CILEVS para	Keppie Massie CILEVS Assumption	Turley Commentary
Time Line	The evidence base was updated during September and October 2015. It is stated that the data and information used in the report will be updated prior to the publication of any draft charging schedules	This is now somewhat dated, especially considering the potential impact of Great Britain's referendum decision to exit the European Union ('Brexit') on the economy and housing market (i.e. decreased purchaser sentiment, reduced sales rates, and value reductions in moderate and weaker performing markets). We are not aware of any update since the issue of the report in February 2016.
2.9	It is stated that the charging authority will need to provide information about S.106 funding and the extent to which affordable housing and other targets have been met.	The level of S106 contributions included in the viability assessments is not clear from the CILEVS. Para 5.42 of the LPEVS states that S106 contributions were adopted for the strategic and allocated sites in line with the requirements identified by the Council's Transportation Team, but the amount adopted is not stated. An allowance of £500 per dwelling was adopted for the generic typologies for highways works or other site specific S106 requirements. From our experience, a £500 allowance appears extremely low, especially considering that CIL was not included in the LPEVS appraisals. Details of the evidence base to support this assumption should be provided. This should specifically include publication of the scale of previous Section 106 /Section 278 planning obligations on a sample of permitted sites and an analysis by the Council of the division of Section 106 / Section 278 costs and CIL, in accordance with the draft Regulation 123 List. This approach will provide a more accurate calculation of the appropriate scale of S106 / S278 cost allowance to be incorporated within the CILEVS.
2.17	It is stated "albeit it is not possible to anticipate significant changes in the property market in future years, and inevitably, periodic review of the tariff is likely to be necessary".	We are of the opinion that the potential economic impacts of Brexit are sufficient to require the Council to adopt a "*holding pattern*" at least in the short term, rather than proceed with a CIL Charging Schedule which may become outdated before it is even adopted. Should the downside risks emerging in the housing market materialise, there is a significantly increased risk that the adopted CIL will

CILEVS para	Keppie Massie CILEVS Assumption	Turley Commentary
		render sites unviable. This will delay delivery of housing supply and be likely to lead to increased affordable housing viability negotiations, which will restrict the supply of affordable homes to meet local housing needs. This poses a clear threat to the effective delivery of the Local Plan. This should also be considered in the context of the National CIL Review. The DCLG appointed Panel is currently finalising its advice to Ministers and publication of this is expected in the Autumn. Turley has engaged with the Review Panel and it is anticipated that a substantial overhaul to the regime will be proposed. Both of the above factors should be considered carefully by the Council. To avoid progressing with an abortive CIL regime it is advised that the Council wait, at the very least, until the publication of the National CIL Review report in the Autumn before progressing to submit a Draft Charging Schedule to PINS for Examination. This should also provide sufficient time to allow for initial trends in market performance arising as a result of Brexit to be assessed.
3.13-3.15	The 2014 LPEVS suggested that a differential CIL rate would be required as viability on brownfield sites was poorer. Alternatively, there would need to be a relaxation in the Council's policy requirements to ensure that CIL did not put future developments at risk.	It appears that the main difference between the greenfield and brownfield appraisals is the adoption of a threshold land value which is £50-200,000 higher for brownfield sites. As stated at para 5.03 of the LPEVS, land price is generally determined by the development potential of the site. If identically sized greenfield and brownfield sites have the same development potential, it is difficult to reason why a greenfield land owner would accept a lower land value than a brownfield land owner. Indeed, it can be reasonably assumed that a greenfield site has potential for lower abnormal costs, enabling a higher net land value. It is noted that the majority of brownfield viability assessments are unviable, and a greenfield threshold value in line with, or in excess of the brownfield threshold

CILEVS para	Keppie Massie CILEVS Assumption	Turley Commentary
		land value of £200-450,000 per acre would have a significant negative impact on the ability of greenfield development to support significant levels of CIL payments. An explanation, and supporting evidence, is required from Keppie Massie to justify and support the approach taken, which appears completely counter-intuitive to actual landowner expectations and market activity.
3.22-3.23	The 2014 report recommended further scenario testing to demonstrate the effects of a CIL charge on development viability and an effect of an instalment policy. Also, further work to allow an informed decision to be made about the benefits of the introduction of CIL charging schedule in the borough. "*This report builds on the 2014 body of evidence to allow fully informed decisions to be made*".	The majority of assumptions and testing remains unchanged from 2014 and are therefore, arguably, out of date.
4.1	It is stated that changes that have taken place since December 2014 have been considered including changes to NPPF, local plan policies and property/construction markets.	Initial indications from national house builders following the result of the Brexit referendum are that "immediate" site purchase decisions are being put on hold, with extreme sensitivity on decision making being exercised in order to delay commitment to funding decisions on the basis of the significant levels of uncertainty which have developed in the immediate wake of the referendum result. Whilst we do not suggest that all local authority decisions are put on hold for an indeterminate period, we are of the opinion that a significant alteration to the operation of residential and commercial property transactions, by the introduction of CIL, should be avoided, as the dangers inherent with developing changes to economic market conditions are significant and need to be taken into account within any assessment of long term viability.
4.12	Publication Draft of the Local Plan includes 30%	Affordable housing values are set out at para 5.35 of the LPEVS at 40% of MV

CILEVS para	Keppie Massie CILEVS Assumption	Turley Commentary
	affordable housing split 80% social rented and 20% intermediate.	for social rented and 65% of MV for intermediate tenure. The values are stated as based on Registered Providers active in the area, but no evidence is provided. We are of the opinion that, in light of the rent restrictions currently imposed, and consequent funding difficulties experienced by RPs that affordable housing demand and values should be re-assessed. Keppie Massie should provide an evidence-based commentary to support the % of MV proposed and the tenure distribution.
4.24	Land Registry value testing carried out by general postcode area, eg, L37 (Formby). This indicates a price rise of 5.34% from December 2014 to May 2015, but sample size in 2014 was 36 and in 2015 was 19.	For the whole of Sefton, Land Registry data from Q4 2014 produces an average sale value of £165,196 (965 sales) and for Q1 2016 the average sale value is £171,341 (933 sales), indicating a 3.7% increase in values across the Local Authority area, much lower than most of the post code sample values, which are impacted by small sample sizing. The testing does not take into account the impact of Brexit, with RICS headlines as at 14 July 2016 indicating: buyer enquires falling for the third consecutive month; agreed sales falling sharply, with activity expected to remain subdued in the coming months; and medium term price expectations to slip, albeit remaining positive.
4.30	Sales evidence from 7 no. units which sold between 08/14-03/15 is stated as providing an average sales price equating to £222 per square foot.	This appears to have been calculated from an average of the £psf values and we regard this as, effectively, an average of an average and inappropriate. A pure average calculated by dividing the total price paid by the total square foot produces an average value of £223.56 psf. We would caution that other average figures adopted within the evidence base, which have been calculated using the Keppie Massie approach are at risk of being skewed due to inappropriate methodology. It is noticeable that only 7 units are listed as having sold during a 7 month period, equating to 1 sale per month, well below the 3.5 sales per month adopted within the LPEVS appraisal of the Moor Lane, Ainsdale site.

CILEVS para	Keppie Massie CILEVS Assumption	Turley Commentary
		We regard a sales rate of 1 sale per month as extremely low, but a rate of 2.5-2.75 per month as more appropriate and in line with developers' expectations for a single outlet site with limited immediate competition, especially in current uncertain market conditions. An example of achieved sales rates are those at Orchid Meadows, Formby, which are referenced at para 4.42. 36 open market units have sold on this new build development in the period March 2015-April 2016, equating to 2.75 units per month. We regard a sales rate of 2.75 per month as appropriate in Formby, and the wider Sefton area, although this will reduce where multiple sales outlets are in close proximity. The CILEVS site specific assessment of the Liverpool Road, Formby site adopts a sales rate of 6 units per month. This is significantly in excess of what is reasonably achievable and will reduce finance and construction costs (lower prelims), overstating the viability position. It is noted that the comparable evidence provided in the LPEVS was very limited in detail, as raised in some representations received following a consultation event on 8 October 2014, and a limited review and update has been carried out within the CILEVS.
4.50	Build cost inflation of 3.1% or 4.3% is regarded as diminimus when compared to residential house price increases in Sefton.,	The increase in construction costs is stated to be similar to the average house price inflation across Sefton, but no house price inflation data is provided. Adopting current BCIS data produces a cost increase of 5.1% between Q4 2014 and Q1 2016. This exceeds the Sefton Land Registry price increase for the same period of 3.7%. We regard a full update of cost and value data as appropriate rather than the adoption of historic information, especially considering the impact of Brexit. The BCIS TPI cost increase is regarded as conservative by house builders, and their

CILEVS para	Keppie Massie CILEVS Assumption	Turley Commentary
		opinion is supported by recruitment data which indicates that construction industry salaries have increased by 6.5% in the year from May 2015 to May 2016. Para 5.37 of the LPEVS refers to construction costs as prepared by WYG Quantity Surveyors, with methodology attached at Appendix 2. An approach to the costing of construction works is set out in Appendix 2, however, no evidence is provided to support the cost assumptions adopted. Within the stakeholder consultation section of the LPEVS it is stated that a number of stakeholders commented on the appropriateness of the build costs. It is also stated that WYG cost assessments are based on their own extensive database of construction costs from those developments where they have managed costs, or where they have undertaken an assessment of housebuilders construction costs in undertaking an assessment for planning application purposes. From our experience of presenting Viability Assessments to Keppie Massie on a site specific basis, we are aware that, when questioned in respect of providing details to support their assessments, WYG have never presented any evidence, and during our last discussions with WYG, they confirmed that their data set was historic and due to be updated. It was stated that their data set was indexed in order to update the historic data, but the basis of indexation was not disclosed. Whilst Keppie Massie and WYG would appreciate confirmation of national house builder construction costs, each national housebuilder will construct their properties to their own specifications and have their own methods of cost calculations. It is widely accepted that such information is commercial confidential. The assessment of viability in high value areas should, in our opinion, require an assessment of construction costs which fully takes into account the enhanced specification which is required within such areas in comparison to lower value, lower specification areas. Additional specification will include internal and

CILEVS para	Keppie Massie CILEVS Assumption	Turley Commentary
		external materials, design, finishes and products along with garage accommodation, which is currently excluded. We would expect the cost advisor to provide detailed information in respect of their sources of costs to ensure that they fall in line with developers expectations. We do not regard the adoption of costs which have been calculated in line with WYG's own assessment of housebuilder construction costs for other viability assessment purposes as an appropriate evidence base, as no evidence has been provided. If WYG have details of suitable residential sites where they have managed to cost, sufficient details for critique and cross referencing should be provided to ensure that information is being adopted and assumptions assessed on a like for like basis. It is noted that contractor's profit and overheads are removed from the 'basic costs from the costs database' at a 'typical level of 6%'. Due to the lack of information, it is not possible to determine whether any deduction is required. Without any evidence of the data set from which the assumptions have been drawn, we regard it as impossible for the council or stakeholders to establish whether the costs adopted are reasonable and appropriate. We do not regard the costs adopted as appropriate for use in setting a tariff which has potential to impact widely on the development industry in Sefton.
4.51	It is stated that "*the other appraisal assumptions contained in the LPEVS in relation to matters such as input land costs, developers' finance, sales and marketing costs and programme remain relevant for the purpose of viability testing in Sefton*". In respect of land cost, the LPEVS states that "*the [land] price is generally determined by the development potential of the site*", and, in line	Keppie Massie state that research includes transactional evidence in Sefton and the wider North West area. No details or rationale are provided by Keppie Massie to support their belief as to what is an appropriate land value for a brownfield land owner to accept. We regard the existing agricultural use value as diminimus and of little importance to an agricultural land owner with an opportunity to sell for significantly higher value residential development. An agricultural land owner have greatest regard to the values achieved on other residential development sites in the locality, whether they be greenfield or brownfield.

CILEVS para	Keppie Massie CILEVS Assumption	Turley Commentary
	with RICS guidance note "*Financial Viability and Planning*", that "*for a development to be financial viable, any uplift from the current use value of land that arises when planning permission is granted should be able to meet the cost of planning obligations whilst, at the same time, ensuring an appropriate site value for the land owner and a risk adjusted return to the developer for delivering the project. The return to the land owner will be in the form of a land value increase in excess of current use value. The land value will be based on market value which will be risk adjusted*". In terms of previously developed, brownfield land, it is stated that both the land owner and developer would have regard to the site's current use value, with a land owner seeking an uplifted value above this level. A developer is stated to be reluctant to pay the full residential value due to the assumed lack of extant planning permission for residential developments. Evidence of current use values and values of sites sold with residential planning permission are stated as having been assessed, but no details are provided, and it is determined that "*In the circumstances, we believe that it is reasonable to assume a site value for previously developed land to be in the region of £1,110,000 per hectare (£450,000 per acre) for the highest value area in the borough and £495,000 per*	Despite making reference to transactional evidence, no evidence is provided within the LPEVS or the CILEVS. It is proposed that the Council should rely upon a belief that "*for greenfield locations, it would be reasonable to assume a value in the region of £370,000 per hectare (£150,000 per acre) to £618,000 per hectare (£250,000 per acre) dependent upon site and location as being the level at which a land owner would consider releasing a site for development*". No explanation as to how the proposed values compare with full residential development site value is provided, so it is not possible to put the values into context other than that they appear to provide a significant increase above the existing agricultural use value. As mentioned, it is not the existing use values which will be of interest to an agricultural land owner, it is the inflated value which is available from residential development which will form the basis for their land value expectation. Within Section 7.0 Stakeholder Consultation of the LPEVS, it is stated that "*a number of respondents commented on the base land values included within the testing and, typically, commented on the appropriateness of the values used and the methodology adopted. No evidence was however provided in support of the comments received*". From a review of the Representations Summary attached at Appendix 5 of the LPEVS, seven of the eleven respondents provided comments to the effect that the threshold values adopted were too low and the methodology was inappropriate. In response, Keppie Massie states that they have followed relevant guidance and "*it is therefore considered that the approach adopted fully complies with the relevant guidance*". Whilst we agree that the adoption of threshold land values which reflect the planning status of the site, a policy compliant provision of affordable housing and S.106 contributions is in line with guidance, the adopted land values are not

CILEVS para	Keppie Massie CILEVS Assumption	Turley Commentary
	hectare (£200,000 per acre) for the lowest value locations". The LPEVS then moves on to the appropriate value for a greenfield land owner to accept for the release of their land for residential development. Reference is made to existing use values for agricultural land at circa £10-20,000 per acre or less. With such land owners "unlikely to sell such sites for that level of values, then clearly the land owner will be seeking an uplift in value if they are to consider releasing the site for development.	supported by any evidence or reasoning. Whilst stakeholders did not provide evidence, land transaction information is available to provide context, and it should not be regarded as acceptable for a fundamental element of the viability assessment process to be adopted in line with the Council's advisors' unevidenced and unreasoned belief of what is correct. We are of the opinion that the Council should request detailed reasoning from their advisors, including a breakdown of land sale transactions in Sefton to provide the required context for the assessment of threshold land values and to ensure that the assumptions adopted are in line with real world expectations. One example of a lack of consistency with real world expectations is for land in low value areas generating sales of circa £150 per square foot to produce a greenfield threshold land value equating to £150,000 per acre, whilst greenfield land in high value sales areas generating sales of circa £220 per square foot will produce a threshold land value equating to £250,000 per acre. There is, therefore, a difference of only £100,000 per acre to reflect sales values which equate to £70 per square foot higher. Adopting the LPEVS density assumption, which equates to circa 11,700 square foot of residential development per net acre, produces additional sales value of £819,000 per acre which, after deduction of affordable housing at 30% in line with LPEVS values, will reduce to circa £679,000 per acre. The increased GDV will generate higher levels of profit and we would anticipate construction costs to be higher to reflect specification, but it is obvious that a significantly higher land value will be generated by a high sales value site in comparison to a low sales value site There is potential for the majority of the additional GDV after profit, to be factored into the land value. Even after adjustment for planning risk, it is clear that a differential of £100,000 per acre between low and high value area developments is insufficient and requires significant levels of reasoning to justify the approach

CILEVS para	Keppie Massie CILEVS Assumption	Turley Commentary
		adopted. Adopting the Low Value Area threshold land value of £150,000 per acre it can be seen that a High Value Area threshold land value in excess of £450,000 can be justified. Whilst threshold land values may be, to some extent, a different concept to the full achievable market value, threshold land values must acknowledge and reflect market reality. It appears that brownfield site threshold values have been adopted in line with a high level of existing use value. Again, whilst a land owner will regard their existing use value as a backstop, below which they will not sell, they will have greater regard to the values achieved on comparable sites for residential use, rather than a general uplift from their existing use value.
5.46	A Preliminary Draft CIL Charge is proposed at between £0 - £125 psm across four charging zones	The proposed CIL Charge of £125 psm for schemes located in the Central Charging Zone is excessive and out of proportion with the £40-60 psm proposed for the mid value areas. This is clear when assessed in terms of the CIL charge as a percentage of GDV or cost, as presented in Table 6.2 of the CILEVS. No reasoning is provided to explain why the CIL charge in a high value Central location should equate to a circa 4.39% of GDV, which is circa 193% higher than the North location or 83% higher than the East location. The information provided to support the assumptions adopted in determining the draft CIL Tariff is, in our opinion, insufficient for the Council to base a fundamental policy decision upon and for an Examiner to support at CIL Examination. We would expect the Council and Examiner to require reasoning and evidence to support each assumption rather than simply a stated 'belief' that the assumption is reasonable.