

CIL Relief

We agree that the Council should offer discretionary relief from CIL in cases of exceptional circumstances on viability grounds. This still leaves the Council with discretion as to whether a sufficient viability case has been demonstrated but means that those exceptional sites where the viability is marginal still have an opportunity to come forward. There should also be a policy to allow the provision of infrastructure or land in lieu of CIL.