



Post Hearing Note

Our ref 21622/03/MHE/PJ
Date 04 May 2016
To Brian Wilson
From Phil Jones (NLP)
Copy Bellway Homes, Northumberland Estates, Rosalinda Wright, Angela O'Neill,
No.5 Chambers, Turner Morum, Newcastle City Council

**Subject Gateshead Council and Newcastle City Council: Community
Infrastructure Levy**

1.0 Introduction

1.1 Following the hearings at the Gateshead Council and Newcastle City Council CIL Examination (21 and 22 April 2016), the Examiner has requested additional information in order to give due and full consideration to the reasonableness of the proposed CIL that the two Councils are seeking to implement. We are grateful to the Examiner for this opportunity to provide the additional information to the aspects that were left unresolved during the hearing sessions:

- Confirming our clients' position on infrastructure costs for children's play areas, allotments and open space for the Callerton scheme;
- Provides the latest position on estimated housing delivery rates for Callerton; and
- Provides the figures contained in Appendix 3 of our Hearing Statement in metric (Appendix A).

1.2 This Post Hearing Note has been prepared jointly by NLP and Turner Morum on behalf its clients Bellway Homes, Northumberland Estates, Rosalinda Wright and Angela O'Neill.

2.0 Infrastructure Costs

2.1 For clarity, infrastructure costs relating to Callerton were previously set out in the 'Callerton Park: Revised Infrastructure Delivery Plan' (2014) ('2014 IDF') and were then estimated to be £54.69m. This was submitted as evidence to the Examination in Public ('EiP') of the Core Strategy and Urban Core Plan ('CSUCP').

2.2 Following the EiP, and through the progression of the Callerton Masterplan with the Council (in particular with the two planning applications for Middle

Callerton) more detailed and up to date information has been identified regarding the infrastructure required by Newcastle City Council in relation to the delivery of Callerton.

- 2.3 The key changes from the earlier assessments include the provision of a Community Sports Hub and financial contributions to local swimming pools / sports halls, which total an extra £4.2m. Of this sum the Council's position is that £3m will be paid through CIL.
- 2.4 The table below sets out the Council's infrastructure costs, as we understand them to be, alongside the costs set out in the earlier 2014 IDF, and the costs set out in our CIL Matters Statement submitted to the CIL examination in April 2016.
- 2.5 Our clients have been keen to progress the implementation of the most important strategic housing allocation identified within the Councils' Core Strategy and Urban Core Plan. It forms a key part of the delivery of Newcastle City Council's much needed housing requirement. In doing so the allocation also forms a key part of the Council's need to show it can achieve a 5-year housing land supply and thereafter maintain it from 2019.
- 2.6 Following the receipt of the Council's infrastructure costs and analysis in response to the table submitted in the CIL Matters Statement this table was produced on the basis of the best evidence available at the time. Having further analysed the Council's response it is accepted that the costs for amenity open space, allotments and children's play were unintentionally inflated due to a double counting error. This was a result of difficulty experienced in the interpretation of the calculation set out in the recently adopted Newcastle City Council Planning Obligations SPD (January 2016).
- 2.7 As per our email on 29 April 2016 we can confirm that we agree with the list of items of infrastructure that the Council identified in the infrastructure list that was provided in hard copy and discussed at the CIL Examination Hearing on 21 April 2016. We also agree with the items that are identified to be provided via CIL – ie secondary education, swimming pools and sports halls.

	NCC Estimated Costs	Cost set out in IDF (June 2014)	Cost set out in CIL Matters Statement (April 2016)	Reason for change
Primary Education	£9.9m	9.9m	£9.9m	N/A
Secondary Education	CIL cost	£8.09m	£8.1m	N/A
Amenity Open Space	£2.3m	£5.4m	£5.8m	Calculated using recently adopted SPD figures.

				Accept double counting error due to ambiguity.
Children Play	£1.5m	/	£3.8m	Calculated using recently adopted SPD figures. Accept double counting error due to ambiguity.
Allotments	£0.4m	/	£1.0m	Calculated using recently adopted SPD figures. Accept double counting error due to ambiguity.
Community Sports Hub	£1.2m	/	£1.2m	New infrastructure required through Masterplan / application process.
Swimming and Sports Halls	CIL cost	/	£3.0m	New infrastructure required through Masterplan / application process.
Affordable Housing	Costed in appraisal	£12.7m	£12.7m	N/A
Retail Centre	Costs offset by revenue	/	£1.4m	Accept cost offset by revenue
Health Facilities	N/A	/	/	N/A
Ecology Measures	£5.4m	Included in £5.4m	£5.4m	N/A
SUDS	Included in £5.4m	Included in £5.4m	Included in £5.4m	N/A
Footbridge A69	£1.0m	£1.0m	£1.0m	N/A
Highways	£4.3m	£4.0m	£4.3m	N/A
Access Rd Middle Callerton	£2.8m	£10.4m	£6.8m	Updated costing information received
Access Rd Middle to Upper Callerton	£4.0m			

Bus Services	£3.2m	£3.2m	£3.2m	N/A
Footpath	Included in £5.4m	Included in £5.4m	Included in £5.4m	N/A
Total	£36m	£54.69	£67.57	

Appraisal Model

- 2.8 Notwithstanding the above, we now set out a fresh appraisal model, updated by adopting the proposed £36m S106/infrastructure requirement as proposed by the Council for the 15% model and increasing this by £14.535m for the 0% model to reflect the off-site affordable contribution as outlined by the Council in their letter to the Examiner (19 April 2016).
- 2.9 The results showing once again the headroom figure in the summary table below:

Reference	Description	Council Analysis – 15%	TM Analysis - 15%	Council Analysis – 0%	TM Analysis – 0%
	Assumed Acres	267	267	267	267
	Assumed Ha	108	108	108	108
A	Residual Value	£119,750,727	£98,325,208	£131,275,915	£109,850,395
	Threshold Value per ha	£480,000	£480,000	£480,000	£480,000
B	Total Threshold Value	£51,840,000	£51,840,000	£51,840,000	£51,840,000
C	Headroom (A-B)	£67,910,727	£46,485,208	£79,435,915	£58,010,395
D	S106 plus estimate specific infrastructure	£40,093,449	£36,000,000	£40,093,449	£50,535,000
E	Headroom after S106 for CIL (D-E)	£27,817,278	£10,485,208	£39,342,466	£7,475,395

- 2.10 The result of reducing the anticipated S106/infrastructure costs is that there is now a surplus figure shown in each case in our analysis as headroom for CIL as opposed to the previous negative position. It should be noted, nevertheless, that this surplus is relatively small compared to the proposed CIL charge this site would be required to meet.
- 2.11 As such, when considering £ psm headroom shown in the above table (£41 at 15%) against the £ psm CIL charge (£60) a negative 'buffer' is produced. Clearly this illustrates that even on the basis of what should be treated as very optimistic viability assumptions the scheme is still not viable with the proposed £60 psm CIL charge.

2.12 The table below provides a further analysis of the above ‘headroom’ considered against variable CIL charges:

CIL Breakdown	TM Analysis – 15%	TM Analysis – 0%
Proposed CIL Charge at £60psm	£15,213,600	£17,280,000
Shortfall / Surplus	-£4,728,392	-£9,804,605
Proposed CIL Charge at £45psm	£11,410,200	£12,960,000
Shortfall / Surplus	-£924,992	-£5,484,605
Proposed CIL Charge at £30psm	£7,606,800	£8,640,000
Shortfall / Surplus	£2,878,408	-£1,164,605

2.13 What the above table illustrates is that even with the reduction of the S106/infrastructure costs to £36m, the Callerton scheme can still not viably afford to provide CIL at the proposed £60 psm charge. A deficit of £4.7m is shown when accounting for the CIL charge at 15% and £9.8m at 0%.

2.14 Even considering the CIL charge at the lowest suggested rate of £30 psm a surplus is then only generated at 15% affordable of c. £2.8m.

2.15 This clearly demonstrates that on the basis of the above tables the CIL charge proposed by the Council is not appropriate for this strategic allocation, especially when considering the emphasis on deliverability within the NPPF and on avoiding development coming forward in the margins of viability in the Harman Report.

“Given the clear emphasis on deliverability within the NPPF, Local Plan policies should not be predicated on the assumption that the development upon which the plan relies will come forward at the ‘margins of viability’”.

(Page 16 – Harman Report)

2.16 Furthermore, the analysis shown in the tables above should be considered as an optimistic scenario. As outlined during the course of the Hearing the Council have adopted what might be called a hugely optimistic position on revenues and a conservative position on the Threshold Land Value. The effect of this is clearly that it has unrealistically improved the viability of the scheme. This is the consequence without even reflecting the lack of finance applied to infrastructure in the Council’s appraisal (again recommended in Appendix B of the Harman Report) which would further worsen the viability.

2.17 As means of an illustrating this point, a sensitivity analysis has been undertaken changing only the Threshold Land Value from the earlier table. Our original submission (contained as Appendix 3) illustrates a range of comparable land transactions which show land values ranging from c. £560k per net ha (£225k per net acre) to £1.8m per net ha (£745k per net acre).

2.18

If we were to adopt the lowest figure from these comparables (a Council transaction from 2013) in our appraisal model the results are shown in the table below:

Reference	Description	Council Analysis – 15%	TM Analysis - 15%	Council Analysis – 0%	TM Analysis – 0%
	Assumed Acres	267	267	267	267
	Assumed Ha	108	108	108	108
A	Residual Value	£119,750,727	£98,325,208	£131,275,915	£109,850,395
	Threshold Value per ha	£480,000	£560,000	£480,000	£560,000
B	Total Threshold Value	£51,840,000	£60,480,000	£51,840,000	£60,480,000
C	Headroom (A-B)	£67,910,727	£37,845,208	£79,435,915	£49,370,395
D	S106 plus estimate specific infrastructure	£40,093,449	£36,000,000	£40,093,449	£50,535,000
E	Headroom after S106 for CIL (D-E)	£27,817,278	£1,845,208	£39,342,466	-£1,164,305

2.19

The impact of adopting only this slightly higher Threshold Land Value is to eradicate completely the surplus within the 0% case and to reduce it to a very minor figure at 15%. This again results in a negative buffer position against the Council's proposed CIL. In addition, even when considering a lower CIL charge, a negative buffer is still produced as shown in the table below:

CIL Breakdown	TM Analysis – 15%	TM Analysis – 0%
Proposed CIL Charge at £60psm	£15,213,600	£17,280,000
Headroom after S106 for CIL	£1,845,208	-£1,164,605
Shortfall / Surplus	-£13,368,392	-£18,444,605
Proposed CIL Charge at £45psm	£11,410,200	£12,960,000
Headroom after S106 for CIL	£1,845,208	-£1,164,605
Shortfall / Surplus	-£9,564,995	-£14,124,605
Proposed CIL Charge at £30psm	£7,606,800	£8,640,000
Headroom after S106 for CIL	£1,845,208	-£1,164,605
Shortfall / Surplus	-£5,761,592	-£9,804,605

- 2.20 The above position is arrived at by accepting the Council's proposed S106 charge but adopting only a more realistic and evidence based position on the land value.
- 2.21 The above analysis demonstrates how tenuous the position is in respect of the CIL proposed for Callerton. Even if one adopts the adjusted S106 charge as proposed by the Council this scheme cannot viably provide the CIL contribution.
- 2.22 In addition, even taking an extremely optimistic view on viability assumptions there is no 'buffer' generated and as such this runs contrary to the guidance within the Harman Report stating that development should not be assumed to come forward at the '*margins of viability*'. Furthermore, imposing a CIL charge on this site would cause serious issues in regards to delivery/implementation and as such would also run contrary to paragraph 173 of the NPPF which advises that '*plans should be deliverable*'.
- 2.23 Given the above considerations it is therefore clear that the proposed CIL Charging Schedule will stifle the delivery of Callerton. It is therefore our clients' position that the charge proposed cannot meet the relevant legal tests and is inappropriate.

3.0 **Housing Delivery**

- 3.1 At the examination the Council made a number of assertions about housing delivery and its position in respect of demonstrating a 5 year housing land supply (both with and without Callerton).
- 3.2 The Council's Annual Monitoring Report for 2014-2015 Appendix 2 (January 2016) sets out that the Council's latest position is that it has a 6.1 years supply of deliverable housing sites. In reaching this position it is notable that:
- The Council has included previous "over provision" in the calculation. This approach is not appropriate because the housing requirement is not a ceiling. PPG sets out that consideration may be given to evidence that a Council has over delivered against its needs. However, this relates to where housing delivery has exceeded an area's needs rather than a policy requirement¹. The Council has clearly not exceeded the area's assessed housing need.
 - The housing supply includes sites without planning consent, which may start to deliver within five years such as sites allocated in the Core Strategy and Urban Core Plan that have "*developer interest*". It is not clear what "developer interest" means and this could over inflate the 5 year housing land supply ('5YHLS'). This certainly does not meet the definition of 'deliverable' as set out in footnote 11 in the NPPF.

¹ Appeal reference APP/A1720/A/14/2220031 paragraph 44.

- The housing supply also includes sites subject to planning applications where there is a resolution to approve subject to a s106 agreement. It is not clear whether there is a time limit on applications to which this relates. This is a fundamental issue here given the number of resolutions to grant that stall in the signing of the s106 process.

3.3

It is therefore important to note that the need for urgency to proceed in delivering houses at Callerton which was clearly set out by Inspector Martin Pike in his report (February 2015), where the principal basis for finding the Plan sound was the fact that the SLR sites including Callerton will be brought forward quickly to address the Council's significant housing shortfall. Notable extracts confirming this are referred to below:

- Paragraph 54: *“currently have a sizeable shortfall of deliverable housing land from the urban area, Green belt land would be required as soon as possible”*
- Paragraph 55: *“Adopting this approach will enable each Council to achieve its five year land supply at the earliest opportunity”*
- Paragraph 56. *“the evidence demonstrates that both sources of supply are needed urgently if the Framework’s objective of boosting significantly the supply of housing is to be met. The early release of land from the Green Belt should ensure that both Councils can demonstrate a five year land supply... soon after the Plan is adopted.”*

3.4

We note, in addition to this, the Council's acceptance of its 5 year housing land supply position and (hitherto) recognition of the importance of Callerton in achieving this. This was set out in the Council's **own** evidence to the Core Strategy (Planning for the Future Core Strategy and Urban Core Plan Note on Policy CS3 Spatial Strategy for Neighbourhood Areas and CS4 Spatial Strategy for Village Growth Areas. Submitted by Newcastle and Gateshead Councils, 11 June 2014) (appendix B):

*“The Newcastle Housing Trajectory as set out in our Annual Monitoring Report 2012-13 highlights our expectations that the greenbelt release sites will deliver 200 homes in 2016/17 [**with Callerton providing 175 of these – including the 2 from 2015/16**], 400 homes in 2017/18 [**with Callerton providing 270 of these**] and 450 homes per annum thereafter to meet our objectively assessed needs. This in addition to the homes that are expected to be delivered across the existing urban area will enable the Council to catch up with under delivery since 2010. Releasing a range of sites in different locations will allow us to meet our 5 year housing land supply by 2019 [**with Callerton providing 765 homes by 2019**] and maintain our rolling 5 year supply thereafter.”*

3.5

With regard to delivery rates, the proposed delivery rates are set out in the draft Callerton Masterplan, which was recently submitted to the Council and is to be subject to public consultation by the Council from 9 May 2016. They are as follows:

	Lower		East Mid		West Mid			Upper		
	Outlet 1	Outlet 2	Outlet 1	Outlet 2	Outlet 1	Outlet 2	Outlet 3	Outlet 1	Outlet 2	Outlet 3
2015/16			2							
2016/17	30	30	18	20	25	25	25			
2017/18	35	35	35	35	35	35	35	25		
2018/19	35	35	35	35	35	35	35	35	20	20
Phase 1 2019/20	35	35	35	35	35	35	35	35	35	35
2020/21	35	35	35	35	35	35	35	35	35	35
2021/22	35	35	35	35	30	25		35	35	35
2022/23	35	35	35	35				35	35	35
2023/24	35	35	35	35				35	35	35
Phase 2 2024/25	35	35	35	35				35	35	35
2025/26	35	35						35	35	35
2026/27	35	35						35	35	35
2027/28	35	35						35	35	35
2028/29	35	35						35	35	35
Phase 3 2029/30								35	35	35

3.6 It may be noted that Policy NN1 of the CSUCP refers to allocating land at Callerton for approximately 3,000 houses across Callerton. The above shows delivery of 3,305 dwellings which is 10% over the 3,000. This complies with the policy which seeks *approximately* 3,000 new homes.

3.7 Given the above information, particularly that which was submitted by the Council upon which basis the Core Strategy was found sound by Mr Pike, we would question the Council's current assertion that it has a 5-year housing supply. That aside, what is demonstrably clear is the necessity of Callerton to the Council in achieving a 5-year housing land supply, and its ability of maintaining this position.

3.8 Therefore, any restrictions imposed on the deliverability of Callerton will have serious implications on the Council's ability of demonstrating a 5-year housing land supply and delivering the much needed housing it is required to provide during the period of the Plan. It is therefore not accepted that the Council can demonstrate a 5 year housing land supply without Callerton.

4.0 **Summary**

4.1 In summary therefore, our clients' view is that if the S106 contributions are to be taken as given, the proposed CIL charge is:

- clearly too high and unreasonable;
- is not based on adequate evidence;

- is inflexible; and
- will ultimately frustrate much needed housing delivery.

4.2 The Councils' proposed CIL Charging Schedule submitted to the Examiner for examination is therefore inappropriate.

4.3 Even though a CIL charge of £30 psm has been shown to be marginally viable with the above assumption, we note that any adjustment which lowers revenue, increases build costs or increases TVAs would necessitate a further reduction to permit viable development.

4.4 We trust this note provides a clear and concise update on the developer contribution position of Callerton on behalf of our clients.

Appendix A

Land Value (per net acre)	Land Value (per net hectare)	Vendor	Year	Site	LPA	Greenfield /Brownfield
£336,900	£832,480	Hellens Ltd	2015	Teal Farm, Washington	Sunderland City Council	GF
£476,600	£1,177,679	Duke of Northumberland	2014	Scaffold Hill, Holystone	North Tyneside Council	GF
£299,600	£740,312	North Tyneside Council	2014	Former Parkside School, Mullen Road, Wallsend	North Tyneside Council	GF/BF
£225,500	£557,211	Newcastle City Council	2013	Former Walker Technology College, Walker	Newcastle City Council	GF/BF
£342,000	£845,082	Redcar College	2015	Former Redcar College, Redcar Ln	Redcar & Cleveland Council	GF
£371,400	£917,729	Yuill Family	2015	Quarry Farm	Hartlepool Council	GF
£744,000	£1,838,424	Weightman	2013	Stainsby Hall Farm, Middlesbrough TSS	Middlesbrough	GF
£566,300	£1,399,327	Redcar & Cleveland Council	2013	Enfield Chase, Guisborough	Redcar & Cleveland	GF
£617,000	£1,524,607	Mowden Park Rugby Club	2012	Mowden Park, Darlington	Darlington	GF
£436,000	£1,077,356	The Sheperd Brothers	2012	Former NEDL site, The Covers, Wallsend	North Tyneside	GF

Appendix B

Planning for the future Core Strategy and Urban Core Plan

Note on Policy CS3 Spatial Strategy for Neighbourhoods Areas and CS4 Spatial Strategy for Village Growth Areas.

Submitted by Newcastle and Gateshead Councils, 11th June 2014

1. Introduction

This note has been prepared by Gateshead Council and Newcastle City Council following the hearing session on Matter 2. At the session, the Inspector asked the Council to review the approach to restricting granting planning permission when it can be demonstrated that the Councils do not have a five year land supply.

2. Revised approach

The Spatial Strategy seeks to focus development within existing urban areas. Policies CS3 and CS4 currently include a mechanism to manage the release of Neighbourhood and Village Growth Areas to meet identified housing need.

Newcastle's latest Annual Monitoring Report for 2012/13 shows that there remains a deficiency in the five year land supply (plus 20% 'buffer') for the period 2014-19 of around one-third. Gateshead's latest estimate (April 2014), shows a total 5 year housing land supply (including 20% buffer) of approximately 3.86 years (64%) for the period 2014-19 and that there remains a shortfall of approximately 2.14 years (36%).

In line with NPPF paragraph 49, the Councils consider that all sites within Neighbourhood and Village Growth Areas are likely to be required to meet the quantitative and qualitative needs for housing during the plan period.

The Newcastle Housing Trajectory as set out in our Annual Monitoring Report 2012-13 highlights our expectations that the greenbelt release sites will deliver 200 homes in 2016/17, 400 homes in 2017/18 and 450 homes per annum thereafter to meet our objectively assessed needs. This in addition to the homes that are expected to be delivered across the existing urban area will enable the Council to catch up with under delivery since 2010. Releasing a range of sites in different locations will allow us to meet our 5 year housing land supply by 2019 and maintain our rolling 5 year supply thereafter.

Gateshead's Housing Trajectory as set out in Figure 32 of the Compliance Statement (EL09, page 209) highlights our expectations that the Green Belt release sites will deliver 300 homes per annum between 2016/17 and 2020/21, and 100 homes per annum thereafter. This trajectory is based on that contained within the Gateshead Annual Monitoring Report 2012/13 (appendix 2) and the delivery of Strategic Land Review Sites. This, in addition to the homes that are expected to be delivered across the existing urban area, will enable the Council to catch up with under-delivery since 2010 and meet our 5 year housing land supply by 2022/23 and maintain our rolling 5 year supply thereafter.

The evidence demonstrates that we need Green Belt release sites to start delivering homes as soon as possible to catch up on our under delivery and to ensure that we are meeting our 5 year housing land supply needs as early as possible in the Plan period. As a result of this we have reconsidered the requirement for phasing elements of policies CS3 and CS4.

The Councils consider that given the demonstrable shortfall in housing land supply, particularly prior to 2019 there is no evidential need to assess each proposed site release against the 5 year housing supply as all of the allocated sites are likely to be needed at some point. The deletion and rewording of this criterion in policies CS3 and CS4 will ensure that the CSUCP can deliver the rate of new housing required to meet the identified housing need.

To ensure that the sites are developed in a co-ordinated and phased way and to ensure the delivery of necessary infrastructure, the Councils propose an amendment to policies CS3 and CS4 and to the Neighbourhood and Village Growth Area site specific policies (NN1-4, NV1-3, GN1 and GV1-GV7). The proposed amendments will require development to be in accordance with an approved masterplan setting out the proposed phasing of development including triggers for infrastructure provision. Where development of smaller sites does not need to be phased over different time periods, it is still necessary to ensure that its delivery is aligned with the provision of necessary infrastructure.

If this approach is accepted it is anticipated that some modifications will be required to site specific policies in section 5 to make them accord with the amended policies CS3 and CS4 and where necessary to set out the geographical extent of the masterplans and phasing plans that will be required.

Proposed modification

Policy CS3 Spatial Strategy for Neighbourhood Area

In the Neighbourhood Area sustainable communities will be promoted and maintained, meeting housing needs and supporting jobs by:

1. Development of approximately 21,900 new homes.
2. Investing in housing development and neighbourhoods specifically in Opportunity Areas at: Bensham & Saltwell, Benwell & Scotswood, Birtley, Byker, Dunston & Teams, Elswick, Felling and Walker (Figure 7.2).
3. Development of major brownfield sites for new sustainable communities in Areas of Change at Newburn (AOC1) and Metrogreen (AOC2).
4. Allocating Neighbourhood Growth Areas for housing development at Callerton (NN1), Dunston Hill (GN1), Kingston Park/Kenton Bank Foot (NN2), Newbiggin Hall (NN3), and Newcastle Great Park (NN4). Development will be carried out in accordance with:
 - i. approved masterplans for each of the identified Neighbourhood Growth Areas ~~These must~~ which demonstrate a comprehensive, phased and coordinated approach to site development, ~~and infrastructure provision and~~, setting out how necessary infrastructure and the strategic infrastructure, identified for the site in the Infrastructure Delivery Plan, will be delivered on a phased basis.
 - ii. ~~Only be granted permission where it can be demonstrated that the relevant Council does not have a five year housing land supply.~~ approved development phasing plans setting out build rates and triggers for infrastructure, and demonstrating how each phase of the development is sustainable and deliverable.
5. Focusing and protecting manufacturing and industrial uses in the two Key Employment Areas of Walker Riverside (marine/offshore engineering and renewables) and Team Valley (advanced manufacturing and engineering).

Proposed Modification to Paragraph 7.10

Given that new development will generate the need for new infrastructure it is important that the individual sites in each of the Neighbourhood Growth Areas are masterplanned together, regardless of ownership. A phasing plan will be required which sets out the triggers for the provision of required infrastructure and a legal agreement will need to be put in place that delivers that infrastructure. Masterplans will be prepared by the

landowner/developer(s) in consultation with the Councils (as part of the pre-application process or earlier). Masterplans will be approved by the Councils as part of the planning application process. The requirements for these masterplans and the development of these sites are set out in the Sub-Areas and Site Specific policies in Section 5 of the Plan.

Proposed modification

Policy CS4 Spatial Strategy for Rural and Village Area

In the Rural and Village Area the long term sustainability of jobs and villages will be secured by:

1. Development of approximately 4,350 new homes.
2. Allocating Village Growth Areas for housing development at: Chopwell (GV1), Crawcrook (GV2), Dinnington (NV1), Hazlerigg & Wideopen (NV2), Highfield (GV3), High Spen (GV4), Kibblesworth (GV5), Ryton (GV6), Sunnyside (GV7) and Throckley (NV3). Development will ~~Be~~ be carried out in accordance with:
 - i. approved masterplans ~~for each of the identified Village Growth Areas- These must to demonstrate-~~ a comprehensive, phased and coordinated approach to site development, ~~and infrastructure provision, setting out how necessary infrastructure and the strategic infrastructure, identified for the site in the Infrastructure Delivery Plan, will be delivered on a phased basis.~~
 - ii. ~~Only be granted permission where it can be demonstrated that the relevant Council does not have a five year housing land supply.~~ approved development phasing plans setting out build rates and triggers for infrastructure, and demonstrating how each phase of the development is sustainable and deliverable.
3. Focusing and protecting employment uses, and allocating additional land, in the two Key Employment Areas of Follingsby (KEA2) (distribution and logistics) and Newcastle Airport (KEA1) (airport related and general employment (B1, B2, B8).

Proposed replacement for paragraph 8.10

Village Growth Area sites, as defined in Section 5 of the Plan are required to be masterplanned together where they adjoin each other regardless of ownership. Phasing plans will be required which set out the triggers for the provision of necessary infrastructure and a legal agreement will need to be put in place to secure delivery. Masterplans will be prepared by the landowner/developer(s) in consultation with the Councils (as part of the pre-application process or earlier). Masterplans will be approved by the Councils as part of the planning application process. The requirements for these masterplans and the

development of these sites are set out in policies in the Sub Areas and Site Specific policies in Section 5 of the Plan.

Proposed additions to glossary

Necessary infrastructure

For Policies CS3 and CS4, necessary infrastructure is defined as schemes that are required to ensure that a development scheme is acceptable. It will normally be provided on or immediately adjoining the site.

Strategic infrastructure

Strategic infrastructure can also be required to mitigate the growth of development, and usually refers to off-site infrastructure. As set out in the Newcastle and Gateshead Infrastructure Delivery Plan strategic infrastructure is defined as: *critical* infrastructure where delivery is fundamental to the delivery of the Plan objectives; and *essential* infrastructure which can be provided in a timely manner but can be implemented as development happens or as resources are available.

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Date 19 May 2016
Our ref 21622/03/MHE/PJ/11402270v1
Your ref

Dear Brian

Newcastle City Council - Community Infrastructure Levy: Post Hearing Consultation May 2016

Following the hearings at the Gateshead Council and Newcastle City Council CIL Examination (21 and 22 April 2016), the Examiner requested additional information in order to give due and full consideration to the reasonableness of the proposed CIL that Gateshead and Newcastle Councils are seeking to implement. Following the submission of our post-hearing statement (5 May 2016) we are grateful to the Examiner for this opportunity to provide additional comment to the aspects we addressed in our statement and to the Council's response, as set out in document EX23 which forms part of this current consultation.

On behalf of our clients Bellway Homes, Northumberland Estates, Rosalinda Wright and Angela O'Neill, who have land interests at the strategic housing allocation of Callerton, NLP and Turner Morum have prepared this correspondence to address four issues, which we seek to make comment on:

- Item 1: the information on the data sources and number/location of sites behind the sales values in table 4.3 (page 82) in the Councils' Viability and Deliverability Report (Feb. 2016) (PO4);
- Item 3: the infrastructure costs at Callerton;
- Item 4: confirmation in relation to the BCIS reference regarding reduction rates for large contracts; and
- Item 7: the estimated delivery rates at Callerton.



Item 1: the information on the data sources and number/location of sites behind the sales values

We note that Table 1 of EX23 provides the numerical data that sits behind the summary Table 4.3 of the Annex Update (P04), and also note that the information which has been used by the Council is a snapshot in time and derived from housebuilder publicity and websites from August 2014.

However, it is our observation that the examples of data used within the table appears to be unduly selective. Whilst the sites identified in the 'high mid' value area includes some sites that are at £0/m² the other value areas in fact contain no sites with £0/m².

In addition, there are 50 developments identified in the 'high mid' area and these all form part of Newcastle Great Park, whilst there are only 10 development types in the 'mid' value area; 7 in 'low mid' area; and only 4 in the 'low' value area.

It is our view that the approach the Council ought to have taken should have incorporated a more equal number of developments across all the value areas to ensure the analysis was more comparable.

The result of taking the approach the Council has adopted can lead to a skewing of the analysis in respect of the average £/m² which the Council has advocated in their Draft Charging Schedule and at the Examination such that it reflects an unrealistic figure.

Item 3: the infrastructure costs at Callerton

During the Hearing, the Examiner invited the Council to respond to our proposed costs for infrastructure at Callerton. Newcastle City Council reviewed the infrastructure costs submitted by ourselves, and confirmed the costs for Callerton were £36m, as per Table 5 and Table 6.

As per our email on 29 April 2016 and in our Post Hearing Statement, we confirmed that we agree with the list of items of infrastructure which the Council identified in the infrastructure list set out in the hard copy provided and discussed at the CIL Examination Hearing on 21 April 2016. We also agreed with the items that are identified to be provided via CIL – i.e. secondary education, swimming pools and sports halls.

Having confirmed the infrastructure costs totalling £36m, we have since been informed by the Council that healthcare provision is to be provided across Callerton is proposed to be through the potential extension to the Parkway Medical facility.

The cost of refurbishing this facility identified by the Clinical Commissioning Group (CCG) is £656,240. Our clients have been seeking confirmation on potential healthcare infrastructure costs since 2015, and only received this information on 13 May 2016.

Whilst we are pleased to have received this information for our consideration, it is disappointing to have received it from the CCG so late. Clearly this now increases the infrastructure costs at Callerton above the £36m which has been agreed. These additional costs must now be reflected in the overall costs for Callerton, and we seek absolute clarity and assurance from the Council, as no doubt will the Examiner, that there are no further additional costs to be incurred by the developers of Callerton.



Item 4: confirmation in relation to the BCIS reference regarding reduction rates for large contracts

Regarding Item 4, the Examiner has requested justification in relation to the tapering for large contracts, which has been provided by the Council in the form of an indices chart.

The first point to raise here is that the Council's tapering system in their P04 Viability and Deliverability Report is not actually linked to the size of the build contract; costs do not reduce dependent on the scale of the project, but rather do so dependent on the value of the location (see Table D.1, page 18, P04).

Our position remains that we do not agree with the tapering system applied by the Council. The evidence provided for Item 4 does not substantiate the approach the Council has adopted in the viability analysis through tapering build costs in relation to the value of the area. This was a point addressed in our submission, and at the hearing the Council actually conceded that it is illogical and unfair for a tapering system to be applied linked to value when in reality the same build costs will be incurred whether you are building a house on a high, a high mid or even a low value location.

Indeed, in the Council's response to representors hearing statements (EX19) the Council noted our comments that the tapering approach was incorrect but felt it was 'fair' due to the BCIS reduction for large contracts. This suggests that perhaps the Council feel that the large contracts evidence is effectively supporting the tapering approach they have adopted.

This leads to the following questions:

- (1) how many 'smaller' schemes included in a 'high mid' value location incur the same build cost as the Callerton scheme?
- (2) Have these tapered costs been applied to all schemes in 'high mid' value – even ones, which won't be bought forward by volume housebuilders?

Furthermore, for housebuilders on schemes such as Callerton, contracts are actually let on an annual basis as opposed to signing up with a contractor for a whole project over many years. The reason for this is that it ensures housebuilders are able to get best value and also protects contractors from under-bidding for jobs which tie them into a long term arrangements (without the ability to amend for cost inflation). For Callerton, there will also be a number of housebuilders (up to 5/6 outlets) on site and as such each individual housebuilder will let their own contracts – there will not be one contract for the whole allocation. Furthermore, housebuilders will also usually enter into contracts on different elements of the scheme (i.e. scaffolding, plumbing, electrics etc.) and as such this again means that the costs involved in bringing a site like this forward is not reduced by the scale of the development.

Essentially we are of the opinion that the Council are attempting to use the large contracts schedule as evidence to support their tapering system even though it is system based on values not the size of contract. It is our position that both methodologies are inappropriate and incorrect and tapering should not be applied. Viability testing of this nature is a hypothetical assessment of the likely costs a developer would incur bringing this scheme forward; it remains our view that this is best reflected by adopting the standard BCIS median cost without any tapering adjustment applied. As mentioned earlier, this was a point we understood had been agreed at the Hearing with the Council.



Item 7: the estimated delivery rates at Callerton

We remain doubtful that the Council can claim to have a 5-year housing land supply, having stated that it did at the EIP, and highlight the finding in respect of the Core Strategy and Urban Core Plan that a 5-year housing land supply would not be achieved until 2019, however we wish at this juncture to focus simply on a couple of factual matters in the figures supplied in EX23.

The Council considers the delivery rates set out in the draft Callerton Masterplan to be optimistic, and highlight the two dwellings at East Middle Callerton by 2015/2016 have not been delivered. Whilst our clients had hoped to have delivered those two dwellings in 2015/16, our clients and the Council are actually not too far apart in the assessment of the delivery rates at Callerton. Based on the draft Callerton Masterplan that the Council are currently consulting upon until 5 June 2016, the Council has also been equally optimistic and expected the two dwellings at East Middle Callerton to have been delivered in 2015/16. Secondly, whilst our clients had proposed 1,115 dwellings to be have been delivered within the first 5 years (ie 2015-2020) the Council are proposing 1,002 – a difference of only 113 dwellings – so whilst less, not too cautious of an approach.

The Examiner should also be aware of a couple of typo errors within the Council's tables, as set out in Figure 2, the extract from the Annual Monitoring Report (AMR):

- For East Middle Callerton, the total stipulated in the Council's AMR is 460 , whereas a hybrid planning application was validated by the Council in June 2015 for 600 dwellings; and
- For West Middle Callerton, the total stipulated in the Council's AMR is 540 whereas an outline planning application was validated by the Council in October 2015 for 550 dwellings.

We would therefore request the Examiner takes the correct figures into account, and that the Council's amends its AMR to reflect the correct number of dwellings that are proposed at East and West Middle Callerton.

We would like to thank the Examiner and the Council for the opportunity to participate in this consultation stage, and we wish to continue to be involved in any further stages of the CIL Charging Schedule process. We trust the above comments are helpful as always, and will be given full consideration in the Examiner's deliberations on the reasonableness of the proposed CIL Charging Schedule.

Should you have any further queries please do not hesitate to contact me on (0191) 261 5685, or at pjones@nlppanning.com.

Yours sincerely

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