

Christchurch and East Dorset Community Infrastructure Levy Draft Charging Schedules for Christchurch and East Dorset RESPONSE FORM

Agent's Details

(please **only** complete if you are using an agent)

Your Details

Title	Mr	
Full Name	Muhammad Hassan	
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Question 1: Do you wish to be heard in support of your representations at the Public Examination of the Draft Charging Schedule?

Please note that the Inspector will decide if a public hearing session is required as part of the examination process. You may choose to request to appear at a public hearing to clarify your comments, but you must communicate this to the Council before the close of the consultation. If you do not wish to be heard at the examination, your written representations will carry the same weight as those made by respondents who appear and are heard in support of their representations.

No, I do not wish to participate at the oral examination:



Yes, I wish to participate at the oral examination:



Question 2: Do you agree or disagree with the proposed rates contained in the Draft Charging Schedule?

Agree:

Disagree:

Further comments on Question 2:

Please see our attached written representations.

Question 3: Do you think that the proposed CIL rates strike an appropriate balance between the desirability of funding infrastructure through CIL and the potential effects of imposing a CIL on the Borough and District?

No, Please see our attached written representations.

Question 4: Do you believe the evidence on viability is correct? If not, please set out alternative evidence to support your view?

No, Please see our attached written representations.

Question 5: Do you agree or disagree with the Councils' approach to discretionary relief?

Agree:

Disagree:

Further comments on Question 5:

None

Question 6: Do you have any comments on the draft Regulation 123 list which sets out the infrastructure to be funded by CIL and where the Councils will continue to seek S106/S278 contributions?

None

Question 7: Do you agree or disagree with the draft CIL instalments policy?

Agree:

Disagree:

Further comments on Question 7:

Would recommend that the total amount payable (for amounts less than £250,000) are payable within 180 days of completion of the development. A 60 bed care home will typically take 12 months to construct so it would be sensible to request payment following completion, and once residents have moved in.

Question 8: Do you agree or disagree with the draft 'payment in kind' policy?

Agree:

Disagree:

Further comments on Question 8:

None

Question 9: Any other comments

Please see our attached written representations, for full details of our objection to the Draft Charging Schedule – specifically the proposed £40 m² rate for care homes.

Please indicate if you wish to be notified of any of the following:

- That the Draft Charging Schedules have been submitted to the examiner in accordance with Section 212 of the Planning Act 2008 ✓
- The publication of the recommendations of the examiner and the reasons for those recommendations ✓
- The approval of the Charging Schedules by the charging authorities ✓

Please sign and date:

Signature:

Date:

17 June 2014

Please send completed forms by **Wednesday 18th June 2014** to:

East Dorset District Council, Council Offices, Furzehill, BH21 4HN

Or, alternatively email them to **planningpolicy@christchurchandeastdorset.gov.uk**

Please note: Comments cannot be treated as confidential and therefore by responding, you are agreeing to your information being disclosed to third parties.

All comments made must be supported by your full name and address. Comments will be published on the Council's website along with your full name.

Data Protection (Please tick the relevant boxes)

I/we understand that Christchurch Borough Council / East Dorset District Council will use the information that I/we have provided for the purpose of the Community Infrastructure Levy. I/we consent to Christchurch Borough Council / East Dorset District Council disclosing my/our information to third parties for this purpose. ✓

I understand that I/we have the right to ask for a copy of the information held about me/us and which is subject of Data Protection Act 1998 (for which Christchurch Borough Council / East Dorset District Council may make a charge) and to correct any inaccuracies in my/our information. ✓

Data Protection Act 1998: Any information provided will be treated in strict confidence and will be held on and processed by computer.

REPRESENTATIONS ON THE PROPOSED COMMUNITY INFRASTRUCTURE LEVY

1. About CastleOak

This representation has been prepared by CastleOak Care Developments in respect of the East Dorset and Christchurch Draft Community Infrastructure Levy (CIL) Charging Schedule (DCS), and specifically the proposed £40 m² charge for C2 care homes.

CastleOak is a specialist organisation, working exclusively in the social care sector. We develop, design and build care homes and other supported housing for older people, including extra care and care villages.

CastleOak's clients include charities, not for profit and voluntary organisations as well as private and publicly quoted companies. Since 1988, CastleOak has designed and built over 9,000 care beds and 3,000 extra care apartments across the UK, working in partnership with many leading names in the sector, including the Joseph Rowntree Housing Trust, Methodist Homes, Care UK, Barchester Healthcare, Saxon Weald and Anchor Trust.

2. Policy and Demographics

The National Planning Policy Framework stipulates that the planning system should be “supporting strong, vibrant and healthy communities” and highlights the need to “deliver a wide choice of high quality homes, widen opportunities for home ownership and create sustainable, inclusive and mixed communities.”¹ Local planning authorities should “plan for a mix of housing based on current and future demographic trends, market trends and the needs of different groups in the community ... such as ... older people.”²

The Christchurch & East Dorset Core Strategy (Adopted 2014) provides details about the demographics within the District and acknowledges the need to support healthier communities.

“The population in Christchurch is about 48,000 and East Dorset is 87,800 (ONS 2012). The current proportion over retirement age aged 65+ (ONS 2012) is above the County and national average in Christchurch at 31% and in East Dorset at 29%, compared with 26% in Dorset as a whole and just 17% nationally.”³

“The numbers of elderly are set to increase dramatically over the next 15 years. Older people are expected to account for an increasing proportion of the population in future with the percentage of residents aged 65 in 2033 predicted to reach 38 per cent in Christchurch and East Dorset. (ONS Sub-National Population Projections 2008).”⁴

¹ Department for Communities & Local Government. March 2012. National Planning Policy Framework page 13 paragraph 50

² Department for Communities & Local Government. March 2012. National Planning Policy Framework page 13 paragraph 50

³ Christchurch & East Dorset Councils, April 2014. Christchurch and East Dorset Local Plan Part 1 – Core Strategy page 9

⁴ Christchurch & East Dorset Councils, April 2014. Christchurch and East Dorset Local Plan Part 1 – Core Strategy page 10

The Core Strategy specifies that “we need to plan for supporting our communities in urban and rural areas, including ensuring that community facilities support community development, and that the specific needs of older residents and young people are met.”⁵

A CIL charge as proposed will critically restrict development of much needed new high quality care accommodation. Given the authorities haven't specifically allocated sites for C2 development, care developers are left to compete with residential developers for land opportunities and the proposed CIL charge will impact on the economic viability of care development compared to residential development, making it extremely difficult to secure land in order to develop the new care homes required to meet the growing number of elderly residents that will require care.

3. Changes to the Community Infrastructure Levy Guidance

The viability appraisal produced by Peter Brett, which is used to underpin the rate set in the charging schedule, was produced in June 2013. This was before the amended DCLG Community Infrastructure Guidance was published in February 2014.

One of the key changes in the latest regulations is the revised wording to Section 2.2 “How are Community Infrastructure Levy Rates Set?” The original regulations had stipulated that a council must **“aim to” strike “what appears to the charging authority to be” an appropriate balance**, however the amended regulations remove the words “aim to” and “what appears to the charging authority to be” from the previous guidelines.

It now states that charging authorities **“should use evidence to strike an appropriate balance between the desirability of funding infrastructure from the levy and the potential impact upon the economic viability of development across their area”**.

The Draft CIL charging schedule published in June 2013, was prior to the amendments, and as such it is now incumbent on the LPA to demonstrate and justify the evidence used to support the viability assessment for the proposed CIL charge on care homes, particularly given the issues detailed below.

4. The Assumptions used in the Peter Brett Viability Appraisal June 2013

The Community Infrastructure Guidance February 2014 states that “a charging authority must use **‘appropriate available evidence’** (as defined in the Planning Act 2008 section 211(7A)) to inform their draft charging schedule. The Government recognises that the available data is unlikely to be fully comprehensive. Charging authorities need to demonstrate that their proposed levy rate or rates are informed by ‘appropriate available’ evidence and consistent with that evidence across their area as a whole.”⁶ It also emphasises that “A charging authority should draw on existing data wherever it is available.”⁷

⁵ Christchurch & East Dorset Councils, April 2014. Christchurch and East Dorset Local Plan Part 1 – Core Strategy page 10

⁶ Department for Communities & Local Government, February 2014. Community Infrastructure Guidance (Amended) page 16

⁷ Department for Communities & Local Government, February 2014. Community Infrastructure Guidance (Amended) page 16

In respect of the proposed CIL charge for Christchurch and East Dorset, whilst the yields and rental values per bed are in line with those evident in the market, the Gross Internal Area (GIA) and construction cost assumptions used are not. These issues substantially and critically undermines the validity of the viability calculations and hence the implication of a CIL charge for care homes.. The specific issues are each set below.

4.1 Construction Costs

The construction costs used in the appraisal is £1,250 per square metre and, with the benefit of our substantial experience; this is too low to provide care accommodation to the standards demanded by operators, residents and the market, as evidenced by reference to the Build Cost Information Service database. The Building Cost Information Service, known as BCIS, is a leading provider of cost and price information for the UK construction industry. It is a part of the Royal Institution of Chartered Surveyors.

The table below summarises data from BCIS for the construction costs of a new build care home in Wimborne, East Dorset (£/m² GIA), including prelims.

Crucially the BCIS database also allows the date for construction to be specified and is able to provide construction costs that allow for build cost with inflation. This is very important as build cost inflation is currently high, as demonstrated in Table 1 below.

Table 1: BCIS Care Home Construction Cost

	June 2013 Q2 2013	June 2014 Q2 2014	April 2015 Q2 2015 (forecast)	Q2 2016 (forecast)
Mean	£1,287	£1,456	£1,538	£1,608
Lowest	£750	£763	£806	£843
Lower quartiles	£922	£1,056	£1,116	£1,167
Median	£1,312	£1,512	£1,597	£1,670
Upper quartiles	£1,466	£1,596	£1,686	£1,763
Highest	£2,103	£2,438	£2,576	£2,694
Sample size	19	15	15	15

The figures, (taken from the BCIS output that are reproduced in Appendix 1) demonstrate that the construction cost of £1,250 per square metre used in the CIL appraisal calculations, is too low and furthermore fails to acknowledge the increasing construction costs the industry is experiencing or otherwise to include any inflation measures in the calculations.

Looking at the 'mean' figures above, it is forecast that from the date of the CIL valuation appraisal (June 2013) to the likely CIL adoption date, (April 2015) the construction costs will have increased from £1,250 to £1,538 per square metre, a substantial increase of over 23%. With the current pressures on fees and increasing energy costs, the rental values and yields are highly unlikely to improve to counteract the increasing build costs. Consequently, construction costs for new care homes are significantly underestimated, as evidenced by the BCIS data. In conjunction with the proposed CIL charge, this will render schemes for the provision of new care home

accommodation within East Dorset and Christchurch's area entirely unviable, undermining the markets' ability to address the increasing need for appropriate care accommodation for those requiring 24 hour care and supervision.

4.2 Gross Internal Area (GIA)

The viability appraisal is based upon a 60 bed care home with a GIA of 2,400 m². This equates to 40 m² per resident which is entirely too small to provide care accommodation that is capable of meeting the current and future registration and design requirement and the expectations of operators, residents and the market.

Even designing down to the smallest bedrooms, en-suites and day spaces that would currently enable the home to be registered with the CQC to provide care accommodation, a GIA of 40 m²/resident would simply not be achievable.

Indeed, in our experience from working with a variety of operators including, charities, local authorities and private operators, they require new developments to achieve in the region of at least 48 m² to 50 m² per resident. This size range, 48 -50 m²/resident GIA is recognised across the care sector as being necessary, both to ensure the comfort and well being of residents and to satisfy the keen desires of operators and funders to ensure new care homes are future proofed against change in space requirements, guaranteeing their viability for at least the duration of a standard 30 year lease.

So a typical gross internal area of a 60 bed care home will be circa. 2,880 m² to 3,000 m². On page 50 of the East Dorset and Christchurch Viability Report, the care home summary refers to a 60 bed care home scheme with a GIA of 3,000 m² which aligns with end user and market expectations. However, on querying the contradiction between the GIA referenced in the report and the GIA used in the calculations, we were advised by the Planning Policy Team Leader that this was an error and it should be 2,400 m².

In CIL Viability Reports produced by Peter Brett Associates for Teignbridge, Stratford upon Avon and Maidstone Authorities, they have based their appraisals for care homes on a 40 bedroom model with a GIA of 1,900 m², which equates to 47.5 m² per resident.

The DCLG Community Infrastructure Guidance clearly advises that "**A charging authority should draw on existing data wherever it is available.**" Information regarding the proposed GIA's of new care homes is readily accessible as the council has a record of all recent care home applications within its constituency, which necessarily state the floor area of the proposed developments. It is this information that should be used as it more accurately reflects the market requirements and aligns with the latest DCLG guidelines.

The table attached at Appendix 2 lists all recent applications for new care homes within East Dorset and Christchurch listed on the ABI database. The Barbour ABI database is commonly used within the property industry as it tracks and monitors planning applications. The bedroom numbers and GIA have been obtained via the Local Authorities planning applications website.

We have not been able to obtain bed numbers and GIA information for every application as some documents are not available on the local authority's website or the relevant information isn't included within the plans and documents that are available. However this information could readily be obtained by Peter Brett Associates from their colleagues in the East Dorset and Christchurch planning departments.

The average GIA per resident for these schemes is 49 m² per resident. To assume a GIA of 40 m² per resident is therefore a gross underestimate which serves to artificially reduce the build costs and overstate the profitability and, in turn the viable CIL charge.

The viability appraisal has calculated the gross development value by capitalising the rental value per bed by a yield of 7%. The rental values used reflect rents achieved for modern care homes which would be much greater than 40 m² per resident. The gross development value will not change as the same number of care beds is to be provided, however, if the total construction cost was accurately calculated to reflect a scheme substantially larger than 2,400 m², the viability and profit levels would decrease significantly.

For a 60 bed care home designed to current market standards, (taking the average GIA figure of 49 m² per resident for recent applications) the build cost will be £3,75,000 using the base build cost figure of £1,250 m², using the more realistic figure of £1,538 m² the construction costs will be £4,521,720 which is over £1,500,000 over the £3,000,000 allowed in the CIL viability calculation.

In addition to this critical underestimate of build costs, a GIA of 3,000 m² also increases the CIL payable from £96,000 to £120,000.

4.3 Additional Development Costs not taken into Account

CIL guidance emphasises that “A charging authority should take development costs into account when setting its levy rate or rates, particularly those likely to be incurred on strategic sites or brownfield land. A realistic understanding of costs is essential to the proper assessment of viability in an area.”⁸

We are concerned by the study Peter Brett conducted in June 2013 as we do not believe that all realistic development costs have been taken into consideration. For example, the viability appraisal fails to acknowledge that in line with guidance to prioritise previously developed sites, the majority of sites will be on ‘brownfield’ town centre or edge of town locations such as petrol stations or employment uses where a sustainable use such as a care home would be suitable. Here abnormal costs are likely to include demolition, remediation of contamination, additional groundwork’s, drainage and additional professional fees.

The valuation appraisal contains development assumptions that are inadequate as they do not make sufficient allowance for the costs involved in obtaining planning permission and delivering a development scheme. By underestimating the true cost of securing planning for development within the appraisal, the Council has underestimated the true cost of care developments and consequently the profit levels calculated in the financial viability model are artificially inflated. This will, in turn, have inflated the viable amount of CIL for care development.

Taking the example of the 2,400 sqm Care Home in the Council’s Viability Study, this care home would be expected to bear a CIL payment of £96,000 and, in addition, bear all of costs listed below:

- the cost of any off-site highways works required to make the development acceptable in planning terms including junction improvements, road widening schemes, new access roads, diversion orders and other highways works; (from c. £50,000 for a standard crossover up to £250,000 plus for a full s278 with major works to the public highway)
- any ecological mitigation, archaeology works or environmental contributions to mitigate the loss of habitat or greenery caused by the scheme; (costs will vary significantly with sites)
- The cost of remediation and decontamination works, asbestos removal and disposal; (costs varies significantly but a typical brownfield site of c. 1.5 acres c £250,000)

⁸ Department for Communities & Local Government, February 2014. Community Infrastructure Guidance (Amended) page 17

- Costs associated with BREEAM/Renewable policy requirements; (c. £30,000 - £50,000)
- Planning Application fees (c. £150,000) and
- Any Section 106 costs (can vary but anything up to £50,000).

With these costs ranging from £280,000 to £800,000 it is clear the allowance in the viability appraisal of £300,000 (10% of construction costs), will only cover the most straight forward of sites, with neither ecology archaeology or contamination. The Council has therefore significantly underestimated the impact of CIL on the viability of such developments and request that the underlying viability evidence should therefore be revised accordingly.

4.4 Occupancy Levels

The viability study doesn't appear to acknowledge the occupancy rates for care home schemes, instead assuming that the homes will be 100% occupied at all times. In other viability appraisals produced by Peter Brett Associates occupancy levels are taken into account, for example in separate viability reports for Maidstone, Stratford upon Avon and Teignbridge.

Occupancy levels are crucial in determining the income and therefore viability of care homes and thus these must be included in any viability assessment. The Knight Frank Care Homes Trading Performance Review 2013 highlights a small fall in national occupancy rates from "87.8% to 87.2% during 2012."⁹

Whilst the occupancy levels of new, modern care homes are most usually higher than the average, the nature of the homes dictates that there are most often a small number of vacant rooms with typical occupancy rates of 93-95%. A lack of consideration for occupancy levels undermines the validity of the CIL viability appraisal.

4.5 Communal Space/Floor Ratio

Care homes, as specialist care accommodation, typically experience periods of 12 – 24 months to reach 'mature occupancy'. They are also impacted financially by the communal space and areas that are provided. Typically such developments have over 50% of their internal floor areas devoted to necessary communal areas and facilities, such as assisted bathrooms, nurse stations, drug stores, sluice rooms, kitchens and plant rooms, together with shared amenity spaces such as activity rooms, lounges and dining rooms.

An external architect from Carless and Adams Partnership advised that "for a smaller home of, say, 2,760 m² the bedrooms and en-suites would account for about 50% of the floor area. The ancillary spaces (non resident) about 12% and the rest will be day space and circulation."

These communal areas and facilities care homes from other forms of accommodation for the wider population. Communal areas are crucial for the comfort and wellbeing of residents in a modern care setting, facilitating social interaction and activity. However, in a purely financial sense, they constitute "non-saleable floor space" which does not directly generate revenue.

Therefore, a CIL rate based on "pounds per square metre of gross internal floor space" would unreasonably penalise a retirement housing developer, compared to other forms of residential accommodation that would have a much higher net saleable floor area to acquire revenue from. This would place those providers of care homes at a disadvantage in land acquisition as the ratio of CIL rate to net saleable area would be disproportionately high when compared to other forms of residential accommodation.

⁹ Knight Frank, 2013. Care Homes Trading Performance Review page 1

5.0 Neighbouring local authorities

The majority of the neighbouring authorities around East Dorset and Christchurch, where land prices, build cost and care home fees are comparable, have concluded that no CIL charge should be applied to care home development, as detailed in the table below, justification for this includes:

- the level of communal space,
- slower sales rate
- increased build costs compared to traditional residential development

Table 2: Neighbour Authorities CIL Rates

Charging Authority	Stage	C2 CIL Rate	Consultant	Consultant Comments
West Dorset	Draft Charging Schedule submitted	nil	BNP Paribas Real Estate	<u>Residential care schemes include a significantly higher level of communal space to accommodate social areas and other facilities. This has an adverse impact on viability.</u> Our appraisal indicates that residential care homes are unlikely to be able to absorb CIL contributions unless higher values are achieved. We therefore recommend that the Council sets a nil rate for this type of development.
North Dorset	Preliminary Draft Charging Schedule yet to be produced	TBC	-	-
New Forest	Adopted April 2014	nil	DTZ	Development of care homes is of marginal viability on the basis of standard assumptions and hence should be subject to a CIL charge of zero.
Bournemouth	Preliminary Draft Charging Schedule yet to be produced	TBC	Peter Brett Associates	-
Poole	Adopted January 2013	nil	BNP Paribas Real Estate	Our testing did not specifically address the viability of care homes and their ability to contribute towards CIL. However, given the nature of such schemes, we would advise that the viability (and ability to contribute towards CIL) is likely to be worse than advised for general residential. This is due to the requirement

				in care homes for <u>communal and support space</u> (which results in a less efficient gross to net ratio) and <u>a slower sales rate</u> , due to the more limited market.
Purbeck	Approved March 2014 To be Adopted April 2015	£0-£100	Andrew Golland Associates & Corbens	The Council's original CIL rates for Use Classes C2 and C3 were set at £180 psm for Swanage and the Coast, £100 psm for Wareham and Purbeck Rural Fringe and a nil rate for the remaining two zones. Following representations from developers specialising in C2 and C3 uses, the Council reduced its rates to £100 psm for Swanage and the Coast, £30 psm for Wareham and Purbeck Rural Fringe and maintained its nil rate for the remaining two zones. (From Examiners Report).
Wiltshire	Consultation on the Draft Charging Schedule February 2014	nil	BNP Paribas Real Estate	No reference to care homes or older person's accommodation within the viability report.

6.0 Peter Brett CIL recommendations for other Charging Authorities

There doesn't appear to be any justification as to how or why a rate of £40 has been selected by Peter Brett Associates. For the 60 bed scheme used in the council's appraisal (2,400 m²) this would equate to a CIL charge of £96,000 and calculates at approximately 1.93% as a percentage of total costs and 9.64% as a percentage of total profit. For a 60 bed care home designed to current market standards, with a GIA of 3,000 m² this increases significantly to £120,000.

The table below provides a summary of the valuation appraisals for the London Borough of Richmond and Epsom and Ewell Borough Council. These have been selected because they have also been produced by Peter Brett Associates and the valuation model used was the same as East Dorset & Christchurch and was based on a 60 bed care home scheme (GIA of 2,400) with similar assumptions on construction costs, professional fees and finance. Peter Brett Associates have produced viability reports for other Charging Authorities but these appear to be incorporating a different care home scenario (40 beds) or valuation model.

The table illustrates that although the Total Profit is lower than those calculated at Epsom & Ewell and Richmond; the proposed CIL rate of £40 is significantly higher than the £20 and £25 rates recommended for the other charging authorities. The CIL as a percentage of the total profit and costs is again higher in East Dorset & Christchurch.

It is unclear why the consultants believe that within East Dorset and Christchurch, developers will be able to absorb a higher CIL rate.

Table 3: Other Peter Brett Associates CIL Recommendations

Charging Authority	CIL Payable (Rate x m ²)	CIL Amount	Total Profit	Total Cost	CIL as % of Profit	CIL as % of Costs
East Dorset & Christchurch	£40 x 2,400 m ²	£96,000	£996,359	£4,981,784	9.64%	1.93%
Richmond	£25 x 2,400 m ²	£60,000	£1,152,002	£5,759,998	5.21%	1.04%
Epsom & Ewell	£20 x 2,400 m ²	£48,000	£1,211,786	£6,058,928	3.96%	0.79%

The table below summaries the CIL rates in regards to the residual land values and benchmark values. Again it is evident that the £40 rate proposed in East Dorset & Christchurch is higher in terms of the CIL rate as a percentage of the calculated overage ceiling.

Table 4: Other Peter Brett Associates CIL Recommendations Summary

	East Dorset & Christchurch	London Borough of Richmond	Epsom & Ewell Borough Council
Number of Beds	60	60	60
Gross Internal Area (Sq m)	2,400	2,400	2,400
Residual Land Value (Per Hectare)	£1,994,054	£6,155,827	£3,047,772
Residual Land Value (Per Sq metre)	£266	£604	£2,622
Benchmark Land Value (Per Hectare)	£1,400,000	£5,000,000	£3,000,000
Benchmark Land Value (Per Sq metre)	£187	£313	£2,581
Overage CIL Ceiling (Per Hectare)	£594,054	£1,155,827	£47,772
Overage CIL Ceiling (Per Sq metre)	£79	£72	£41
CIL Rate Proposed	£40	£25	£20
CIL Rate Proposed as % of Overage Ceiling (Per Sq m)	50.6%	34.7%	48.7%

7.0 Conclusion

7.1 The National Planning Policy Framework states that Local Planning Authorities should plan for a mix of housing to meet the current and future demographics and support the needs of different groups, such as older people. The proportion of residents in Christchurch and East Dorset over the age of 65 is significantly higher than the average, both in Dorset and nationally.

7.2 The amendments to the Community Infrastructure Guidance published in February 2014 may mean that the viability appraisal produced is now out of date and doesn't comply with the latest, more stringent regulations as it doesn't provide clear evidence that a CIL charge on care home development will not affect the economic viability to deliver schemes across the East Dorset and Christchurch.

7.3 It is forecast that from the date of the valuation appraisal to the likely CIL adoption date, April 2015 the construction costs will have increased from £1,250 to £1,538 per square metre, an increase of approximately 23%. The rental values and yields are very unlikely to improve, therefore the development costs are significantly undervalued, in turn critically undermining the viability of new care home development with the proposed CIL rate of £40/m² in place.

7.4 The viability appraisal is based upon a 60 bed care home with a Gross Internal Area of 2,400 m², this equates to 40 m² per resident, which is considerably too small to provide new high quality care accommodation, capable of meeting current and likely future registration requirements. If the total construction cost was accurately calculated to reflect a scheme larger of 3,000 m², more in keeping with market and resident expectations the viability and profit levels would decrease significantly.

7.5 Taking account of the two major inaccuracies above – the floor area and construction costs, we have seen that contrary to the build costs of £3,000,000 used to substantiate the proposed CIL charge, actual build costs for a modern 60 bed care home at the date the charge is proposed to come into effect are in fact c. £4,500,000. This £1,500,000 underestimate undermines the validity of the proposed CIL charge.

7.6 The valuation appraisal contains development assumptions that are inadequate as they do not make sufficient allowance for the costs involved in obtaining planning permission for a development scheme. By excluding the true cost of securing planning for development within the appraisal, particularly for brownfield sites the Council has underestimated the true cost of care developments and consequently the profit levels calculated in the financial viability model are artificially inflated. This will, in turn, have inflated the viable amount of CIL for care development.

7.7 The viability study doesn't appear to acknowledge the occupancy rates expected of a care home. However, in other viability appraisals produced by Peter Brett Associates they appear to recognise that even new homes do not run at 100% occupancy levels, occupancy levels of 93%-95% are typical.

7.8 The imposition of a CIL charge for C2 care homes specifically, ie to exclude all other forms of C2 development, notably extra care, seems inequitable and illogical. The CIL charge is specifically to provide for infrastructure. Extra care is more suitable for residents with lower care needs, whilst those with greater care needs are most often more suited to a care home environment with 24 hour care and supervision. Consequently, the more active and mobile extra care residents would place greater demands on infrastructure, for example being more likely to own cars and would it would therefore, appear more logical to be suitable for a CIL charge. At any rate, with the lower overhead costs that result from the lower level of care provision, and greater proportion of 'saleable floorspace', extra care schemes should be able to accommodate a higher CIL charge than care homes.

7.9 It is notable that no viability appraisal was conducted for extra care, in spite of the authority's stated preference for this form of elderly accommodation.

7.10 There doesn't appear to be any justification or clear evidence as to how or why a rate of £40 has been recommended by Peter Brett Associates. The level of CIL specified will significantly affect the viability of these schemes and potentially preclude the future development of new care homes at a time where there is national recognition of the importance for us to act to address the growing demand for such accommodation.

7.11 We would suggest that the valuation appraisal is substantially revised to reflect the issues raised.

Appendix 1:

BCIS Data

The results contained on the page are as published on 01-Jun-2013

£/m2 study

Description: Rate per m2 gross internal floor area for the building Cost including prelims.

Last updated: 18-May-2013 12:19

🔄 Rebased to 2Q 2013 (225; forecast) and Wimborne

Maximum age of results: Default period

Building function (Maximum age of projects)	£/m ² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
Nursing homes, convalescent homes, short stay medical homes (15)	1,287	750	922	1,312	1,466	2,103	19

£/m² study

Description: Rate per m² gross internal floor area for the building Cost including prelims.

Last updated: 31-May-2014 12:19

🔄 Rebased to 2Q 2014 (248; forecast) and Wimborne

Maximum age of results: Default period

Building function (Maximum age of projects)	£/m ² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
Nursing homes, convalescent homes, short stay medical homes (15)	1,456	763	1,056	1,512	1,596	2,438	15

£/m2 study

Description: Rate per m2 gross internal floor area for the building Cost including prelims.

Last updated: 31-May-2014 12:19

🔄 Rebased to 2Q 2015 (262; forecast) and Wimborne

Maximum age of results: Default period

Building function (Maximum age of projects)	£/m ² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
Nursing homes, convalescent homes, short stay medical homes (15)	1,538	806	1,116	1,597	1,686	2,576	15

£/m2 study

Description: Rate per m2 gross internal floor area for the building Cost including prelims.

Last updated: 31-May-2014 12:19

[↻](#) Rebased to 2Q 2016 (274; forecast) and Wimborne

Maximum age of results: Default period

Building function (Maximum age of projects)	£/m ² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
Nursing homes, convalescent homes, short stay medical homes (15)	1,608	843	1,167	1,670	1,763	2,694	15

Appendix 2:

Barbour ABI Planning Database

Planning Reference	Scheme	Address 1	Address 2	Post Code	No beds	GIFA (If provided)	m ² per resident	Status
8/11/0136	60 bed care home	Homefield School	Christchurch	BH23 7AR	60	NO INFO	NO INFO	Detail Granted
8/09/0307	60 bed residential care home	Land South of Bae Systems	Christchurch	BH23 4JE	60	2896.66	48.28	Outline Refused
8/13/0028	80 bed care home and 40 living apartments	Christchurch Hospital	Christchurch	BH23 2JX	80	NO INFO	NO INFO	Detail Granted
3/09/0276/OUT	60 bedroom nursing home.	72 Middlehill Road	Wimborne	BH21 2HQ	60	NO INFO	NO INFO	Outline Refused
3/10/1134/OUT	45 bedroom dementia care home	403 Wimborne Road East	Ferndown	BH22 9LZ	45	1858	41.29	Outline Refused
3/11/0251/FUL	26 bed care home	Woodcutters Arms	Wimborne	BH21 6RB	26	1470	56.54	Detail Granted
3/12/0822/OUT	44 bed care home	1 Carroll Avenue	Ferndown	BH22 9AY	44	NO INFO	NO INFO	Outline Refused
3/13/0464/FUL	64 bed care home	76 Ringwood Road	Verwood	BH31 7AJ	64	3362	52.53	Detail Refused
3/13/0818/FUL	75 bed care home and 37 dwellings	Frmr Dormy Hotel	Ferndown	BH22 8ET	75	NO INFO	NO INFO	Detail Granted
3/09/1017/OUT	Care Home beds unknown	The Warren, Badgers Walk	Ferndown	BH22 9QF		NO INFO	NO INFO	Refused 4/2/2010 Appeal allowed 14/10/2010
Average					57.11	2396.67	49.66	