

Examiner's Question EQ1.

1. I have now completed an initial study of the Local Plan and Community Infrastructure Levy Viability Review by BNP Paribas Real Estate, dated December 2019, other submitted documentation and the representations made during the consultation period. From my reading of the Viability Review, there are a number of matters that I would like clarified or explained further.

2. Indexation

Table 2.40.1 shows how indexation has brought the CIL rates above the figures on the 2014 Schedule. But the indexation in that table is based on figures for November 2019 (footnote 11 on page 14). I presume that the November 2020 indexation is now available. Please supply the latest indexed figures for the proposed charges.

3. Build and value assumptions

As explained in paragraph 4.13, build costs have been sourced from the RICS Building Cost Information Service, although no date is given, it is obviously pre-December 2019. Could I be given the latest figures from BCIS and the latest information on sales values.

4. Benchmark land values

I note that on page 70 of the Consultation Report April 2019 on the Preliminary Draft Charging Schedule, there is a corrected Table 4.40.1. which sets out BLVs including premium. This must refer to a table in the previous version of the Local Plan and Community Infrastructure Levy Viability Review, which must have been dated some time before October 2018. That table, with the same errors, appears as Table 4.39.1 in the current report (LCX 04). The point of mentioning this is that the same figures are in both versions of the table – in other words the BLV have not been updated, although indexation, and I assume other figures have been. Is there a justification for this?

Incidentally, I notice that in the tables, eg 6.24.1 and 6.34.1, etc, what I assume to be BLV are noted in the headings as EUV. Please confirm that the figures include the premium.

5. Mayoral CIL

At paragraph 5.5 it is stated that the appraisals incorporate the Mayoral CIL as an input cost of £60 m², whilst at paragraph 7.4 it is stated that "*in the parts of the borough within the Central Activities Zone, (more correctly Central London Charging Zone) (the charges are) £185 per square metre on offices, £165 per square metre on retail and £140 per square metre on hotels. Our appraisals reflect this higher Mayoral CIL rate*". However, as I understand, the Central London Charging Zone covers only part of CIL Zone A; please clarify if this means that the Central London Charging Zone rate has been applied in respect of offices, retail and hotels appraisals across the whole of the Zone, or if not, how these elements of MCIL2 have been allowed for.

6. Residential rates

The second bullet point on page 5 states that the proposed CIL rates are summarised in Table 1.7.1 and then indicates an increase in Zone A to £400. However, the Table 1.7.1 at the bottom of this page shows a suggested £500 for

Zone A (the other Zones have figures that match those in the bullet point mentioned). Please explain.

7. Affordable workspace

On page 36 reference is made to the council considering an affordable workspace policy which will require a percentage of B1 office floorspace to be let at a discount to market rent for a period of time from first letting. It is noted, as picked up in bullet points 4 and 5 on page 4, that the impact is higher in Zone B, with a reduction of between 3.76% to 22.27% of the residual land value, depending on the extent and length of the discount. I am not clear how this has been resolved, bearing in mind that Zone B has the same proposed CIL rate as Zone A.

8. Student housing

Bullet point 3 on page 4 refers to additional contributions from student housing schemes to fund affordable housing on other sites and states that "the Council could identify potential payments *once it has fixed its position on CIL* (my emphasis). It is vital however that the cumulative requirement leaves a sufficient buffer and is not set at the margins of viability". However, I cannot find where this is later referred to in the section 4 Appraisal assumptions or section 6 Assessment of appraisal results or how the italicised text above would be achieved.

9. Build for rent schemes

Table 6.19.1 (pages 47/48) for Zone C uses (correctly) shows £25m for BLV 1, but for BLV2 and BLV3, uses £10m and £6.5m correctly for scenario C1, but then reverts to £25m for scenarios C2, C3 and C4. The same thing occurs for all of the zones in the BLV2 and BLV3 parts of the table.

In addition, in the BLV1 part of the table, for Zones A and B, figures of £40m, £50m and £75M are used whereas Table 4.39.1 gives £75m for Zone A and £35m for Zone B. Similarly, in the BLV2 part of the table Zone A (for scenario C1) uses £45m, not £55m. I also note that the 4th column of BLV2 scenario C1 has the £29m value, not the £10m value. Please explain.

10. Table 6.19.1 (page 47) is within the section on Build for rent schemes, and is headed 'Build for rent scheme results'. However, the left hand side headings are all 'Build for sale'. This follows from paragraph 6.19 which begins "We have tested schemes 5, 6 and 7 as build for sale". I am not clear what the relationship is in this section between build for sale and build for rent.

11. Sensitivity analysis

Appendix 3 shows the results of a sensitivity analysis. Paragraph 6.40 explains that this builds on the growth rates on sales values and costs identified in Table 4.3.1 (actually Table 4.4.1 in this version of the report). Table 4.4.1 shows growth scenarios for years 2017 to 2021 and 2022 and each year thereafter. As far as I can see, the tables in Appendix 3 do not indicate which year of growth is depicted. Please explain. In addition, am I to understand that the figures for each typology are the maximum CIL rates having made the allowance for growth?

12. Appendix 2 - I note that the heading for this on the first page is 'London Borough of Newham': nothing more than a typo I presume.