

19 April 2016

Dear Ms Child,

Gateshead Borough Council and Newcastle City Council Community Infrastructure Levy Draft Charging Schedules

Thank you for the opportunity for the Councils to respond to the new matters/evidence submitted with the representors' Hearing Statements as communicated to the Councils on Friday 15 April via the Programme Officer, Brian Wilson. Please accept this letter as the Councils' response to those additional matters and evidence raised in EX10 Issues 1-4 Northumberland Estates, Bellway Homes NE, O'Neil and Wright and EX11 Issue 3 Bellway Homes Ltd (NE) and EX 14 Issue 4 Bellway Homes Ltd (NE) in advance of the CIL Hearings on 21 and 22 April.

It was with surprise, that following some 5 years of dialogue with the Council and consultation on the Councils' CIL evidence that the strategic allocation stakeholders have submitted late evidence within the examination hearing statements in advance of the hearings. In order to assist the Examiner, the Councils' have sought to set out responses to the issues raised in both submissions. The responses below are prepared jointly by the Councils, except where the rebuttals are clearly identified as area specific.

EX10 Issues 1-4

In evidence document EX10 Northumberland Estates, Bellway Homes NE, O'Neil and Wright Issue 2 (infrastructure evidence), the representors have indicated that the IDP and Draft Regulation 123 list lack clarity and there is ambiguity as to the proportionate split between s106 and CIL. The Council added S106/CIL flow charts to the CIL evidence pages 45-46 (Background Paper Appendix 4) (Oct. 2015) (P02) to provide clarity of mechanism for the allocations sites and the wider authority areas.

In addition, Newcastle adopted its Planning obligations SPD in January 2016 following extensive consultation. NLP responded to this consultation and stated ' we welcome the SPD and an opportunity to provide certainty and clarity to our clients and the wider development industry with regard to the level of contributions that will be expected to be made as development is brought forward' (copies of the representation can be provided if this will assist the Examiner).

The representors in EX 10 cite the provision of 'sports hubs' and primary school provision at Callerton Neighbourhood Growth Area (Policy NN1) as the areas of concern. In respect of 'sports hubs', sports pitches are a requirement of Policy NN1 (12) and saved UDP Policy OS 1.2(P07) and are proposed to be concentrated in a central location of the growth area as part of building sustainable communities,

providing a sense of place and good design. The provision of sports pitches are specifically excluded from the regulation 123 list as site specific infrastructure (s106) for the allocation sites. The Council consider the definition of Major Built Sports facilities on the Regulation 123 List to be clear and unambiguous (see narrative on Plan for Built Facilities)(page 18 of the Background Paper) (P01). In respect of education matters, Councils' have a duty to ensure sufficiency of places for primary education and comply with policy requirement for primary education mitigation NN1 (2) at Callerton. Newcastle Council has been meeting with the representors regularly over the last year to develop the Masterplan and at no point has any concern been raised over lack of clarity between S106 and CIL charges

The representors' Appendix 1 includes a list of Callerton Infrastructure costs (£67.6m), and when subtracted from the viability headroom summarised in the Turner Morum revised appraisals in Appendix 2 (paragraph 5.6) results in an overall negative resultant headroom. This is surprising given the statement in the Callerton Consortium Infrastructure Delivery Report (April 2014 and included as Appendix 1 to this letter to assists the examination process) (paragraph 1.2, page 5) states "Without an understanding of the Council's proposed CIL levy the delivery schedule for Callerton park cannot be finalised. Nevertheless extensive and detailed work has been undertaken, considering how the site can be phased and delivered. This statement demonstrates clearly to the Council that, notwithstanding the uncertainty over CIL, Callerton Park: is viable; can deliver necessary infrastructure required; and can contribute to off-site infrastructure and benefits of city- wide importance."

The Callerton Consortium's(April 2014) Report was submitted as evidence for the Core Strategy and Urban Core Plan Examination (CSUCP EX157) and concludes that the total potential cost to Callerton Park (including affordable housing and off site infrastructure) is £23,500 per dwelling. This is repeated in paragraph 5.5, Appendix 2 of the Turner Morum report. Whilst the Council has reviewed the total £67.7m Callerton infrastructure list (NLP Appendix 1) and considers the corresponding figure from the list for the appraisal deduction to be £36m (Non CIL infrastructure), the Council can also confirm the total Non CIL and CIL infrastructure cost would be £23,380 per dwelling (See table below for calculations). The Council is happy to discuss the detail in the appendix at the Examination.

CALLERTON TOTAL INFRASTRUCTURE COSTS

Non CIL infrastructure cost (Background Paper Appendix (P02) Table 4, including electric vehicle costs)	£40,393,449
Affordable Housing (difference in residual value in the appraisals between the 15% and 0% Affordable Housing assumptions) Appendix 8 , page 180-185 (P04)	£14,535,000
CIL Charge £60 psqm X 253,560 GIA (Background Paper Appendix (P02) Table 4)	£15,213,600

Total infrastructure cost	£70,142,049
Per dwelling (/3000)	£23,380.68

In response to the specific viability appraisal issues raised by Turner Morum (in Appendix 2) on behalf of the representors the main points we would address are as follows, briefly as follows:-

Para 2.2. We disagree that the methodology we have adopted underplays finance costs. The Councils have adopted a more cautious approach to appraisals in general and have used a universally adopted software package Argus Developer.

Paras 3.7.-

3.18. We note the comments in relation to build cost but maintain that we have adopted prudent assumptions, especially in light of BCIS data supporting reductions for rates in respect of large contracts.

Para 4.2. We have adopted an approach that is compliant with 'Harman' guidance. We have not been presented with any evidence from stakeholders on land values to date but nevertheless the Councils have taken an approach which takes into account a number of publically available sources to reach its conclusions.

Para 4.4 The 'Council' transaction highlighted in this paragraph is not comparable to the sites at CALLERTON, being in the Urban Low-Mid Zone (threshold value £242,817/acre)

Para 6.2 With reference to para 3.3 Callerton Turner Morum report, no number has been allocated to the revenue/m2 of development. Referring to the Countywide report it is stated that the revenue per square foot is estimated at £203/sq.ft. (£2185/m2) which is within a 3% range (£6/sq.ft.) of the Councils' revenue estimates which we consider to be correct.

EX 11 & EX14

In regard to the statements EX11 Issue 3 Bellway Homes Ltd (NE) and EX 14 Issue 4 Bellway Homes Ltd (NE), it is stated that the Ryton site should be identified as £0 rate in the Charging schedule which is disappointing given the ongoing dialogue that has ensued with the developer over the last few years. Despite an undertaking being given to provide additional evidence at meetings at DCS stage, particularly in relation to benchmark land values and build periods, no such evidence has been forthcoming.

Bellway refer to the impact of CIL alongside high S106 costs at Ryton, and yet the appraisal review linked to Ryton (by Turner Morum) assumes no section 106 costs, which is clearly incorrect.

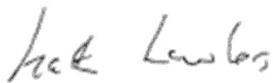
In response to the specific viability appraisal issues raised by Turner Morum (Appendix 2) on behalf of the representors the main points we would address are as follows:-

Para 3.2 Note that £180per/sq.ft is adopted which includes an element of new build premium from the view of Countrywide Residential Report. We have further considered sales from the adjacent estate which indicate an average sale rate of between £2,150 per sq.m (£206per sq.ft) to £2,295per/sq/m (£213per/sq.ft). If a new build premium was added to this rate it would bring it in excess of the High-Mid range.

Para 5.3 Market Revenues – the market revenues appear to be on the low side for Ryton, taking into account re-sale values within the adjacent estate which have been highlighted above. We are also aware of resales for 4 Bed properties within the NE40 3 postcode of between £235,000 and £280,000.

Whilst EX 12, EX13, Ex15 and EX16 representor hearing statements have also been received, the Councils' consider that the points raised can be covered in examining the evidence previously submitted. I trust that this fully responds to the questions raised.

Yours faithfully,



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Newcastle City Council



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Gateshead Council