

# **Statement for the examination of the Cranbrook DPD**

Response to the Inspectors Matters Issues and  
Questions

Matter 15: Viability

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## Issue 21: Viability

Response	Inspectors Question(s)
<p>1.1 <b>What evidence is there that the viability assessments reflect the recommended approach in Paragraph 57 of the Framework?</b></p> <p>1.2 The viability evidence in <a href="#">Cran063</a> meets the recommended approach of NPPF paragraph 57 because:</p> <ul style="list-style-type: none"> <li>• It was published in 2019 as part of the plan consultation and reflects the current policy requirements for development in the Cranbrook Plan.</li> <li>• It reflects the specific site circumstances and complies with the recommended approach in national planning guidance.</li> <li>• It combines standardised inputs as well as Cranbrook development specific costs.</li> <li>• It is publicly available:</li> </ul> <ul style="list-style-type: none"> <li>o <a href="#">Cran063</a> - East Devon CIL Review and Cranbrook Viability study (Jan 2019)</li> <li>o <a href="#">Cran064</a> - East Devon CIL Review and Cranbrook Viability study annexes (Jan 2019)</li> </ul>	<p><b>Q166 – Viability assessments &amp; NPPF</b></p>

<p>1.3 <b>Should Travel Planning be listed as critical rather than important in relation to the priority attributed to it? How would this impact on the viability of its delivery?</b></p> <p>1.4 No – Priority level two under which Travel planning is listed classes this type of infrastructure as important. This is development which is time dependent on the precise details of the development proposed.</p> <p>1.5 Policy CB19 seeks travel plans for all major planning applications for new development in Cranbrook in order to promote sustainable travel which is in accordance with paragraph 111 of the NPPF.</p> <p>1.6 The importance of Travel Planning has been recognised within the Infrastructure Delivery Plan which already includes costings for Travel Planning at £285,000 which will be proportionally split by housing delivered and this has been included in the Viability work undertaken by Three Dragons and is considered to be deliverable by the developers.</p> <p>See also Issue 29 Sustainable Travel</p>	<p><b>Q167 – Travel planning priority &amp; viability</b></p>
<p>1.7 <b>Should the upgrading of London Road be critical given its linkage to Policy CB25?</b></p> <p>1.8 No – The London Road was historically a trunk road so has been designed for high traffic volumes and relatively high speeds and therefore the treatment of the road is crucial in making Cranbrook a town and to promote sustainability to the site. As development takes place in Treasbeare and Grange it will become part of the urban space within Cranbrook and the design must change to it being a place for people</p>	<p><b>Q168 – Upgrading of London Road</b></p>

using Healthy Street principles and guidance, particularly where it runs through town and neighbourhood centres.

1.9 The current speed limit on the London Road through Cranbrook masterplan area is 60mph at its eastern end reducing to 40mph from the eastern sports pitches through to its western extent. To bring the road into line with the rest of Cranbrook and to create a safer environment for all users, the speed limit should be reduced to 30mph between the eastern and western entry points to the town with a design speed of 20mph using high-quality public realm around the neighbourhood and town centre areas where there will be active frontage.

1.10 The Cranbrook Infrastructure Delivery Plan highlights that the combined improvements needed to London Road are classified as Priority Level Two which is infrastructure that is important to deliver specific schemes whose precise timing is less critical. This priority level is appropriate as it reflects the fact that these improvements while important are not required to enable development to commence. The new junctions and crossings which are required to enable development to proceed are classed as critical and will need to be delivered as part of applications for the new phases of development. These have been costed as part of viability work by Three Dragons and are considered to be deliverable by the developers.

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1.11 **How is the Section 106 allowance of £16,828 per plot arrived at?  
Does it reflect the actual cost of contributions?**

**Q169 –  
Section 106  
contribution**

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- 1.12 The Viability assessment of the Cranbrook Plan is set out in evidence document [Cran063](#)<sup>1</sup>. Within the document it sets out a Section 106 list of infrastructure requirements on pages 39 and 40 which identifies a total cost of £70,173,400. Spread across the development of 4170 dwellings this totals the identified £16,828 per dwelling.
- 1.13 The updated IDP which forms an appendix to the Council's statement on matter 9, seeks to equalise costs across the four expansion area. This uses these costs (including s106, land take and other infrastructure), which with the exception of revisions to education and transport\*, have been set out within the viability testing undertaken. On this basis any future section 106 agreement would be premised on the basis of the IDP which recognises a per-dwelling cost (equalised across the 4 expansion areas) of £28,646. This figure is significantly higher than the £16,828 accrued from a simple s106 list as a result of the additional development costs that are equalised through it but has nonetheless still been subject to the full testing.

\*County Council requests for education and transport have been updated and where necessary index linked. These costs have now been agreed with the County Council following the submission of their response to the pre submission consultation and has resulted in a £2.09m increase in the s106 burden. This falls within the headroom previously allowed for and does not therefore render the plan unviable.

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<sup>1</sup> <https://eastdevon.gov.uk/media/2760827/east-devon-cil-review-and-cranbrook-viability-report.pdf>

1.14 **Is a breakdown of disaggregated assumed abnormal costs available and how has it featured in the costs per dwelling figure?**

**Q170 –  
Abnormal  
costs**

1.15 [Cran063](#)<sup>2</sup> table 6.3 summarises the Cranbrook development costs, based on the WWA cost report contained in [Cran064](#)<sup>3</sup>. Item I (site wide abnormal) totals £22,200,000 (taking into account a £1.83m power line rebate); and Item J (abnormal plot costs) totals £16,990,000. These costs, along with the other costs listed in table 6.3 plus the s106 costs in table 6.4 are all included in the viability testing, along with the other standardised development costs (marketing, finance, developer return etc.).

1.16 A breakdown of the costs including a disaggregated cost per dwelling can be found in the report from WWA in [Cran064](#)<sup>4</sup>, Annex I Cranbrook Cost Plan. Within this report, page 29 of 41 details the site wide abnormal summary and page 30 of 41 details the plot abnormal summary. A summary of per dwelling abnormal costs is included below:

**Site Abnormals**

- Cut and fill earthworks £1,918/dwelling
- Strategic retaining walls £1,199/dwelling
- Surface water attenuation £1,168/dwelling
- Service diversions – undergrounding £1,175/dwelling (note that this figure is reduced by £439/dwelling in the testing to take account of the power line rebate)
- Watercourse bridging £163/dwelling

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<sup>2</sup> <https://eastdevon.gov.uk/media/2760827/East-Devon-CIL-Review-and-Cranbrook-Viability-Report.pdf>

<sup>3</sup> <https://eastdevon.gov.uk/media/2760830/east-devon-cil-review-and-cranbrook-viability-annexes.pdf>

<sup>4</sup> <https://eastdevon.gov.uk/media/2760830/east-devon-cil-review-and-cranbrook-viability-annexes.pdf>



- Pumping stations £139/dwelling

**Plot abnormalities**

- Additional Foundation Depths/Underbuild £1,250/dwelling
- Plot Abnormals £1,050/affordable dwelling
- Garage provision £7,650/dwelling with a garage
- Carbon reduction over building regs £1,588/dwelling

1.17 **What is the justification for deviation from the same benchmark rate across the development (e.g. SANGS)?**

1.18 The standard benchmark land value for development land across Cranbrook is £300,000 per gross hectare. This is noted in [Cran063](#)<sup>5</sup> para 4.2.8 and is based upon approximately 15 times agricultural value (with the 15 times being the premium over existing use and the mid-point in the HCA's 10-15 times agricultural value<sup>6</sup>).

1.19 SANG land is discussed in [Cran063](#) para 4.2.9. SANG land is provided as a legal requirement<sup>7</sup> and as such is not development land. It has no alternative use (unlike other non-residential space provision within the planned development) and this justifies a different value for the 78 SANG hectares. Differential rates for SANG land have also been accepted as part of s106 negotiations elsewhere.

**Q171 –  
Deviation of  
benchmark  
rate**

<sup>5</sup> <https://eastdevon.gov.uk/media/2760827/east-devon-cil-review-and-cranbrook-viability-report.pdf>

<sup>6</sup> Annex 1 (Transparent Viability Assumptions) to the Homes and Communities Agency guidance for its Area Wide Viability Model published in August 2010 states that in relation to the required premium above existing use value (EUV):

*'Benchmarks and evidence from planning appeals tend to be in a range of 10% to 30% above EUV in urban areas. For greenfield land, benchmarks tend to be in a range of 10 to 20 times agricultural value'*. (page 9)

<sup>7</sup> Under the Conservation of Habitats and Species Regulations 2010

1.20 If the principle of SANG land having the same value as development land is accepted, then it is logical that the overall benchmark value per ha would decrease as there is still the same quantum of development available to pay for it. Including the SANG land within the rest of the developable land would reduce the net developable area from 66% to 43% of the total area ([Cran063](#) para 6.2.1 and table 6.2).

1.21 A site with this low proportion of developable land would have a lower value per gross ha than a less constrained site. [Cran063](#) para 4.2.9 notes that if the two benchmark rates are blended the overall benchmark is £205,414/ha, which is still within the HCA suggested range of £197,500-£395,000 (10-20 times agricultural value).

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1.22 **What is the risk associated with a blended benchmarking rate regarding delivery of infrastructure serving Cranbrook?**

**Q172 –  
Blended  
benchmarking  
rate**

1.23 The Council recognises that piecemeal development at Cranbrook is a risk to the delivery of the required infrastructure. The Council supported the consortium approach on Phase 1, which has successfully delivered almost 2,000 dwellings and associated infrastructure.

1.24 Unfortunately, the promoters of development for Phase 2 of Cranbrook have not yet agreed on a similar arrangement and therefore the Council is required to set out, through the masterplan, all the requirements and a framework for a fair and equitable approach to infrastructure provision.

1.25 Therefore, the use of a blended benchmark land value assumes that there will be equalisation of some sort between the different landowners and developers. If there is no such agreement/mechanism to spread costs and values, then some parcels of land with a high proportion of

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<p>residential development will be of relatively high value while other parcels identified as providing infrastructure (including SANG) will be relatively low value.</p> <p>1.26 The Council’s development of the Cranbrook Plan provides a framework for equalisation arrangements to take place. However, whilst the Council is providing a framework for those with an interest in development at Cranbrook, there is still a risk that the different parties will not reach agreement and then the land providing the infrastructure will not come forward. However, the adoption of the Cranbrook Plan will help to secure a holistic approach across all the development parcels.</p>	
<p>1.27 <b>What evidence is there to support the land values used in the assessment?</b></p> <p>1.28 The assessment of benchmark land values uses the following evidence:</p> <ul style="list-style-type: none"> <li>• Transactions listed on CoStar (subscription database), set out in <a href="#">Cran064</a> annex A</li> <li>• Land titles for development sites, set out in <a href="#">Cran064</a> annex A</li> <li>• MHCLG, 2018, Land Value Estimates for Policy Appraisal</li> </ul> <p>1.29 Land values were discussed during the development industry workshop and the notes for this can be found in <a href="#">Cran064</a> annex D.</p>	<p><b>Q173 – Land values evidence</b></p>
<p>1.30 <b>What evidence is there to support the index used for the assessment?</b> <b>Does it reflect current costs or inflation over the interim period?</b></p> <p>1.31 The viability evidence in <a href="#">Cran063</a> refers to two indices:</p>	<p><b>Q174 – Index, costs and inflation</b></p>

- BCIS All In Tender Price Index, which is used to index the current CIL rates for East Devon on an annual basis. See [Cran063](#) para 1.1.3 and table 1.1.
- Land Registry House Price Index, which is used to adjust the house prices (based on Land Registry Price Paid data) from older transactions to May 2018 value base. This ensures that the value data does not 'lag' too far behind the cost data, which relates to 2018Q3.

1.32 Aside from the adjustments to bring costs and values to a similar point in time described above, no further adjustments have been made to take account of any future inflation in either costs or values. As such, the assessment is based on 'current costs'.

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1.33 **Does the GDV used by Three Dragons follow market norms?**

**Q175 – GDV & market norms**

1.34 The estimates of scheme GDV used in [Cran063](#) are from:

- Market sales values, which are based on Land Registry Price Paid data for new build sales (combined with EPC floor areas to provide £/sq. m). [Cran064](#) annex B lists the transactions across East Devon, and the values for Cranbrook in [Cran063](#) table 4.5 are specifically based upon the transactions in the town.
- Estimates of the value of affordable housing, based on capitalised net rent assessments, plus consultation with the EDDC housing officer and the two housing associations active in this part of East Devon about current transfer values.
- Estimates of the value of self-build plots based on the residual value for custom build three/four-bedroom houses. This

<p>approach has been informed by discussion with the national Right to Build Taskforce (NaCSBA) about the value of self-build plots.</p> <ul style="list-style-type: none"> <li>• Estimates of the value of the gypsy and traveller plots based on a review of plots for sale (see <a href="#">Cran064</a> annex C).</li> <li>• Estimates of the value of serviced employment land based on MHCLG estimates.</li> </ul> <p>1.35 These are normal methods of estimating GDV for area wide viability studies and draw upon publicly available sources.</p>	
<p>1.36 <b>Has any sensitivity testing been undertaken in respect of the figures used in the housing trajectory?</b></p> <p>1.37 Sensitivity testing of the housing trajectory has not been undertaken in respect of the impact of differing housing delivery rates upon development viability. This is due to the housing trajectory adopted being considered to use reasonable and achievable housing completion figures when regard is had to land control within the four different expansion areas and in the involvement of national volume housebuilders as well as smaller housebuilders within the town. Further details of this are provided at Q178.</p>	<p><b>Q176 – Sensitivity testing</b></p>
<p>1.38 <b>How does the plan adequately acknowledge the value of residential development land lost to infrastructure?</b></p> <p>1.39 In most instances infrastructure is a necessary component of any residential development and therefore value of land lost to it, is wrapped up in a wider blended land value.</p>	<p><b>Q177 – Value of land lost to infrastructure</b></p>

1.39 However in this instance it is recognised that some infrastructure is being provided on one allocation area which will have benefits for the others. Particularly in relation to Cobdens and Treasbeare, this places a potentially unfair burden of “land take” on these two areas as opposed to those found on Bluehayes and Grange. While the IDP previously sought to equalise the costs of delivering the infrastructure it didn’t recognise the costs associated with land take.

1.40 To address this a revised IDP has been appended to the Council’s statement on Matter 9. This builds into the equalisation approach a land take and associated cost for those items of infrastructure which are specific to a particular expansion allocation. In this way, the Plan and its accompanying implementation documents now recognise the value of development land that is lost to infrastructure.

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1.41 **What justification is there for the trajectory of housing delivery at Cranbrook in comparison to the actual delivery of units since 2011?**

1.42 The housing trajectory set out within viability testing evidence ([Cran063](#)<sup>8</sup>) recognises that no single expansion area is expected to bring forward more than 175 houses in any one year and more commonly a target of up to 150 is expected. Noting that there are likely to be different house builders constructing in each of the expansion areas (and in 3 out of the 4 area more than one), and that they will typically target different markets and have a different offer for customers, it is reasonable to expect all four to be operating at the same time. As

**Q178 –  
Justification  
of housing  
delivery**

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<sup>8</sup> <https://eastdevon.gov.uk/media/2760827/east-devon-cil-review-and-cranbrook-viability-report.pdf>

<p>an approach this is considered to give confidence to the trajectory set out. In order to derive realistic housing completion figures for the trajectory, discussions were held with the three housebuilders currently active at Cranbrook (two of whom are involved in the expansion areas) to ascertain future anticipated completion rates.</p> <p>1.43 This approach can be compared with Cranbrook Phase 1 where there has only been three and at times two developers operating, and those building on land whose release has been subject to parcelisation agreements between the three consortium partners. On this basis it is considered that there is a marked difference between the number of developers who will be operating in Cranbrook Phase 2 and the means for release of land, which taken together give confidence to an uplift on the number of housing units being delivered.</p>	
<p>1.44 <b>To what extent does the higher projection affect the delivery of the overall volume of housing at Cranbrook in relation to housing delivery?</b></p> <p>1.45 As discussed in Q178, it is anticipated that annual housing completions will take place in all four expansion areas for much of the plan period. Going forward this expansion of the town in four distinct and separated areas will result in a more varied offer to house purchasers in terms of location of property.</p> <p>1.46 In addition, due to the different land ownerships and controls, a greater number of housebuilders are expected to be active at any one time than has been seen at Cranbrook to date, which will deliver a greater variety of home products for those wishing to live at the town.</p>	<p><b>Q179 – Higher projection and delivery</b></p>

1.47 In combination, these factors are considered to result in the capacity for a higher housing trajectory than has been delivered at Cranbrook in recent years.	
1.48 <b>Are any Main Modifications proposed in relation to Issue 21?</b>  1.49 There are no main modifications currently proposed	<b>AQ21 – Main modification</b>



## Appendices

**There are no appendices with this statement**