The Cranbrook Plan

2013-2031

Plan Examination –

Matters raised by the Inspector

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Introduction

The Cranbrook Plan hearing sessions took place in January and February 2020. During the sessions a range of concerns were raised by a number of parties in respect of viability.

As a result of an informal meeting between the parties, a Scott table was produced (available as examination document number PSD8) which identified 8 key themes which remained in dispute – one of which was the gross land area. At line 2 of the detailed part of the table it was identified by a number of parties that the total land take for the Town's expansion should be in the order of 270ha while the previous viability work had only costed 227ha.

In reviewing the schedule the Council accepted that there was an issue with the original land budget. It therefore indicated a need to revisit the land budget and the resulting viability appraisal in order that it can present an accurate, robust and clear assessment of the costs associated with the Cranbrook expansion.

The Inspector kindly agreed to a postponement of the relevant session and in so doing subsequently published a list of matters that she sought to be addressed when the examination reconvened.

This document forms a framework for addressing the 15 matters posed, either directly answering the questions or clearly sign-posting how or where the answers have been set out by the Council.

Matters Raised

1. **Undertake the work that was indicated to be necessary in order to address the areas of fundamental concern referred to in the request to postpone the viability session**

1.1 The Councils request for a postponement resulted from identified discrepancies within the land budget. These arose following the preparation of a land budget from which two different data sets were extracted – one for the Masterplan and one for viability testing. Essentially land for open space and SUDS was omitted from the budget that was used in the preparation of the viability appraisal, while SANGS was excluded from the published land budget for the Masterplan. These two aspects meant that the omissions were somewhat masked until a detailed re-examination of the base data took place.

1.2 Importantly the land proposed for each of the allocations (with the exception of 4ha of peripheral land that was previously adjacent to the sports hub in Treasbeare) remains as previously published i.e. the published allocation plans were and still remain correct. The only change is in the identification and distribution of land uses that sit within the area allocations that required updating.

1.3 As a result there are three pieces of work that have been prepared and are published alongside this paper:

1. Detailed Land Budget – This has been updated in full and now appears as a single "Technical Notes" document. It also includes additional evidence set out to underpin the calculations used. Maps and supporting tables for each development parcel within each of the expansion areas are also set out in this document.

2. Viability Appraisal – This has necessarily been revised to take account of the revised land budget. In so doing the Council has taken the opportunity to update the income and costings to a base date of 1Q2020. This is the most recent stable quarter available to use and is a realistic and up to date base from which to prepare the appraisal. It is also the period suggested by other participants in the examination process. While it is fully recognised that current economic circumstances are unstable, the appraisal looks at the plan period as a whole and the delivery of housing and infrastructure across a 15 year period. This is longer than any normal economic cycle and therefore is considered to be a robust and appropriate means of addressing this issue.

3. Infrastructure Delivery Plan – This has been updated with a base date of 1Q2020 to ensure consistency with the viability appraisal. Additional

details and worked examples for the equalisation exercise have also been set out in this document, together with additional justification on the items set out within it.

1.4 In addition to the changes to the land budget, costs and values, and the infrastructure delivery plan discussed above, the updated viability assessment also includes changes to some of the other allowances. This includes some changes to the dwelling mix and number of garages (reflecting participants' and other stakeholders various comments), treatment of marketing/sales costs on the employment land, affordable housing, and gypsy and traveller pitches, and more explicit treatment of developer return on employment land and gypsy and traveller pitches. In response to participants' comments the site purchase costs are now part of the cashflow with appropriate finance charges. The modelling has been undertaken in the freely available HCA Development Appraisal Tool which can be distributed with the viability report.

2. Ensure that there is clarity on the input figures utilised in the viability appraisal with specific reference to Land Values (and methods used to calculate them).

Benchmark Land Values for releasing the site for development

2.1 The benchmark land values *per hectare* remain the same as the 2019 viability assessment report although these are now applied to the changed land budget. These benchmarks are a cost to the scheme.

Category	**Ha**	**£/ha benchmark**	**Total**
Site area excluding SANGs	199.43	£300,000	£59,829,000
Net developable for residential	*109.03*	*£300,000*	
Land for other development uses, non-frontage road and green space	*90.4*	*£300,000*	
SANGS	78.27	£25,000	£1,956,750
Total	277.7	£222,491	£61,785,750

2.2 When these benchmarks are used in the viability testing, the additional costs related to site purchases are also included:

- Agents and legal costs at 1.75% of site value
- Stamp Duty Land Tax at the prevailing rates

2.3 The payments for land are phased with 50% in 2021/22 (the year before housing delivery) and 50% in 2026/27 (the year before the 2nd 50% of the housing delivery). Breaking down a large land purchase into smaller parcels is a standard component of risk mitigation for the development industry.

2.4 The benchmark land value for development land is £300,000/gross ha and is approximately 15 times the agricultural land value of £19,750/ha[1]. This is the mid-point of the range suggested by the HCA (now Homes England) guidance[2].

2.5 The £25,000/ha benchmark land value for the SANGs land is based on the comparable agreement to purchase 39ha SANGs land for the urban extension of 2,500 dwellings at SW Exeter[3]. The benchmark of £25,000/ha is a premium of 27% over the £19,750 agricultural existing use value. This also takes into account the flood and landscape issues affecting the Cranbrook SANGs, meaning that these areas are unsuitable for built development uses[4].

2.6 Taken together, the benchmark for the whole 277.7ha is £222,491/gross ha. This is equivalent to over 11 times the agricultural value which remains in the range suggested by the HCA.

2.7 A recent examination report for proposed new garden communities plans in North Essex suggests that the benchmarks allowed for in Cranbrook may be quite generous. In North Essex, the examiner considered that a suitable benchmark for development land (rather than SANG land) may be between £124,000 and £247,000/ha[5].

Land values forming part of the scheme GDV

2.8 In addition to the benchmark land values discussed above in relation to the site purchase cost, some of the scheme development value includes onward sale of serviced land for employment uses, serviced plots for custom & self-build (CSB) and serviced Gypsy & Traveller pitches.

[1] MHCLG, 2018, Land Value Estimates for Policy Appraisal
[2] Homes and Communities Agency, 2010, Annex 1 (Transparent Viability Assumptions) to the guidance for its Area Wide Viability Model “For greenfield land, benchmarks tend to be in a range of 10 to 20 times agricultural value.”
[3] Teignbridge District Council capital programme 2018-19 to 2021-22 project KB1, with a budget of £1.1m for purchase and delivery of 39ha of SANGs. The land price element of this was £25,000/ha (source TDC, personal contact, February 2020).
[4] See EDDC constraints plan at appendix 1
[5] PINS, May 2020, North Essex Authorities - Examination of the Shared Strategic Section 1 Plan, para 204 and 205

Serviced employment land

2.9 The value of serviced employment land is assumed to be £800,000/ha and this is taken from the latest MHCLG estimates for serviced industrial land in Exeter[6]. This is unchanged from the 2019 viability study.

2.10 This figure of £800,000/ha is applied to the area identified in the revised land budget for B class employment (4.93ha) as well as the proportion of the mixed-use land area estimated to be used for commercial premises (0.5871ha out of the mixed use total of 3.78ha). This split of the mixed-use area is based on the broad assumption that housing will take approximately 2.75ha and that the balance of 1.03ha will be split in proportion to the proposed retail and community floor areas (57%:43%).

Service land use	ha	£/ha value	Gross value
B class employment land	4.93	£800,000	£3,944,000
MU area land for commercial sale	0.5871	£800,000	£469,680
Total	5.5171		£4,413,680

2.11 An allowance of 3% of the serviced employment land value is made for marketing and sales costs, as well as 17.5% developer return.

Serviced plots for CSB

2.12 The method for estimating the value of the 170 CSB plots is based on a residual value approach[7]. This allows for the value of the completed dwelling less the construction and other development costs associated with it, and takes into account a premium on values, higher build costs and higher professional fees[8], as well as the standard allowances for finance and for marketing costs.

2.13 Based on this approach, and net of 17.5% developer return it is estimated that the CSB plots will have a value of £55,300 each. This totals £9,397,372 for the 170 plots being provided.

Gypsy & Traveller serviced pitches

2.14 The value of serviced Gypsy & Traveller pitches is assumed to be £55,000 each. This is unchanged from the 2019 viability study and is based on the market evidence reviewed in the appendices. This value is applied to the 15

[6] MHCLG, 2018, Land Value Estimates for Policy Appraisal
[7] The details of this approach have been developed in discussion with MHCLG's self- build task force and the National Custom and Self Build Association (NaCSBA).
[8] 5% premium on values, 5% over median BCIS build cost, 12.5% professional fees, as well as the standard marketing and finance costs used for other dwellings.

pitches being provided giving a total of £825,000, less a 3% allowance for marketing and sales costs and 17.5% developer return.

3. Clarify what the Council consider to be the appropriate benchmark land value for:-

a. Residential land

3.1 The benchmark used for release of land for residential development is £300,000/ha, applied to the gross area. This is based on a multiplier of agricultural values as discussed above and is unchanged from the 2019 viability study.

3.2 Applying this benchmark to the 109.03ha net developable area for residential development identified in the revised land budget gives a total benchmark of £32,709,000 for this component of the scheme.

b. Employment land

3.3 The benchmark used for purchase of land that will be then used for employment use is £300,000/ha, applied to the 4.93ha gross area of the B use land in the masterplan as well as the 0.5871ha proportion of the 3.78ha mixed use area anticipated to be used for commercial development. This is based on a multiplier of agricultural values as discussed above and is unchanged from the 2019 viability study.

3.4 Applying this benchmark to the 4.93ha and 0.5871 ha area for serviced employment uses gives a total benchmark of £1,655,130 for this component of the scheme.

c. Self-build land

3.5 The benchmark used for release of land for CSB residential development is £300,000/ha, applied to the gross area. This is based on a multiplier of agricultural values as discussed above and is unchanged from the 2019 viability study. The land area for CSB is within the overall 109.03ha net developable area for residential development discussed above and is not specifically identified in the land budget.

d. Non-residential land which will be the subject of other built form

3.6 The benchmark used for release of land for other built uses is also £300,000/ha. This is applied to education (6.25ha), sports hub (9.96ha), as well as the land for non-frontage roads (33.04ha). Across these uses the benchmark is £14,775,600.

e. SANG land provided directly by a developer within their own allocation

3.7 The benchmark used for release of land within their own allocation for SANGs is £25,000/ha, noting that the areas identified for SANGs often have flood and/or landscape constraints that mean they are unsuitable for development. The benchmark of £25,000/ha remains unchanged from the 2019 study. Applying this benchmark to the overall 78.27ha of SANGs, gives a total of £1,956,750.

f. SANG land provided to mitigate the impact of development by others where they are unable to provide their own (if different to e)

3.8 The benchmark used for release of land for SANGs to mitigate the impact of others is also £25,000/ha, again noting that the areas identified for SANGs often have flood and/or landscape issues that mean they are unsuitable for development. Figure 1 in the Cranbrook Plan Habitat Mitigation Strategy indicates that of the 78.27ha SANGs required, only 6.98ha is not currently under the control of the direct developer concerned[9].

g. Formal playing pitch land

3.9 The benchmark used for release of land for playing pitch land is also £300,000/ha.

h. The allocated sites for gypsy and traveller provision

3.10 The benchmark used for release of land for gypsy and traveller pitches is also £300,000/ha.

3.11 Applying this benchmark to the 2.13ha area for gypsy and traveller provision gives a total benchmark of £639,000 for this component of the scheme.

i. Safeguarded land for the second railway station and the energy use

3.12 The benchmark used for release of land for the energy use land is also £300,000/ha. Applying this benchmark to the 3.63ha area for the energy centre expansion gives a total benchmark of £1,089,000 for this component of the scheme.

3.13 The 1.98ha land for the second railway station is outside the 277.70ha land budget for the scheme as the land is safeguarded only in the Plan[10]

4. Provide clarity on the precise land areas to be used as the developable area and the evidence which supports any revised figure

[9] EDDC, The Cranbrook Plan 2013-2031 Delivery Strategy Habitat Mitigation - SANGS
[10] DPD policy CB10

4.1 Details of land areas are more fully described and set out within the supporting paper Land Budget – Technical Notes (July 2020). This confirms a total land take of 277ha is required for the development including 78 ha of land necessary for SANGS.

4.2 In addition the paper establishes the land required for each of the expansion areas (Bluehayes, Treasbeare, Cobdens and Grange), setting out that which is required for the specific allocation and how this is split between net and gross developable land. A summary is provided below:

		Bluehayes	Treasbeare	Cobdens	Grange
	Gross developable land area (including SANGS)	52.2ha	81.5ha	99.4ha	44.6ha
	Net developable land area	25.10ha	24ha	39.8ha	20.2ha
	Land for allocation	34.2ha	60.6ha	73.4ha	29.5ha
	Adjusted land for allocation (where appropriate)	39.6ha (Resulting from the inclusion of Bluehayes Park. Although identified as SANGS, this also forms part of the requirements of the allocation in policy CB2).	n/a	n/a	n/a

5. Explain in detail why a profit level of 17.5% is justified; and why this differs from the profit level referred to in the East Devon Local Plan.

5.1 The 2019 update to planning practice guidance at paragraph 10-018-20190509 is clear. This states that:

> "For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. Plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development

5.2 The starting point for assessment therefore lies in the range of 15-20%. The guidance considers this a suitable market return to developers. It recognises however that plan makers may choose to apply an alternative figure where there is evidence to support this according to type, scale and risk profile.

5.3 The developer return used for the market housing in the Cranbrook expansion is £183m, which is 17.5% of the market housing sales value. This is the mid-point within the range suggested by PPG. The factors behind this level of return relate to the risk of development, with factors that increase risk leading to a higher return to compensate for this, and factors lowering risk leading to a reduced return. The table below rehearses factors affecting development risk for the Cranbrook expansion.

Higher Risk Factors	Lower Risk Factors
Large scale of development Development period of 11 years housing delivery plus 2-year lead-in Delivery of significant additional infrastructure – some of which is early in the development programme (e.g. Bluehayes primary school) C-19 impacts (short term?) plus future economic cycles	Multiple established developers sharing risk Established market in Cranbrook (compared to the initial phase) Current and proposed community infrastructure (including new schools, progress on the town centre and the proposed additional local centres) increasing saleability Current and proposed transport infrastructure serving Cranbrook increasing saleability EDDC track record in sourcing third-party funds for infrastructure Detailed design and costing work as part of the Cranbrook plan and the viability assessment reduces uncertainty about scheme components and costs Establishment of an equalisation framework to spread the costs of infrastructure provision Continued growth in nearby off-site employment opportunities increasing saleability

5.1 The table of risk factors above show that the expansion of Cranbrook includes factors that both increase and decrease risk. Taking all the above into account and the planning guidance suggested range, it is considered reasonable for a mid-point return of 17.5% to be used within the viability appraisal.

5.2 The figure of 17.5% return on gross development value for market housing in the expansion of Cranbrook was part of the evidence in the recent East Devon CIL examination and was not challenged by parties present or subject to concern by the Examiner

5.3 The evidence for the recent CIL examination in East Devon used a higher rate of return (20%) for market housing in other locations in East Devon. This reflected the following:

- Higher level assessments with predominantly generic schemes
- Less certainty about site infrastructure and planning obligation costs for the typologies representing the other strategic sites in East Devon

6. Explain what profit levels should be applied to affordable homes revenue and why. (if different to the above)

6.1 6% has been applied as a contractor return in respect of the affordable housing. This reflects the national guidance which sets outs that:

> A lower figure may be more appropriate in consideration of delivery of affordable housing in circumstances where this guarantees an end sale at a known value and reduces risk. Alternative figures may also be appropriate for different development types.
>
> (Planning practice guidance at paragraph 10-018-20190509)

6.2 The 6% return is applied to cost rather than revenue. While PPG is not specific about this issue, the application to cost complies with the guidance for the HCA Development Appraisal Tool[11] and also reflects specific viability guidance for other parts of the UK[12].

6.3 The figure of 6% return on cost for affordable housing was part of the evidence in the recent East Devon CIL examination and was not subject to concern by the Examiner. This 6% return on cost has also been part of other area-wide viability evidence found sound at examination locally (e.g. Exeter, Teignbridge, Taunton Deane, Cornwall) as well as further afield.

7. Evidence any work which has been undertaken to establish and verify the Gross Development Value

7.1 The gross development value (GDV) is comprised of:

- Sales of market dwellings
- Transfer of affordable dwellings to the housing association
- Sale of the custom and self-build plots

[11] HCA (now Homes England), 2014, Development Appraisal Tool User Manual, para 4.14
[12] Welsh Government, 2020, Development Plans Manual page 145

- Sale of the employment land
- Sales of the gypsy and traveller pitches

Market dwellings value

7.2 The market values for Cranbrook was derived from an analysis of 859 new build Land Registry data for sales in Cranbrook for the period January 2015 to February 2020, indexed to 2020 Q1 using Land Registry House Price Index (details in the appendix to the updated viability report). The Land Registry data was matched to Energy Performance Certificates to enable a value per sq m to be generated for the different house types. This is then grossed up by the dwelling sizes to provide an approximate dwelling value.

Market values by dwelling types 2015 –2020, indexed to 2020 Q1 using HPI

Dwelling type	***Count of sales***	***Average £ per sqm***
Flats	*42*	*£2,853*
Terrace	*304*	*£3,047*
Semi detached	*266*	*£3,148*
Detached	*247*	*£2,972*

7.3 This approach is the same as the viability evidence which was found sound in the recent East Devon CIL examination, although the actual figures are updated. The 859 Cranbrook new build transactions used for this analysis form a considerable amount of data for these estimates.

Transfer of affordable dwellings to the housing association

7.4 Affordable housing in Cranbrook is transferred to a housing association for a value that will reflect the capitalised net rents for rented accommodation, and a combination of the bought share and rental factor for the shared ownership accommodation. There can also be an element of cross subsidy depending on the housing association business model.

7.5 The majority of the affordable housing provided in Cranbrook Phase 1 is now managed by LiveWest housing association, at transfer values set out in the s106 heads of terms. These transfer values reflected the tenure mix agreed in the s106 for phase 1, which was *social rent* and shared ownership. The affordable housing sought in the Cranbrook expansion has a different tenure mix, which is 70% *Affordable Rent* and 30% shared ownership. The transfer values for Affordable Rent are higher than for social rent because of the difference in rents (Affordable Rent is typically at or around the Local Housing Allowance rates).

7.6 The 2019 viability report included consultation with LiveWest amongst other housing associations in order to estimate transfer values for Cranbrook and elsewhere in East Devon. Further contact was made with LiveWest in June 2019 to confirm transfer values for Cranbrook, and this information was shared with the EiP participants.

7.7 In June 2020 LiveWest again provided information in response to a query about whether Cranbrook transfer values had changed. LiveWest has stated that the transfer values provided in 2019 should continue to be used. These are:

Tenure	Unit Type	Proposed Transfer Value at June 2019
Social Rent	1 Bed Flat	£65,000
	2 Bed Flat	£74,000
	2 Bed House	£81,500
	3 Bed House	£92,500
	4 Bed House	£101,000
Affordable Rent	1 Bed Flat	£93,500
	2 Bed Flat	£110,000
	2 Bed House	£135,500
	3 Bed House	£159,000
	4 Bed House	£185,000
Shared Ownership	1 Bed Flat	£105,000
	2 Bed Flat	£129,000
	2 Bed House	£160,500
	3 Bed House	£184,000
	4 Bed House	£227,000

7.8 These transfer values for Affordable Rent and shared ownership have been used in the updated viability testing.

Custom and self-build plot values

7.9 The estimates for the custom and self-build (CSB) plot values are based upon the methodology agreed with the government endorsed Right to Build Task Force and the National Custom and Self-build Association. The approach is to prepare a residual value assessment for the CSB dwellings taking into account the specific characteristics of this type of development. The residual value is what the custom/self-builder is able to pay for the plot.

7.10 The specific characteristics agreed with the Right to Build Task Force and the National Custom and Self-build Association for modelling CSB are:

- 5% premium on value compared to similar general dwelling
- 5% over median BCIS build costs
- Same developer return as the rest of the development (i.e. 17.5%)
- Higher professional fees – 12.5%

7.11 The other development allowances are the same as the rest of the development and include plot costs, finance, marketing and sales, garages, district heat connection costs and the carbon reduction costs. The cost plan also has allowances for provision of the plot servicing costs for CSB.

7.12 The net residual value of the 170 CSB plots is £9.4m, equivalent to approximately £55,300/plot.

Employment land values

7.13 The value of the employment land being provided at Cranbrook is taken from the MHCLG estimates for Exeter of £0.8m/ha[13]. This is the estimate for serviced employment land.

7.14 This value is applied to the 4.93ha of 'B' space land and 0.5871ha of the 3.78ha mixed use area. The mixed-use area split is an estimate based on discussion with EDDC about the area that may have saleable commercial development and takes into account the housing and community uses that will also form part of the mixed-use area.

[13] MHCLG, 2018, Land Value Estimates for Policy Appraisal

7.15 Applying £0.8m to the two land areas gives a gross value of £4.4m. Allowances are then made for marketing and sales costs (3%) and developer return (17.5%). The cost plan also has allowances for provision of the servicing costs for the land.

Gypsy and traveller pitch value

7.16 The value of the gypsy and traveller pitches is based on a review of gypsy and traveller plots for sale. This review was presented as part of the 2019 viability report and remains unchanged, with an estimated gross value of £55,000/plot.

7.17 Allowances are then made for marketing and sales costs (3%) and developer return (17.5%). The cost plan also has allowances for provision of the serviced pitches.

8. Show how market sales incentives have been factored into the assessment of GDV

8.1 An allowance of 3% of sales value has been used to cover the marketing and sales costs for open market houses. This is broken down as follows:

- Agents fees 1%
- Legal fees 0.5%
- Marketing costs 1.5% (includes show homes, incentives etc.)

8.2 The figure of 3% sales and marketing costs applied to market housing sales values was part of the evidence in the recent East Devon CIL examination and was not subject to concern by the Examiner. This figure was also found sound in other recent area wide viability assessment examinations e.g. Ashford local plan examination 2018, London Plan examination 2019.

8.3 As noted above, the 3% marketing and sales cost allowance has also been applied within the residual value CSB plot estimate as well as the employment land and gypsy and traveller plot sales.

9. Highlight the evidence which supports the use of an average GDV for affordable housing

9.1 The majority of affordable housing in Cranbrook has been taken up by a single housing association (LiveWest). Information has been provided by LiveWest for this updated viability assessment about the specific transfer values (GDV) for different affordable housing dwellings with social rent, Affordable Rent and shared ownership tenures, with the process described more fully in the response to question 7 above. These specific values from LiveWest have been used in the updated viability assessment.

10. Clarify why the BCIS standard data has been adjusted in the Councils viability assessment and the date of the BCIS data used. It has been argued in representations that this does not reflect industry norms when assessing viability.

10.1 The data used for the general housing dwelling construction costs is the standard BCIS lower quartile costs. This is split into the standard dwelling types used by BCIS (flats, terraced houses, semi-detached houses and detached houses). The extract from BCIS with the relevant updated figures highlighted is within the appendices to the updated viability report. This is the same approach as the 2019 study.

10.2 The lower quartile figure is used as this is part of the cost plan and it is the standard estimate used to reflect the economies of scale of larger housing developments. Both the 2015 BCIS analysis of build costs for the FSB[14] and a separate analysis undertaken by BCIS on behalf of Three Dragons has shown that build cost is clearly related to scale – for example the 2015 report for the FSB showed that BCIS standard *mean* build cost falls between 6-10 dwelling projects and costs fall as project size increases from there[15].

10.3 The use of lower quartile build costs for larger scale developments is common in site specific assessments used to inform s106 negotiations.

10.4 The residual value assessment produced for the estimated CSB plot values does use an adjusted BCIS rate, at 5% over median. This is based on the methodology for testing this type of development agreed with the government endorsed Right to Build Task Force and the National Custom and Self-build Association.

11. Ensure that there is clarity on all infrastructure delivery plan entries so that the breakdown of individual costings is clear and the evidence to justify them is transparent and easily understood

11.1 Since the postponement of the viability session for the Cranbrook IDP and in undertaking the necessary work to both the Land budget and the viability appraisal, an update to the IDP has been carried out. This has ensured that all costs used within the assessment now have a base date of the 1Q 2020 to match the appraisal.

11.2 In addition a supplementary section has been added to the main IDP document that sets out in greater detail how the costs used have been

[14] BCIS, 2015, Housing Development: the economics of small sites – the effect of project size on the cost of housing construction
[15] Page 12 – table 2

derived, where they have come from and what policies in both the Local Plan and the Cranbrook Plan the items relate to.

11.3 Where it is possible, or where figures have been calculated on a per-dwelling basis, such a breakdown is provided. However, in many cases the item is justified by the development within the plan as a whole rather than simply an individual expansion area or part thereof.

11.4 As Cranbrook is treated as one town and the proposed allocation areas are treated as one expansion, it is not appropriate to break down these costs on a per dwelling basis within the schedule. The detailed breakdown comes within the equalisation section and depends upon on what and where the particular item is located – i.e. is it something that is funded in full by a single developer/expansion area or through commuted sums across the entire town.

11.5 In so doing it has been possible to demonstrate that the items identified meet the planning obligations tests[16] of being:

Necessary to make the development acceptable in planning terms;

Directly related to the development; and

Fairly and reasonably related in scale and kind to the development

12. Explain the Council's justification for all the IDP costings to be equalised in the context of the tests required for their inclusion into a section 106 agreement

12.1 As set out in response to matter 11 above the tests for an obligation to be included within any section 106 agreement are as follows:

Necessary to make the development acceptable in planning terms;

Directly related to the development; and

Fairly and reasonably related in scale and kind to the development

12.2 The expansion of Cranbrook is viewed as a single project to a single town, but nonetheless a town which is still developing all of the facilities necessary for it to sustain its population. While the expansion has been broken down into manageable areas for ease of referencing, they depend upon each other for the delivery of key infrastructure items essential for the proper development of place. The interdependency, despite having a range of different developers and land owners within and across the expansion areas, is not easily broken or fragmented.

[16] Planning Practice Guidance Paragraph: 002 Reference ID: 23b-002-20190901

12.3 It is on this basis that items within the IDP are equalised. All items listed are considered necessary to make the development (project) as a whole acceptable; all are considered to be directly related to the project where it is considered a single entity; and all are fairly and reasonably related in scale and kind to the development when all its components are taken as one. This process reduces the risk to the individual developers about whether the necessary infrastructure will be provided to support the housing development on their land.

12.4 This approach of equalisation, allows direct provision by one developer of a piece of infrastructure that would otherwise be unreasonably related to just their scheme. In so doing there is effective compensation between developers, whose 106 burden <u>in total</u> does not change. It is only its distribution and management that varies and this is done to ensure the most effective delivery of infrastructure for the place making which is essential for the town of Cranbrook. It is effectively the Local Authority taking a direct approach to coordinating infrastructure delivery across different developers where there is no consortium in place to internalise such a transaction.

12.5 To put it another way, the sum total of any one developers “per dwelling” obligations within Cranbrook will not change. However the split of that total will vary but this, by its nature, allows for delivery of big single ticket items by single developers without the Local Authority having to carve off equal amounts for every infrastructure item from every developer. To do so would be cumbersome and ineffective and severely slow both the delivery of infrastructure and the housing which is reliant on it.

12.6 Each of the following pie charts represents the sum total of the obligations that a particular developer needs to pay/provide - for clarity all pay the same per dwelling contribution.

12.7 The diagrams acknowledge that in scenario 1, Developers 2 and 3 pay nothing towards Infrastructure items 1 and 2 albeit these are delivered. Similarly Developers 1 and 3 pay nothing towards items 3 and 4, but again these are delivered. As a result both Developers 1 and 2 pay much less in off-site contributions.

12.8 Developer 3, who has no on site requirements, still pays the same equivalent per-dwelling cost as Developers 1 and 2. As their obligations are entirely off site however they have a much higher off-site obligation than 1 and 2 pay and pay proportionally more to each off-site item. They are in effect helping to pay the off-site share of Developers 1 and 2, but in so doing do not have to contribute to the on-site delivery that is shouldered by Developers 1 and 2. Importantly this approach achieves on site delivery of a significant proportion of the necessary infrastructure.

12.9 Scenario 2 on the other hand results in everyone paying, proportionally the same amount for every item of infrastructure – whether this is on-site or off-site. There is no mechanism or incentive for a particular developer with an onsite obligation to deliver this and risks creating a situation where one developer is beholden on another. Taking the argument to an extreme would suggest that until all developers pay all contributions for a particular item, it simply doesn't get delivered. This slows delivery of much needed infrastructure and is likely to further slow the delivery of housing as well.

12.10 Both scenarios, which consider the delivery of the same infrastructure and which is necessary, directly related to and fair in scale and kind are considered to meet the CIL tests. However, the first, while less traditional, is important for providing certainty and speed to the delivery of infrastructure and housing.

13. **Identify the date the costings for the undergrounding of pylons on the Cobdens and Grange areas were established. Given reference was made to updated costs, are updated costs available? If they differ from those in the IDP please identify what the reason for variation is and provide details**

13.1 Contributions have been reappraised in June/July 2020 as part of work being undertaken by Persimmon Homes, and these figures have been used in the viability assessment.

13.2 Costs set out within the IDP continue to include an allowance for compensation which is based on reasonable assumptions. In addition they also reflect a shorter line length than previously envisaged i.e. undergrounded only where the OHL affects developable land, but this makes for a more cost effective approach – an approach that is fair to all parties given that this forms an equalised cost as well as ensuring that such work does not prejudice the delivery of other infrastructure.

13.3 It will be readily apparent within the IDP that despite the reduced line length, costs have nonetheless still increased. This increase reflects both the passing of time, but more particularly an actual cost estimate from Western Power Distribution rather than simply a budget cost appraisal. As such it is a more accurate and refined cost which recognises constraints and likely rerouting patterns rather than simply a straight line cost.

14. **Provide clarity on the Council's intentions regarding the annual update of the IDP and the process to be utilised to achieve this. (Including how external parties will be engaged in this process given the importance of the content to the commercial plans of any of the four expansion areas).**

14.1 The Council have to produce an annual monitoring report that is published and then scrutinised in public at the Strategic Planning Committee. It is proposed that the Cranbrook IDP forms an additional strand to this monitoring report, and in so doing would allow public (and developer) engagement and scrutiny of the published infrastructure list.

14.2 Other than an annual indexation, it is not envisaged that costs within the IDP would fluctuate significantly, but does give a means by which significant cost increases (or decreases) can be captured and shared amongst developers who are yet to gain planning permission.

15. **Clarify the justification for maintenance payments for SANG land – the examination hearing heard from one developer that a Parish precept should be utilised for ongoing maintenance rather than a developer funded maintenance programme. Could the Council clarify its position on this point please?**

15.1 To form genuine SANGS, the open space has to be delivered and managed in perpetuity for the development that it is mitigating. To fully achieve this and to ensure that there is no potential of a likely significant effect arising at any point over the in-perpetuity period (a minimum of 80 years) there needs to be management in place of the SANGS throughout the period. Appropriate management for the full period is expensive and therefore, the SANGS strategy and as a result the IDP recognise a line for this cost.

15.2 The current costing is based on an endowment model, whereby the developers transfer the SANGS to a suitable body together with a lump sum which is invested. The subsequent management is then funded by the return on that investment while the capital is safeguarded.

15.3 The alternative as noted within the IDP is to seek from developers a traditional contribution for the full management costs which is calculated on a per year basis. This is held by a Local Authority and the capital solely used for the management of the resource. Ultimately this is a more expensive means of funding the management of the SANGS but negates the need for investment of the capital and a suitable company or group with such experience.

15.4 The suggestion which was made within the examination was that by transferring the SANGS to the Town Council, neither the endowment model nor the commuted payment model would be required, and instead the management could be funded through the local precept. While technically possible, this approach places all the onus and responsibility for in-perpetuity maintenance and management on the local Town Council and therefore their local population.

15.5 Although the Town Council have indicated a preference to explore this route, it is widely recognised that residents of Cranbrook already have the highest precept in East Devon. As such it is not considered fair or appropriate to further burden the population with costs which, as part of their requirement to provide adequate mitigation, should reasonably sit with the developers. Furthermore, at present much of the land safeguarded for SANGS is outside Cranbrook Town Council's administration and a governance boundary review is required to alter this. The endowment model which is costed and sits within the IDP is considered the most cost effective way of securing SANGS management for the long term.

15.6 The following tables provide estimated comparative costs of an endowment model and a precept model (assuming a governance boundary review brings all the land into Cranbrook Town Council's administration). These demonstrate the significantly higher lifetime costs of a precept model. It is important to note that the cost of delivery over the period is the same for both approaches. The endowment differs in that it requires the initial investment and thereafter annual costs are met via the interest earned.

15.7 Table 1, below, compares the estimated lifetime cost of the two different approaches, with inflation calculated at BCIS historical 10 year average.

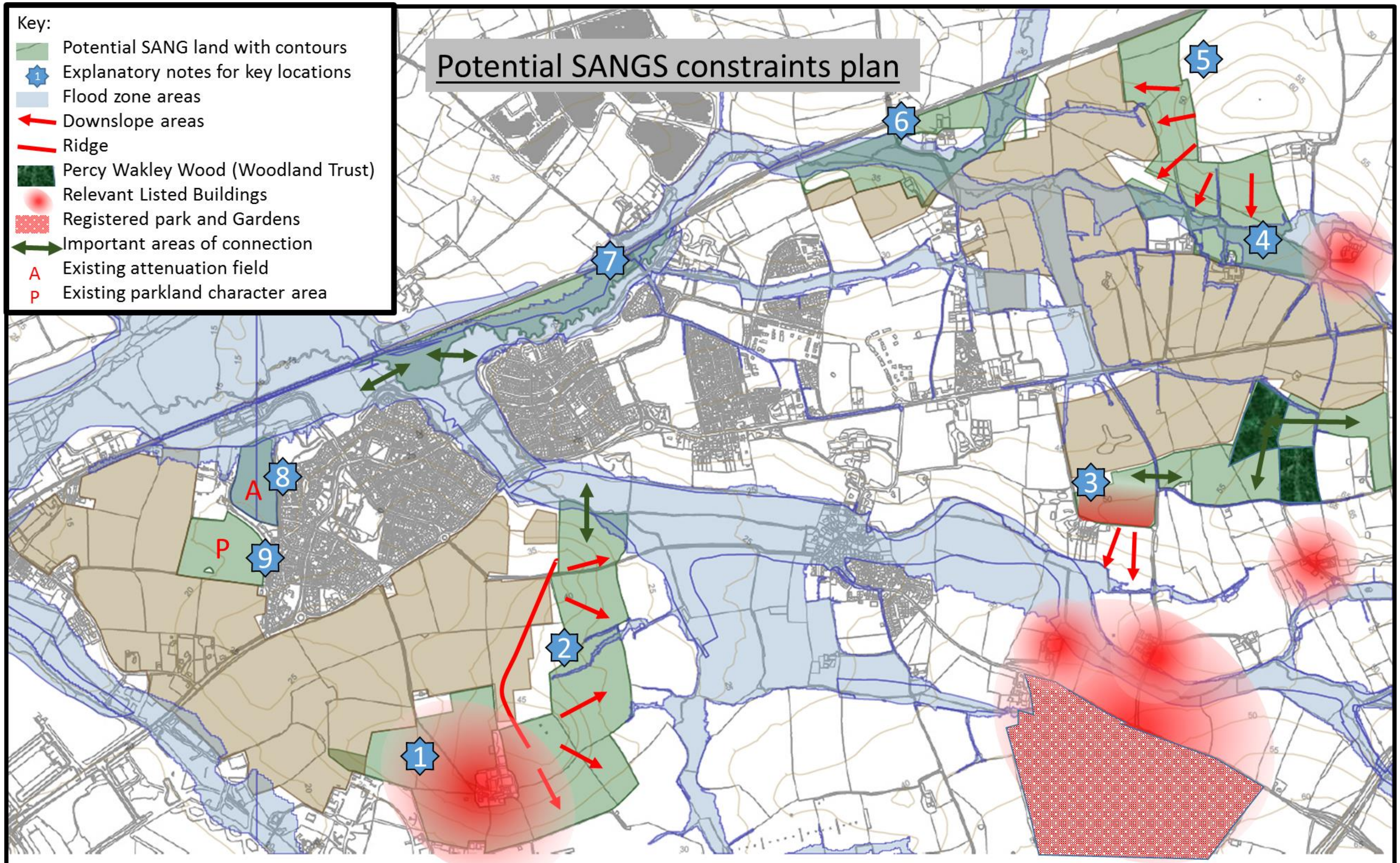
Table 1 – Comparison of estimated lifetime cost of proposed approaches, with inflation calculated at BCIS					
Approach	**Lifespan**	**Size**	**Annual operations cost**[17]	**BCIS**	**Lifetime cost**
Endowment	1000+ years	78ha	£78,000	3.8%	£4.4M
Precept	80 years	78ha	£78,000	3.8%	£38.5M

15.8 Table 2, below, compares the estimated lifetime cost of the two different approaches, with inflation calculated at CPIH historical 10 year average. The same considerations apply as outlined in the preceding paragraph.

Table 2 – Comparison of estimated lifetime cost of proposed approaches, with inflation calculated at CPIH					
Approach	**Lifespan**	**Size**	**Annual operations cost**[18]	**CPIH**	**Lifetime cost**
Endowment	1000+ years	78ha	£78,000	2.06%	£4.4M
Precept	80 years	78ha	£78,000	2.06%	£15.5M

[17] *Based upon maintenance of completed SANGS*
[18] *Based upon maintenance of completed SANGS*

Appendix 1



Key:
Potential SANG land with contours
Explanatory notes for key locations
Flood zone areas
Downslope areas
Ridge
Percy Wakley Wood (Woodland Trust)
Relevant Listed Buildings
Registered park and Gardens
Important areas of connection
A Existing attenuation field
P Existing parkland character area
Potential SANGS constraints plan
1
2
3
4
5
6
7
8
9
A
P

Notes

1 Treasbeare Farmhouse and surrounding land – Farm is Grade II listed with important approach through tree lined avenue. The setting is considered to extend significantly to the north due to the driveway approach and was noted within the consultation response to application 17/1482/MOUT by Conservation Team at East Devon

2 Farmland to the east of the Treasbeare Allocation – discrete from the main area of the allocation by the presence of an important ridgeline running broadly north-south and currently only breached within the Cranbrook by playing fields. The significant slope of this area means that it forms the setting of Rockbeare village and in landscape terms any development would result in significant harm contrary to the adopted East Devon Local Plan. In addition these fields lie within the area which is subject to the made Rockbeare Neighbourhood Plan which prevents development in the identified Green Wedge. The identified area also provides good linkage with existing Country Park to the north.

3 Elevated ridge to the north of Rockbeare Manor which is Grade I listed and sitting within Grade II Registered Park and Garden. In addition a range of Grade II farmhouses and the Grade II* listed gatehouse are within vicinity. Due to the topography, development close to the ridge would result in landscape harm and affect the setting of heritage assets. Concern has already been raised by Historic England in response to a current application 19/1798/MOUT which proposes development close to the edge of the ridge

4 Important access areas into the SANGS land to the north. Located within a recognised flood zone (2 and 3) and close to Middle Cobdens Farm (Grade II) meaning that care is required in terms of impacts on its setting

5 Rising land that forms a backdrop to the proposed enlarged town of Cranbrook. Due to the extent of views to this area and its local prominence, development is not considered appropriate. This is further evidenced within the Landscape appraisal prepared for the Cranbrook Plan and found on the following link: https://eastdevon.gov.uk/media/2272699/hda-00a-cranbrook-landscape-and-visual-appraisal_rev-a.pdf and its associated appendices

6 Land that is primarily located within Flood Zones (2 and 3) or that which is otherwise "trapped" by flood zone to the south and rail line to the north

7 Land that is primarily located within Flood Zones (2 and 3) or that which is otherwise "trapped" by flood zone to the south and rail line to the north. In addition this is currently owned by the National Trust with associated disposal restrictions. All this land lies to the north of the existing stream corridor – itself forming the northern boundary of the existing Country Park. Land is therefore important for Green Infrastructure connectivity

8 Already land which forms part of the Cranbrook Phase 1 but which is used as surface water attenuation area. Currently no public right of access

9 Currently agricultural land which retains character of former formal parkland. Limited development potential due to the number of retained and protected trees.