Dear Mr Staddon

Examination of Wokingham Borough's Community Infrastructure (CIL) Draft Charging Schedule

The Council has now reviewed the additional appraisals and supplementary information provided by Savills and as set out in their letter to you dated 19th September.

A cashflow has not been provided, so we cannot be definitive about the impact of the individual assumptions. However, taken collectively we agree that the overall impact of the Savills assumptions on the South Wokingham maximum CIL is broadly as stated, assuming that the overall assumptions (with which we disagree, for the reasons given at Examination) are correct.

We should therefore re-state the Council’s position put forward at Examination on these points, which includes the following:

- Credit rate – we acknowledged that the assumed rate in the GLH base appraisals was too high. Savills indicated that a rate of 1-2% was reasonable but their figures are now based on 0%. As we indicated that the Examination, it should also be noted that the total quantum of finance costs in the Council’s base appraisals was actually more than that shown in the Savills base appraisals.

- Profit – this issue was discussed at length at the Examination and we maintain that the Council’s assumption of 17.5% is appropriate in the circumstances.

- Enabling works – the Council’s figure is at the bottom end of the Harman range. This is a very general piece of guidance and was written pre-CIL. It does not define precisely what it does cover and can certainly could be read as including some of the items allowed for within CIL or s106.

- Benchmarking – no local evidence was provided to support the figure of £370,000 per hectare assumed here and the Council’s assumption is supported by the fact that s106 contributions are routinely being agreed at £28,000 per unit in this area.

- Infrastructure costs - the Council’s position remains that there is no basis for the addition of the scale of the Section 106 costs relied on by Savills.
So whilst the Savills calculation is correct this does not change the Council’s view on the level of CIL which is affordable on South Wokingham.

Savills also provided a further document at the Examination which we have now had the opportunity to review i.e. “Revised Alternative Viability Appraisals”.

Although it is helpful to have provided evidence to the Examination of build cost and sales value changes, we do have a number of comments on this.

Firstly, Savills approach to assessing local price increases in the area is crude and masks significant variations in practice. The Council accepted a low figure for the SDL values based on the assumption of bulk pricing. As our submissions at Examination in reply to your question on this point noted, that has not proved to be the case on the ground and there is clear evidence of prices which represent a value increase well in advance of the 12.5% which Savills are showing in this document.

Secondly, the ‘Revised Appraisals Results’ in section 2 appear to be based around the assumptions set out in the original representation which we must assume include build costs at £88 per sq ft for houses rather than the BCIS median figures which were used by the Council. We have no appraisals with which to verify these figures but suffice it to say that these assumptions are clearly at considerable variance to those of the Council. It is, however, important to emphasise that when in Table 6 Savills refer to “Potential CIL rate to achieve nominal up to £28,000 per dwelling all dwellings” this is based on their assumption that strategic infrastructure would be provided through s106 which is not the Council’s proposed position and would significantly distort overall viability. The figures in this table have to be read in the context of the point made at Examination and noted above - namely that there is no basis for including these costs, which in the Council’s view serves to double count the likely cost to development.

It is important to stress that the Council’s CIL rates are not reliant on such value growth in any event. Values and costs are based on the date of the original viability study. The value increases identified in the evidence provided by Savills and noted by us at the Examination in response to your questions, simply demonstrate that likely headroom is actually significantly greater than shown, in the current market. As we noted at Examination, this is likely to continue to increase based on Savills’ own predictions of value growth over the next 5 years.

Yours sincerely,

Louise Strongitharm
Louise Strongitharm
Service Manager – Economic Sustainability