

Charnwood Local Plan.

Post Examination Consultation Response.

On behalf of Taylor Wimpey UK Ltd.

Date: 8 November 2023 | Pegasus Ref: P23-2182

Author: Clare Clarke



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1. Introduction

- 1.1. These representations have been submitted by Pegasus Group on behalf of Taylor Wimpey UK Limited in response to the Local Plan Post Examination Hearing Consultation relating to the Sustainability Appraisal Addendum, Five Year Supply Update, Housing Trajectory, Draft Transport Strategy and updated Viability Evidence.
- 1.2. These representations are made in relation to our clients' interests in draft site allocation HA1 Land South East of Syston, which is proposed for 960 homes.
- 1.3. Our clients have engaged fully in the preparation of the plan, making submissions to the Call for Sites, Regulation 18 and Regulation 19 consultations and contributing to the Examination in Public process.
- 1.4. The following sections set out our comments on the documents included in this consultation.



2. Sustainability Appraisal Addendum

- 2.1. The Leicester and Leicestershire authorities prepared and are in the process of agreeing a Statement of Common Ground on the apportionment of Leicester's unmet housing and employment needs. The Sustainability Appraisal Addendum, published in December 2022, assesses options for meeting the element of Leicester's unmet housing needs apportioned to Charnwood.
- 2.2. The assessment considers three reasonable alternatives for the delivery of the additional 78 dwellings per year. Option 1 considers the intensification on existing site allocations, Option 2 considers the provision of additional sites in Shepshed, Loughborough and the Leicester Urban Area, and Option 3 considers a new settlement.
- 2.3. The preparation and consultation on the Sustainability Appraisal Addendum is supported and our clients have no comments.

3. Additional Housing Supply Update

- 3.1. The Charnwood Additional Housing Supply Update, published in September 2023 sets out the proposed approach to increasing housing land supply to meet the apportioned unmet need from Leicester. The Borough Council sets out proposed modifications to the Local Plan to intensify selected existing proposed allocations, in line with Option 1 assessed in the Sustainability Appraisal Addendum. This update also sets out modifications to the policy wording of some of the selected allocations to address the impacts of higher levels of development.
- 3.2. Table 4 lists the other sites considered for intensification but where no change is proposed. Our client's site, HA1: Land South East of Syston is one of the sites considered but not proposed to be altered. The proposed allocation is for 960 homes, and the Additional Housing Supply Update explains that consideration was given to increasing the capacity of the site to 1,200 homes to assist with meeting Leicester's unmet need.
- 3.3. Table 4 concludes that the capacity for 960 homes identified in the Local Plan was the result of extensive landscape and design consideration, however it is important to highlight that work on understanding the additional capacity of the site is continuing, in consultation with the Borough Council.
- 3.4. Whilst it is understood that the Council does not want to rely on delivering more than 960 homes on this site ahead of this work being complete, it is important that the potential to deliver more than 960 homes is not constrained, to ensure the land allocated can be used effectively and efficiently.
- 3.5. Section 11 of the National Planning Policy Framework points to design guides and codes and masterplans being used to help ensure that land is used efficiently while also creating beautiful and sustainable places. This will ensure that developments make optimal use of the potential of each site (NPPF, para 125). Draft Policy DS3 (HA1) requires that a masterplan and design code are prepared for the site, and this will provide the basis for on-going discussions about the capacity of the site. This will be informed by detailed technical work on a range of matters including flood risk and landscape.
- 3.6. We will continue to engage with the Borough Council to fully understand the constraints and opportunities of this site and to establish the capacity of the site for development.

4. Updated Housing Trajectory

- 4.1. The Housing Trajectory published for consultation in September 2023, has been updated with the latest housing land supply position and the new housing numbers from the intensification of selected draft allocations. An update to the five year housing land supply position on adoption of the Local Plan is also provided, measured against the new housing requirement of 1,189 dwellings per annum, which takes account of Leicester's unmet need.
- 4.2. The trajectory assumes completion of homes on our client's site HA1: Land South East of Syston from 2026/2027, with 25 homes delivered in the first year, 75 in the second year, then 100 homes a year for the following eight years and finally 60 homes in 2036/37.
- 4.3. We can confirm that this is a realistic trajectory for the site and has been informed by discussions with our client. Pre-application engagement on the site is underway and an outline application will be submitted next year to enable delivery of homes in 2026/27.

5. Draft Transport Strategy

- 5.1. The Transport Strategies to Enable Growth in the Borough of Charnwood document, completed in July 2023 and published for consultation in September 2023, has been prepared by Leicestershire County Council to support the Charnwood Local Plan.
- 5.2. The document sets out the broad contents of, and the framework for, Transport Strategies for Loughborough and Shepshed, the North of Leicester and the Soar Valley, intended to underpin the delivery of the Charnwood Local Plan. The three Strategies set out the overall package of highways and transport measures required to mitigate so far as is reasonably possible the cumulative impacts of growth within Charnwood.
- 5.3. There are three elements to the proposed package; enhanced sustainable transport measures, improvements to the Major Road Network, and improvements to the Strategic Road Network. The report estimates costs of each in the three areas, with a total anticipated cost of £183m.
- 5.4. The Transport Strategies to Enable Growth in the Borough of Charnwood document states at para 5.2.4, that the County Council anticipate that Main Modifications to the Local Plan will provide the basis for seeking to secure developer contributions. Whilst the Local Plan policy will provide a framework for considering appropriate contributions, it will not be sufficient on its own to start requesting the roof tax style contribution being proposed by Leicestershire County Council. It is essential that any specific per dwelling developer contribution requirements are set out in an appropriate planning document and are clearly justified, taking account of the viability evidence prepared and consulted on.
- 5.5. It should be noted that in the letter to Leicestershire County Council in August ahead of this consultation (Exam 74 a), that the Local Plan Examination Inspectors confirm that this is not a matter that will be resolved through the adoption of the Local Plan alone:

‘The mechanism for, and documentation behind, the requirement for developer contributions is a matter for the authorities to resolve in due course’.
- 5.6. It is noted that in a joint report of the Chief Executive and the Director of Environment and Transport on the Charnwood Local Plan was presented to Leicestershire County Council’s Cabinet on 24th October 2023. This suggests that an Interim Transport Contributions Strategy for Developments in Charnwood with a single multi-modal and district-wide contributions calculation (roof tax) will be consulted on and implemented ahead of the Local Plan adoption (para 55). Our client would like to raise significant concerns about this proposed approach which appears to be introducing policy outside the statutory plan making process.
- 5.7. It is important that any roof tax style developer contributions to support the delivery of the Local Plan are introduced as part of an appropriate planning document and this can only be done once the Local Plan is part of the adopted Development Plan. Once the plan is adopted, it is essential that the County Council work with the Borough Council, as the Local Planning Authority, to introduce any new developer contributions in a fair and transparent way which takes account of the implications and impacts of new requests on other priorities such as affordable housing.

6. Updated Local Plan Viability Consolidated Addendum Report

- 6.1. The consultation includes an update to the Charnwood Local Plan Viability Report which was initially published in February 2021. The updated study dated August 2023 and published in September takes account of the Transport Strategy work undertaken by Leicestershire County Council, increased school delivery costs, build costs and other development costs and changes in national policy.
- 6.2. The viability assessment estimates the cost of the educational requirements of the Local Plan to be £140 million and the highways and transportation £183 million, a total of £320 million and this does not include all the other developer contributions which would be required.
- 6.3. The updated viability report finds that the plan would not be viable if developer contributions were sought to meet all the education and highways costs identified. The assessment instead finds that the maximum level of developer contributions that could potentially be secured from the allocated housing sites within the draft Local Plan is approximately £200 million. This does not take account of the draft allocations which have been granted permission or the requirements they have already met.
- 6.4. The report therefore identifies a funding gap, and it is welcomed that the County Council is noted in the report as having acknowledged that there is a need to secure public funding of projects from Government.
- 6.5. It is important to emphasise that this is a maximum figure, which the report describes as being right up to the margins of viability. Each site is unique and therefore there needs to be flexibility to ensure that the policies of the Local Plan are deliverable.
- 6.6. Appendix A provides a technical response to the Updated Viability Report, prepared by CBRE on behalf of our client. This highlights the viability issues faced by development, particularly in the current market where build costs are increasing, and sales values and rates are reducing.
- 6.7. Taking into account both the Updated Viability Report results and CBRE's technical response, the implication is that there is a high likelihood that site viability, will require further assessment at the planning application determination stage. However, even in more improved market conditions it is not unusual for a viability assessment to be needed on larger sites where there is a significant infrastructure burden and where the costs for site specific abnormalities (such as local highway mitigation, utilities supplies etc) are unknown at the Development Plan stage.
- 6.8. It is considered that Draft Policies H4 and INF1 incorporate suitable policy wording, with supporting text, that provides recourse to viability assessment where viability is identified as a barrier to delivery. It is of critical importance to the deliverability of the Plan that this wording is retained for the reasons identified above.
- 6.9. Our clients will continue to work with the Borough Council, in accordance with our Planning Performance Agreement, to discuss how to balance the demands for developer



contributions and affordable housing in the light of the findings of the Updated Viability Report and the attached technical response.



Appendix A: CBRE Technical Representation to Updated Viability Report

Charnwood Local Plan 2021-37 Examination Consultation

Technical Response to the “Updated Viability Work – Ref. Exam 76”

CBRE Limited | National Planning & Development technical representation letter for:

Taylor Wimpey UK Ltd & Merton College, Oxford

October 2023

Katie Mills
Group Leader
Plans, Policies and Place
Charnwood Borough Council
Southfield Road
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Leicestershire
LE11 2TX



27 October 2023

Charnwood Local Plan Examination Consultation

Dear Ms Mills

Introduction & Purpose

1. CBRE has been instructed jointly by Taylor Wimpey UK Ltd ('the Developer') and Merton College, Oxford ('the Landowner') to prepare a technical analysis and formal representation response to the "Updated Viability Work – Ref. Exam 76 Updated Charnwood Local Plan Viability Consolidated Addendum Report August 2023" (hereafter 'Addendum VA') produced by Aspinall Verdi ('AV') and published by Charnwood Borough Council ('the Council') for formal consultation in response to the Inspector's recommendations relating to the Charnwood Local Plan 2021-37 Examination ('the LP Examination') as set out in the letter dated 23 May 2023.
2. The consultation opened on 26th September 2023 and closes on 8th November 2023.
3. The Developer and Landowner's interests are in promoting the allocation of Site HA1, Land South East of Syston, ('Site HA1') in the Pre-Submission Draft Charnwood Local Plan 2021-37 ('Draft LP').
4. Site HA1 has an identified capacity of 960 units, as set out in Policy DS3 (HA1). Policy DS3 (HA1) also requires the Site to reserve a suitable area of land (2-3 hectares) to accommodate a new 2FE primary school. Further details are provided in the Infrastructure Schedule contained within Appendix 3 of the Draft LP, which also sets out requirements for Site HA1 to contribute to transport strategy packages and health facilities.
5. CBRE's analysis and representation commentary focuses primarily upon the implications of the Addendum VA for the Developer and Landowner's interests in promoting the Site.

Addendum VA – Technical Comments

6. CBRE understands that the Large Greenfield 'Leicester Fringe' broad market area site reference G comprising 950 units represents a proxy typology for Site HA1. Within Table ES2 on p.iv AV conclude that Site HA1 can viably deliver 30% affordable housing in addition to a maximum of £16,754 per unit to contribute towards other S106 planning obligations.
7. AV refer to this methodology as representing a 'headroom calculation' to examine the maximum level of S106 planning obligations that a site typology can viably accommodate.

Residential Value Assumptions

8. Whilst CBRE broadly accepts the overall residential value assumptions for the 'medium/large greenfield' typology in the Leicester Fringe area set out in Table 6.2 on p.24, CBRE considers that:
 - a. the capital value of £174,735 per unit adopted for 1-bed houses is set unrealistically high and lacking in any necessary evidential underwrite. CBRE also questions whether there is a realistic proposition that housebuilders will deliver 1-bed houses, as it is not a typical or prevalent typology; and
 - b. the capital values of £143,091 and £181,616 per unit respectively for 1-bed and 2-bed flats appears unrealistically high and, again, lacking in evidential underwrite.
9. The impact of the above factors is that this poses a risk that the result of viability testing of the site typologies overstates the 'headroom' for S106 planning obligations.
10. CBRE is also surprised that AV do not appropriately acknowledge the current decline in residential market conditions demonstrable both nationally and locally. This is resulting in falling residential property prices, and the substantial slowing of reservation and sales rates on new build developments. As a result, there are significant incentive packages on offer.
11. AV's methodology for conducting a 'market sense check' on residential pricing does not take the current market circumstances fully into account. This focuses solely on general price indexation (using ONS HPI data), which is backwards looking (see Figure 6.1 on p.22 of the Addendum VA), and a light-touch 'asking price sense check' set out within Tables 6.3-6.6 on p.25-27 of the Addendum VA.
12. The ONS HPI data only records completions to May 2023. As a result, it doesn't account for market conditions having deteriorated in the four months to publication in September. This will impact on asking price evidence used too.
13. In addition, asking prices are typically exceeding achieved net sales / reservation values by 5-10% according to CBRE's housebuilder client base and in CBRE's experience of engaging housebuilder sales offices during September and October 2023.
14. The consequence is that the pricing adopted in the Addendum VA should be treated with caution, as there is downside risk.
15. Given macro-economic pressures, and affordability constraints on buyers, at a regional level residential values in the East Midlands are expected to decline until 2025 at the earliest based CBRE's projections.
16. Recovery in residential values to late 2022 levels is expected to occur from 2027 at the earliest. If inflation and interest rates remain elevated, then any recovery will be further delayed.
17. UK construction cost inflation is projected by RICS BCIS All-in TPI to continue over this period at circa 3-4% per annum. CBRE has attached (see **Appendix 1**) the latest published RICS BCIS All-in TPI forecast for the Council's reference on this matter.
18. As a result, the net effect on financial viability will be considerably worse, as it will take longer for price recovery to reach equilibrium with inflated construction costs.
19. CBRE's latest regional house price forecast is set out in Table 1 overleaf.

Table 1: CBRE Residential Price Forecasts (Annual % Change)

Region	2023 actual (to May)	2023	2024	2025	2026	2027	Average annual change	2023-27 compound total
South East	-2.3	-6.7	-2.4	4.5	4.6	5.1	1.0	4.7
London	-1.8	-6.9	-2.5	5.2	5.3	6.0	1.4	6.7
Inner London	-1.0	-7.1	-2.5	5.5	5.7	6.3	1.6	7.3
Outer London	-2.4	-6.8	-2.4	5.0	5.2	5.8	1.4	6.3
Eastern	-3.3	-6.1	-2.2	4.9	5.1	5.7	1.5	7.0
South West	-1.2	-6.4	-2.3	4.6	4.7	5.3	1.2	5.5
West Midlands	-2.0	-5.6	-2.0	4.5	4.6	5.2	1.4	6.4
East Midlands	-2.1	-5.3	-1.9	4.8	4.9	5.5	1.6	7.8
Yorkshire and Humber	-2.9	-4.9	-1.8	4.8	4.9	5.5	1.7	8.3
North West	-2.2	-5.1	-1.8	4.7	4.8	5.3	1.6	7.6
North East	-0.3	-5.0	-1.8	4.1	4.2	4.6	1.2	5.8
Wales	-3.2	-5.1	-1.8	4.7	4.8	5.4	1.6	7.9
Scotland	4.1	-5.0	-1.8	4.3	4.4	4.9	1.4	6.6
Northern Ireland	-1.8	-5.7	-2.0	3.3	3.4	3.8	0.6	2.5
UK	-1.4	-6.2	-2.2	4.1	4.2	4.7	0.9	4.2

Source: CBRE Residential Research

20. CBRE is not alone in reaching these conclusions regarding the anticipated direction of residential market travel over the next 4-5 years. The following table details other published forecasts across the market, from respected forecasting houses, to allow a comparison with CBRE forecasts.

Table 2: Residential Price Forecasts (Annual % Change) | Various Forecasting Houses

House Prices	2023	2024	2025	2026	2027	Average annual change	2023-27 compound total	Date of last update
CBRE	-6.2	-2.2	4.1	4.2	4.7	0.9	4.2	Jul 2023
OBR	-7.2	-2.9	2.8	3.6	3.6	0.0	-0.6	Apr 2023
Savills	-10.0	1.0	3.5	7.0	5.5	1.4	6.2	Nov 2022
Knight Frank	-5.0	-5.0	4.0	4.0	5.0	0.6	2.5	Mar 2023
JLL	-6.0	1.0	4.0	5.0	5.0	1.8	8.9	Mar 2023
Lloyds	-5.4	-1.1	-	-	-	-	-	Jul 2023
Santander	-10.0	-	-	-	-	-	-	Apr 2023
Zoopla	(up to) -5.0	-	-	-	-	-	-	Jun 2023

Source: Various

21. These are headline (UK) level forecasts only. There is broad consensus with CBRE that the residential market will face significant headwinds over the next several years. Notably, the official Government forecast from the

Office of Budget Responsibility ('OBR') is the most negative, and forecasts that prices will not recover until 2028 or beyond.

Development Costs

22. The Addendum VA adopts RICS BCIS construction costs for Estate Housing and Flats 3-5 storey, which are understood to be location weighted to Charnwood. This is summarised in Table 6.7 on p.28. It is not completely clear as to the base publication date of the RICS BCIS costs applied, but given that the residential pricing is based upon indexation to May 2023, CBRE assumes that the construction costs are consistently base-dated (as is appropriate). Clarification should be issued by AV on this matter.
23. The Addendum VA applies the lower quartile rate published by RICS BCIS for both Estate Housing and Flats.
24. The Addendum VA also allows for an additional 20% 'External Works' sum to be applied over the RICS BCIS base costs to account for all wider housebuilding costs on larger sites – noting specifically, "*generic on-plot costs including inter alia: estate roads, pavements, street-lights, utilities, drainage etc.*". No specific reference is made to any allowance for the cost of constructing garages.
25. A rate of £4,847/unit is also added to reflect Building Regulations Part L (2022) uplifts, given these costs will not be reflected in RICS BCIS base costs at the time of publication of the Addendum VA.
26. This would generate a base housebuilder construction cost of £1,576/m² (£146/ft²) before Part L 2022. With the latter included, this represents £1,628/m² (£151/ft²).
27. It is CBRE's understanding that volume housebuilders are now facing challenges constructing to lower quartile RICS BCIS rates, as adopted by AV within the Addendum VA, given the rapid inflation in housebuilding labour and materials costs. The supply chain impacts have been slow to feed through into RICS BCIS, which again is a backward-looking indicator based on historic building contract tenders.
28. Where possible, construction to RICS BCIS lower quartile would reflect a low specification build. If the Council intends to introduce design and materials enhancements (for example via a Design Code), this would typically generate an extra-over cost.
29. In addition, RICS BCIS excludes abnormal costs. Should on-plot abnormal costs arise following further technical assessment at a site-specific level, for example via a requirement for site reprofiling, abnormal plot foundations or underbuilding to manage level changes, such costs would generate an extra-over cost. There is no separate allowance for such costs on greenfield sites within the Addendum VA.
30. The Addendum VA also excludes any allowance for wider site preparatory and servicing infrastructure works to larger site typologies, which CBRE would expect to see as a practical requirement in every instance. This would, for example, include off-plot (primary) highways, utilities provision and reinforcement, and strategic landscaping/drainage works.
31. The consequence is that the construction costs adopted in the Addendum VA should be treated with caution, as there is commercial risk that costs expended in delivery will exceed those applied.

Future Homes Standard

32. The Addendum VA confirms that it has solely made allowance for Part L 2022 build costs, as set out above.
33. Paragraph 6.13 confirms that AV has not made any cost allowance for the Government's Future Home Standards ('FHS') in viability testing site typologies.
34. Whilst this is not presently required for conformity with Building Regulations, it is reasonable to expect it will be required from 2025/26 (noting that the Government allowed a circa 12 month transition period for

conformity to the Part L 2022 regulations) and will therefore directly impact on the cost of construction on strategic sites. For example, the Statement of Common Ground for Site HA1 (Ref: EXAM 24d) confirms the first residential unit occupations are due in 2026/27. It is therefore logical to assume that all, or nearly all, units would be required to meet the FHS.

35. Based on discussion with volume housebuilders, CBRE expects the average additional cost of FHS (over Part L 2022) will equate (in today's prices) to a blended rate of £6,000 - £10,000 per unit.
36. CBRE would recommend that AV undertake a 'scenario test' process, which examines the implications on financial viability of introduction of FHS on the site typologies.

Finance Costs

37. Table 6.7 within the Addendum VA cites the incorporation of a 6.0% interest rate as being applied as the total cost of financing scheme typologies. As is standard industry practice, this is stated as applying to 100% of land and development costs. It is also stated to include 'Finance Fees etc.', which CBRE takes to refer to the typical costs of additional arrangement, monitoring, non-utilisation and exit fees, which lenders apply over and above the headline rate of lending for development finance.
38. The lending rate within Table 6.7 is stated as requiring 'No Change' as at August 2023 when compared to the prior AV report assessment dated 2021.
39. CBRE does not consider this logical or representative of the funding market for securing development finance as at the time of writing.
40. Securing development finance has become significantly more expensive since 2021, with lenders seeking risk premiums up to and in excess of 3% over the Bank of England Base Rate (of 5.25% at the time of writing, and which increased to this rate on 3rd August 2023) plus additional arrangement, monitoring, non-utilisation and exit fees. The impact is that the cost of finance representing circa 10% and above for developers requiring traditional debt finance from the markets. Whilst volume housebuilders may have benefitted from longer-term arrangements that cushioned exposure to earlier rate hikes, the increased costs of securing and servicing debt finance have fed through to housebuilders and is impacting the forward development pipeline. This is placing the financial viability of development under considerably greater strain.
41. There is potential for interest rates to moderate over the Plan period. However, the Council's pipeline of deliverable sites is focused on the near-term, for which an elevated interest rate environment is prevalent and expected to remain so for several years – until inflation is reduced to the Government's target of 2% per annum and controlled at this level.
42. CBRE would recommend that a minimum blended all-in rate of interest would be at 8.0% on 100% of land and development cost, and within a range of 8-10% as applicable to volume housebuilders, on larger strategic sites.
43. The consequence is that the finance costs applied in the Addendum VA should be treated with caution, as there is commercial risk that costs expended in delivery will exceed those applied.

Developer's Risk Adjusted Return

44. The Addendum VA adopts a baseline risk adjusted return of 20% of Gross Development Value ('GDV') on open market sale housing.
45. At para. 6.19 AV comments that they consider this as, "...a generous margin and allows for a 'buffer' in addition to the contingency allowance...".
46. As a result, the Addendum VA also sensitivity tests lower rates of return ranging down to 15% of GDV.

47. CBRE's position is that returns should be adjusted for both construction and market risk. The current market is demonstrating high risk indicators, given macro-economic conditions and household affordability constraints. Forecasts project substantial further near-term downside risk. As such, risk adjusted returns should be at the upper end of the spectrum.
48. Reflective of this risk profile, CBRE's Residential Debt advisory team has also confirmed that senior debt lenders will expect developers to demonstrate returns of at least 20% on GDV at the outset if they are to provide finance for large-scale schemes.
49. Whilst CBRE acknowledges the logic in sensitivity testing the range of returns, these represent historic lower risk environments, and weight should be focused on the central assumption of 20% of GDV on open market sale housing in the current market.

Benchmark Land Value

50. CBRE notes that the BLVs applied within the Addendum VA as set out in Table 6.8 remain unchanged from prior assessment issued by AV in 2021.
51. It is not unusual for land controlled via way of Option Agreement or Promotion Agreement to include minimum price stipulations, which are subject to indexation. This is reasonable to protect a landowner's interests from the impact of inflation over what can constitute lengthy processes.
52. CBRE notes that there has been substantive inflation over the period from 2021. As such, given the time value of money, the BLVs adopted in 2021 are now worth materially less (in present value terms) than they were back in 2021.
53. CBRE recommends that, given the passage of time, AV indexes the BLVs adopted from 2021-2023 utilising the ONS published Retail Price Index ('RPI').

S106 Costs

54. The Addendum VA confirms that the Council, and Leicestershire County Council ('LCC'), has identified the following costs as relevant (per unit) to development sites located in the 'Leicester Fringe' (and therefore of relevance to Site HA1):
 - a. Total Off Site Highways Costs including Sustainable Transport Measures and Passenger Support (£ per dwelling) for Leicester Fringe: £19,675
 - b. Total Section 106 Education Cost per Dwelling for Leicester Fringe: £14,644
55. The full identified S106 requirement for education and off-site highways therefore equates to £34,319/unit.
56. However, the Addendum VA does not quantify or assess the wider infrastructure costs that may be sought under Policy INF1.
57. It is also unclear whether, in the case of Site HA1, allowance is made for the additional cost of provision of land on-site for accommodating a primary education facility.

Cashflow & Triggers

58. The viability appraisals for residential typologies contained within Appendix 1 of the Addendum VA do not provide transparency on the cashflow profiling of S106 planning obligations. It is therefore unclear as to when AV has assumed that S106 contribution payments will be triggered and expended as development sites are delivered.
59. The triggers for S106 payments can have a significant bearing on financial viability, as early frontloaded payments (prior to substantive receipts from residential sales have accrued) are required to be met by development finance, which means that schemes will accrue more rolled-up interest. This increases overall development costs to the detriment of scheme viability.

60. Should the Council wish to seek to maximise the S106 sums payable by development sites it will be important to engage with applicants as sites are brought forward through the planning process to structure S106 payment triggers effectively to minimise the adverse cashflow burden.

Interpretation of Results

61. Para. 7.1 of the Addendum VA confirms that incorporation of the full S106 off-site highways costs and education costs would render almost all sites financially unviable (and “*many by significant margins*”), if sought alongside full provision of affordable housing.
62. However, the Addendum VA does not assess the impact of a reduction in the Policy H4 targets for affordable housing provision on the ability of site typologies to increase S106 obligations to the required levels whilst remaining financially viable.
63. Instead, the Addendum VA retains the full Policy H4 affordable housing target and incorporates the requisite level of affordable housing provision, with the site typology viability testing representing a ‘headroom calculation’ to examine the maximum level of S106 planning obligations that a site typology can viably accommodate.
64. Specifically with regard to Site HA1, the Addendum VA typology of Large Greenfield ‘Leicester Fringe’ broad market area site reference G confirms (within Table ES2 on p.iv) that the site can viably deliver 30% affordable housing (in accordance with Policy H4) in addition to a maximum of £16,754 per unit to contribute towards other S106 planning obligations (expected to be sought under Policy INF1).
65. This falls short of the full identified S106 requirement for education and off-site highways, which equates to £34,319/unit.
66. Taking into account both the Addendum VA results and CBRE’s representations set out within this document, the implication is that there is a high likelihood that site viability will require further assessment at the planning application determination stage – as the Council will undoubtedly (and not unreasonably) seek to secure the maximum available S106 contributions to pay towards highways, education and other infrastructure requirements necessary to mitigate the impact of new developments.
67. This may necessitate flexibility from the Council in application of Plan policies H4 and INF1 in order to balance the competing priorities of affordable housing needs and mitigating infrastructure via in-kind provision and developer contributions.
68. Both policies H4 and INF1 incorporate suitable policy wording, with supporting text, that provides recourse to open book viability assessment where viability is identified as a barrier to delivery. It is of critical importance to the deliverability of the Plan that this wording is retained for the reasons identified above.
69. CBRE’s representations have been prepared on behalf of the Developer and Landowner and are deemed accurate based on the information available at the time of writing. CBRE reserves the right to provide further professional opinion and undertake detailed analysis, should either market conditions alter or additional market evidence be made available.
70. Yours sincerely,

Matt Spilsbury MRICS MRTPI
Senior Director
National Planning & Development
CBRE UK Limited

Enclosures:

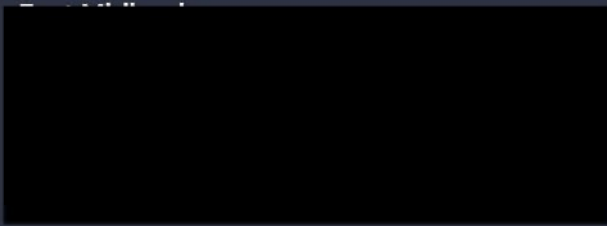
- Appendix 1: RICS BCIS All-in TPI (published September 2023)

Appendix 1: RICS BCIS All-in TPI

			Percentage change		
Date	Index	Equivalent sample	On year	On quarter	On month
4Q 2021	344	Provisional	4.9%	1.5%	
1Q 2022	349	Provisional	6.4%	1.5%	
2Q 2022	365	Provisional	10.3%	4.6%	
3Q 2022	371	Provisional	9.4%	1.6%	
4Q 2022	375	Provisional	9.0%	1.1%	
1Q 2023	379	Provisional	8.6%	1.1%	
2Q 2023	383	Provisional	4.9%	1.1%	
3Q 2023	386	Provisional	4.0%	0.8%	
4Q 2023	388	Forecast	3.5%	0.5%	
1Q 2024	390	Forecast	2.9%	0.5%	
2Q 2024	392	Forecast	2.3%	0.5%	
3Q 2024	394	Forecast	2.1%	0.5%	
4Q 2024	400	Forecast	3.1%	1.5%	
1Q 2025	404	Forecast	3.6%	1.0%	
2Q 2025	408	Forecast	4.1%	1.0%	
3Q 2025	408	Forecast	3.6%	0.0%	
4Q 2025	414	Forecast	3.5%	1.5%	
1Q 2026	418	Forecast	3.5%	1.0%	
2Q 2026	420	Forecast	2.9%	0.5%	
3Q 2026	423	Forecast	3.7%	0.7%	

			Percentage change		
Date	Index	Equivalent sample	On year	On quarter	On month
4Q 2026	427	Forecast	3.1%	0.9%	
1Q 2027	434	Forecast	3.8%	1.6%	
2Q 2027	436	Forecast	3.8%	0.5%	
3Q 2027	439	Forecast	3.8%	0.7%	
4Q 2027	442	Forecast	3.5%	0.7%	
1Q 2028	449	Forecast	3.5%	1.6%	
2Q 2028	452	Forecast	3.7%	0.7%	
3Q 2028	454	Forecast	3.4%	0.4%	

Town & Country Planning Act 1990 (as amended)
Planning and Compulsory Purchase Act 2004



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