

5 July 2021

CRANBROOK DPD

VIABILITY AND PROPOSED MAIN MODIFICATIONS

Joint Response of Examination Participants as follows:

- **East Devon District Council**
- **Persimmon Homes**
- **Taylor Wimpey and Hallam Land Management**
- **Redrow Homes and the Carden Group**

Statement of Common Ground between East Devon District Council and Participants in response to PSD33 and PSD33B

1 Introduction

- 1.1 This Statement of Common Ground has been prepared by the above listed participants in response to work undertaken by East Devon District Council (the Council) in response to correspondence from the Inspector undertaking the Examination of the Cranbrook Local Plan (the Plan) dated 20 January 2021 (PSD33) and 21 January 2021 (PSD33B).
- 1.2 As part of this work the Council have sought to engage with all participants involved with viability in the ongoing examination. These participants have equally sought to engage with the Council. This Statement of Common Ground sets out the positions that are agreed and not agreed, at the time of the submission of the Council's additional information to the Inspector, between the Council and the following participants (collectively the participants)
 - Persimmon Homes;
 - Taylor Wimpey and Hallam Land Management; and
 - Redrow Homes and the Carden Group.

- 1.3 The participants collectively between them represent the controlling interests in the Bluehayes, Treasbeare and Cobdens expansion areas and approximately three quarters of the land identified for residential development, plus additional land identified for providing the majority of supporting infrastructure.

2 Statement of Common Ground

- 2.1 The following sets out the areas of agreement and disagreement between the Council and the listed participants at the present time. Further detail on the background to these points is to be set out in a separate Statement of Common Ground between the participants:
 - I. The Council consider there to be a £40.3m surplus on the basis of the £12.9m reduction to the costs in the IDP. This headline figure and the assumptions used to achieve this, are **not agreed** by the participants.
 - II. The Council has submitted various scenarios to the Inspector to test the effect of both individual and in combination variations in assumptions. The participants do not dispute that the scenarios, insofar as they have been shared with the participants, present the consequential outcomes of varying the assumptions as described.
 - III. The Council's position, and use of assumptions, is the same as at the October/November 2020 Examination sessions (other than the reduction of £12.9 million in the costs of the IDP);
 - IV. Equally the re-presentation of the Council's IDP requirements identifies £12.9m savings and no further reduction in expected costs. The IDP is now in a format that is **agreed** by the participants (albeit not the content).

- V. The Council identifies CHP costs and other plot costs in the redefined category 1 of the IDP. These plot costs are recognised as infrastructure costs within the IDP and included within the Three Dragons modelling work generally as infrastructure, external works or abnormalities. They are in addition to the lower quartile base build costs used elsewhere within the Council's appraisal. The Council's build cost assumptions and infrastructure works and abnormalities costs allowance are **not agreed** by the participants as set out at vi c) below.
- VI. The participants are aware that the Council have commissioned an independent review of the assumptions used by Three Dragon's but have not had an opportunity to review this work. Participants still consider that the viability assessment should be based, at least, on the following assumptions:
- The adoption of a 20% rate of return;
 - The adoption of a 6% return on affordable housing;
 - Average lower quartile and median build costs;
 - Payment for 75% of land up front and remainder half way through development.
- This is **not agreed** by the Council.
- VII. As part of the ongoing dialogue with the Council, the effect of the adoption of the participants' assumptions, has been calculated by Three Dragons using the viability model employed to date. It is **agreed** that the above assumptions result in a deficit of £30.97m (having allowed for savings of £12.9m in the IDP).
- VIII. Participants had also previously argued that the viability modelling should employ finance costs of 7% and professional fees at 7% but, to progress matters, are no longer pursuing those points.
- IX. The Council are prepared to omit a further £4m of cost from the IDP to increase the headroom if the Inspector finds this necessary. It is **agreed** by the participants that these are appropriate reductions, albeit the participants consider that further reductions are required.
- X. The Council have shown through the scenario modelling (scenario 'k') that if the use of a revolving infrastructure fund is employed, additional savings can be made. Based on the Council's modelling the Council considers savings of £8.9m can be obtained. This is **not agreed** by the participants as they have not been provided with the assumptions of how the revolving infrastructure fund will operate.
- XI. Given the shortfall identified in point VII. above and the savings outlined, the participants believe that, in addition, further significant savings are required in the affordable housing requirement and/or in the IDP requirement. This is **not agreed** by the Council;
- XII. Participants consider that there is a need for sufficient headroom to allow for unforeseen costs. The participants are mindful of guidance relating to Development Plan and CIL Schedule preparation and examination, seeking the inclusion of an appropriate margin or buffer. By way of example the need for electricity network reinforcement has been identified subsequent to the last session of the Examination, the cost of this has not yet been determined, but the participants expect this to be substantial.
- XIII. The Council consider that such unforeseen costs should be covered by the headroom it considers is already identified as this acts as a buffer on top of the reasonable profits already captured within the modelling. This is **not agreed** by the participants
- XIV. The Council are of the opinion that if the further savings are deemed necessary to enable the plan to be found sound (where these are savings in addition to both the £4m identified and the use of an infrastructure fund) then these can be obtained by a reduction in affordable housing. This is **agreed** by the participants who have identified that a reduction in affordable housing from 15 to 10% would address a substantial element (some £14million) of the identified shortfall, although this would not alone provide appropriate headroom. The supporting text associated with Policy CB11 of the DPD sets out the benefits of the currently proposed 15% level of affordable housing provision in the particular circumstances of Cranbrook's expansion areas.

- XV. The participants consider that in addition to savings associated with a reduced affordable housing requirement that it will be necessary to find further savings from the IDP. This is **not agreed** by the Council.
- XVI. The Council believe that if such a change is made to the affordable housing or if further reductions are necessary from the IDP, then interim review mechanisms should be introduced to the plan as a main modification. This is **not agreed** by participants. The participants consider that such a review should only be on the plan itself through a typical 5 year review and continue to maintain their objection to the inclusion of any review mechanism following the grant of permissions for the expansion areas.
- XVII. The participants consider that a further roundtable hearing session (either virtual or in-person) is required to consider points I to IX in detail to determine the scale of any further savings required as suggested at X, followed by discussion of points X1 to XVI on how this can be addressed to assist the Examination so that the DPD can be found sound. The participants **do not agree** that written representations would be sufficient given the issues that remain to be resolved.
- XVIII. The Council will work with participants and the Inspector in whichever format is deemed appropriate although consider that at this stage of the examination, a written representations format would be suitable.

3 Next steps

- 3.1 It is apparent that, despite productive discussions between the participants and the Council, there remains a substantial difference in the respective views of the parties to the overall viability of the plan and therefore the degree to which any further savings are necessary. As a result of this it has not been possible at this time to reach full agreement on all outstanding issues in relation to viability between the participants and the Council.
- 3.2 However the work undertaken by the Council, in consultation with the participants, has provided the tools necessary to enable the issue of viability to be resolved through the examination process. The impacts of technical assumptions are now understood and agreed. The focus of the remaining elements of the examination will be on making the difficult decisions regarding the expectations of the plan and how these should be incorporated in main modifications (rather than on the detail of the viability assumptions to be adopted). The options have now been shown to be available to address the issues.
- 3.3 The Council and participants remain committed to ongoing engagement with each other over the coming weeks and in the event of further progress will advise the Inspector.

Signed on behalf of:

ANDREW PENNA

NICHOLAS FREER

**Persimmon Homes
(Cobdens Expansion Area)**

**Taylor Wimpey and Hallam Land Management
(Bluehayes Expansion Area)**

WILL HEATH

JAMES BROWN

**Redrow Homes and the
Carden Group
(Treasbeare Expansion Area)**

East Devon District Council