

West Oxfordshire District Council (WODC)

Community Infrastructure Levy (CIL) Consultation Response

North Witney Strategic Development Area

27th September 2024

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Contents	Page
Section 1 Relevant Experience	2
Section 2 Background	2
Section 3 Instructions	3
Section 4 Methodology & Typologies	3
Section 5 Key Issues	3
Section 6 Summary Conclusions	4
Section 7 Viability Compliance	5

Appendices

Appendix 1	Dixon Searle Partnership (DSP) appraisal – North Witney
Appendix 2	TM Emulation of DSP Appraisal
Appendix 3	TM Emulation of DSP Appraisal – 20% Market Housing Profit

1. RELEVANT EXPERIENCE

- 1.1. Turner Morum LLP ('TM') regularly advise across the whole of the UK on the value and potential of major tracts of development land. We are currently instructed by a number of Local Authorities, Landowners, Housing Associations and Developers and have extensive experience in this field. We also provide Expert Witness evidence at planning appeals and Local Plan Examinations.
- 1.2. This report has been prepared by Thomas Hegan MRICS, Partner at TM and Kat Seager MRICS who is a Senior Surveyor. The following assessment has been prepared having specific regard to the North Witney Strategic Development Area (SDA). It has particular regard to the land controlled by Taylor Wimpey, Blenheim Strategic and Gleeson Strategic (the Consortium) who control the majority of the SDA and which is the subject of a current live planning application under application reference 24/00482/OUT. Whilst the planning application relates only to land under the control of the Consortium, the accompanying Environmental Statement has assessed the SDA site as a whole for a scheme of up to 1,250 homes with other uses. My colleague Ramsay Evans has also made CIL representations in relation to two development sites which are being promoted by Hallam Land.

2. BACKGROUND

- 2.1. West Oxfordshire District Council ('WODC') are currently consulting on their proposed draft Community Infrastructure Levy (CIL) Charging Schedule which was published in June 2024. Dixon Searle Partnership ('DSP') were appointed by the Council to prepare an initial assessment of viability to determine the potential cost implications of different CIL charging approaches and the extent to which these will impact on the deliverability of specific sites and the new Local Plan as a whole. DSP produced a report and associated appendices, summarising their initial findings.
- 2.2. The below table is taken from the draft DSP CIL Charging Schedule outlines the levy rate at which development is proposed to be liable for CIL:

Development type	£ per sq. m.	Notes
Suggested CIL Charging Rates		
Residential – development of houses and mixed housing developments district-wide (Greenfield)	£225	All schemes – above and below affordable housing policy thresholds
Residential - development of houses and mixed housing developments district-wide (PDL)	£125	All schemes – above and below affordable housing policy thresholds
Residential - All-Flatted (flats only) development district-wide, all site types and sizes	£25	Nominal Rate
Strategic scale development sites (named/zone mapped)	£0	Nil Rated (all forms of development)
Large Format Retail - Supermarkets/Foodstores/Retail Warehousing	£125	Only applicable chargeable non-residential/commercial development types.
All other forms of development	£0	Nil rated

- 2.3. DSP published their report titled 'WODC Viability Assessment to Inform Draft CIL' in May 2024. The 'Assessment Approach' section of this document identifies that the North Witney scheme for about 1,400 dwellings and other uses is one of the strategic allocations that has been specifically assessed, in order to consider the extent to which the scheme is able (or not able) to afford CIL payments – in conjunction with various other development costs including s106 obligations and other strategic infrastructure costs.

3. INSTRUCTIONS

- 3.1. I have been instructed by Taylor Wimpey, Blenheim Strategic Partners and Gleeson to undertake a review of the DSP report which has given rise to the above CIL rates.
- 3.2. Whilst North Witney has been 'zero listed' for CIL, given the viability challenges, it was considered necessary to make the following CIL representations in case they are considered material to the forthcoming planning application.
- 3.3. The following CIL representations very much support the decision to 'zero list' the North Witney Strategic Development Area for CIL, however there are a number of matters considered within the DSP CIL assessment that require consideration, as explained in further detail below.

4. METHODOLOGY & TYPOLOGIES

- 4.1. The approach that has been adopted by DSP is a standard residual appraisal format, where the scheme GDV is assessed, before the various development costs are deducted including allowances for strategic infrastructure, s106 contributions, developer profit, finance costs and the Benchmark Land Value – resulting in either a surplus or a viability deficit.
- 4.2. The residual appraisal analysis of the subject site, undertaken by DSP is included at page 128 of the Appendix 1 Assumptions Summary document, which I have included as Appendix 1 to this assessment. As will then be noted, this appraisal assessment has then been reproduced in my own appraisal format – so I can better understand and examine the key issues and inputs that have been adopted, as examined below.

5. KEY ISSUES

- 5.1. The key points that I have identified with the DSP analysis have been examined below. Importantly, DSP have shown the subject scheme to be quite substantially non-viable at 45% affordable (of which 5% is custom build) and with zero CIL, with a £23m viability deficit. These conclusions are predicated upon the following assumptions:
- a. An appraisal based upon 1,400 dwellings whereas only c.1,250 are considered to be achievable within the SDA boundary
 - b. Market revenues of £418 per square foot and Affordable values of:
 - i. Affordable rent at £201 per ft2 @ 48% of OMV
 - ii. First Homes at £272 per ft2 @ 65% of OMV
 - iii. Shared Ownership at £293 per ft2 @ 70% OMV
 - iv. Custom build at £125k per plot

These revenues will be considered as part of the site-specific viability submission, which will form part of the planning application process

- c. Base Build costs of £152 per ft² including external and contingency. I believe they have adopted lower quartile BCIS costs, to which they have added 10% for externals. These allowances are considered to be insufficient with a minimum 15% allowance required for external works, if LQ BCIS costs are adopted
- d. The profit allowances are especially insufficient with just 17.5% of the market housing GDV adopted, and no profit allowance have been included for the custom build housing. DSP have applied a blended target margin of 14.2% of scheme GDV, which is grossly insufficient for a strategic site of this nature
- e. S106 contributions of £32.2m have been included, at just £23k per plot. Based on my discussion with my client, I understand that higher s106 amounts have now been suggested by the LPA
- f. The scheme has extremely high infrastructure / abnormal costs totalling £111.2m, which is equivalent to c. £80k per dwelling. This is an extremely high figure for a strategic site of this nature
- g. The scheme finance costs appear light at just 4.3% of scheme GDV – and this is partly as a result of the low 6.5% cost of debt. Given that the Bank of England Base Rate is currently 5%, I believe a much higher cost of debt should be assumed
- h. With regard to the Benchmark Land Value, this has been included at £250k per hectare – which is only £100k per gross acre.

6. SUMMARY CONCLUSIONS

- 6.1. An important point to note from the DSP analysis is that scheme is already some £23m in deficit, and this deficit would increase to at least £31m if a 20% profit on the market housing GDV was adopted, which in my view is the absolute minimum amount that would be reasonably required for a strategic, capital intensive, risky scheme of this nature. I have included a further sensitivity appraisal as Appendix 3 which shows the DSP analysis with a 20% market profit allowance, and this £31m viability deficit.
- 6.2. These deficit amounts are before one has regard to the fact that the scheme is likely to reduce from 1,400 to c. 1,250 dwellings, which is all that is realistically achievable. Needless to say, a reduction in the dwelling numbers will have an obviously adverse impact on the scheme viability position.
- 6.3. There are further elements within the DSP assessment that are also not agreed, including the 10% externals allowance, which is applied to Lower Quartile BCIS costs. These allowances are insufficient, and they do not appropriately reflect the costs of delivery. Similarly, the 6.5% cost of debt that has been assumed also results in artificially low scheme finance costs, which is generally a key issue that prejudices delivery of these types of strategic sites.

- 6.4. Given that we also know that the s106 requests are likely to be higher than the £23,000 per dwelling that DSP have reflected, in combination with the above – the development costs associated with this scheme will be marked higher than those reflected by DSP.
- 6.5. As above, within their appraisal assessment, DSP have shown the subject scheme to be £23m in deficit before any of these issues are addressed. In short, this means that the scheme modelled by DSP includes – at a minimum – £23m of planning gain that cannot be viably afforded.
- 6.6. In reality, the viability position is likely to be significantly worse, when the above points are reflected. This means that the 45% affordable and/or the £23k per unit in s106 contributions that have been included cannot be justified. In my view, the affordable housing and/or the s106 amounts will need to reduce, potentially substantially.

7. VIABILITY COMPLIANCE

- 7.1. In undertaking this viability, the author is aware of and has followed the mandatory RICS Financial Viability in Planning; Conduct & Reporting (2019), and is also aware of viability guidance documents such the RICS Assessing Viability in Planning under the NPPF 2019 for England (2021), the Planning Practice Guidance (PPG) on Viability published following updates to the National Planning Policy Framework (NPPF).
- 7.2. The author can also confirm that in carrying out this assessment, they have acted with objectivity, impartiality, without interference and with reference to all appropriate available sources of information. The author is also not aware of any conflicts of interest in relation to this assessment.
- 7.3. In preparing this report, no performance-related or contingent fees have been agreed.
- 7.4. This report is addressed to my clients named above only and it should not be reproduced without prior consent. This report has been provided for its stated purposes and singular use of the named clients and may not be relied upon by any third party.
- 7.5. This report has been prepared by:

Thomas Hegan (Hons) MRICS

Partner



Kat Seager BSc (Hons) MRICS

Senior Surveyor



APPENDIX 1

For: West Oxfordshire District Council



Viability Assessment to inform the Community Infrastructure Levy Charging Schedule

Appendix 1 – Assumptions Summary

May 2024

DSP23835

APPRAISAL SUMMARY**LICENSED COPY****North Witney SDA
West Oxfordshire DC****Appraisal Summary for Phase 1**

Currency in £

REVENUE

Sales Valuation	Units	m ²	Sales Rate m ²	Unit Price	Gross Sales
Market units	770	71,764.00	4,500.10	419,409	322,945,176
AH AR	370	28,379.00	2,162.00	165,825	61,355,398
AH FH	140	7,924.00	2,925.07	165,559	23,178,215
AH SO	50	3,835.00	3,150.07	241,610	12,080,518
5% Self-build	70	0.00	0.00	125,000	8,750,000
Totals	1,400	111,902.00			428,309,308

NET REALISATION 428,309,308**OUTLAY****ACQUISITION COSTS**

Fixed Price	60.00 ha	250,000.00 /ha	15,000,000	
Fixed Price (60.00 Ha @ 250,000.00 /Hect)			15,000,000	
				15,000,000
Stamp Duty			737,500	
Effective Stamp Duty Rate		4.92%		
Agent Fee		1.50%	225,000	
Legal Fee		0.75%	112,500	
				1,075,000

CONSTRUCTION COSTS

Construction	m ²	Build Rate m ²	Cost	
Market units	73,073.00	1,394.00	101,863,762	
AH AR	29,563.00	1,394.00	41,210,822	
AH FH	9,114.00	1,394.00	12,704,916	
AH SO	3,995.00	1,394.00	5,569,030	
Totals	115,745.00 m²		161,348,530	
Contingency		5.00%	4,763,822	
Contingency dwellings		3.00%	5,324,501	
Site works & infrastructure 50%	1,400.00 un	12,500.00 /un	17,500,000	
Site works & infrastructure 50%	1,400.00 un	12,500.00 /un	17,500,000	
Land servicing PS 2.2ha			1,100,000	
				207,536,853

Other Construction

Externals		10.00%	16,134,853	
Climate change response		3.50%	5,647,199	
Electric Vehicle Charging (Market)	770.00 un	1,084.00 /un	834,680	
Electric Vehicle Charging (AH)	560.00 un	1,303.00 /un	729,680	
M4(2) 100%	115,745.00 m ²	15.50	1,794,047	
M4(3) 5%	115,745.00 m ²	7.75	897,024	
BNG		2.40%	3,872,365	
West End Link Rd			26,870,240	
Northern Distributor			6,949,200	
Highway Improvements			4,632,800	
Foul Drainage Upgrade			3,474,600	
Flood Alleviation			3,474,600	
				75,311,288

Section 106 Costs

s106 contributions - 2FE PS			11,200,000	
s106 contributions - OTHER			21,000,000	
				32,200,000

PROFESSIONAL FEES

Professional Fees		10.00%	11,141,129	
Professional Fees (housebuilding)		8.00%	12,907,882	
				24,049,011

DISPOSAL FEES

Sales Agent Fee		3.00%	12,849,279	
Sales Legal Fee	1,400.00 un	750.00 /un	1,050,000	
				13,899,279

MISCELLANEOUS FEES

Profit Market		17.50%	56,515,406	
Profit AH		6.00%	4,406,155	
Profit FH		12.00%	2,781,386	
				63,702,947

FINANCE

Debit Rate 6.500%, Credit Rate 0.000% (Nominal)				
Total Finance Cost				18,563,997

TOTAL COSTS 451,338,375**PROFIT****(23,029,067)****Performance Measures**

Profit on Cost%	-5.10%
Profit on GDV%	-5.38%
Profit on NDV%	-5.38%
IRR% (without Interest)	-2.40%
Profit Erosion (finance rate 6.500)	N/A

APPENDIX 2

Turner Morum
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North Witney

Residual Appraisal - 45% Affordable Housing

DSP Appraisal Re-build

Appendix 2

Unit Type (average)	Tenure	Beds	Number of Units	Average ft2	Average m2	Total ft2	Total m2	Es per ft2	Unit Value	Total Value	Market	Affordable			
1-Bed Flat	Market	1	770	1,003	93	772,461	71,764	£418	£419,409	£322,945,176					
TOTAL MARKET HOUSING		55%	770	1,003	93	772,461	71,763	£418	£419,409	£322,945,176	£322,945,176				
1-Bed Flat	Affordable Rent	1	370	826	77	305,469	28,379	£201	£165,825	£61,355,398					
TOTAL AFFORDABLE RENT		59%	370	826	77	305,469	28,379	£201	£165,825	£61,355,398		£61,355,398			
1-Bed Flat	First Home	1	140	609	57	85,293	7,924	£272	£165,559	£23,178,215					
TOTAL FIRST OWN		22%	140	609	57	85,293	7,924	£272	£165,559	£23,178,215		£23,178,215			
1 -Bed Flat	Shared Own	1	50	826	77	41,280	3,835	£293	£241,610	£12,080,518					
TOTAL SHARED OWN		8%	50	826	77	41,280	3,835	£293	£241,610	£12,080,518		£12,080,518			
1 -Bed Flat	Custom Build	1	70	0	0	0	0	£0	£125,000	£8,750,000					
TOTAL FIRST HOMES		5%	70	0	0	0	0	£0	£125,000	£8,750,000		£8,750,000			
TOTAL AFFORDABLE HOUSING		45%	630	686	64	432,041	40,138	£244	£167,245	£105,364,131					
TOTAL SCHEME GDV		100%	1,400	860	80	1,204,502	111,901	£356	£305,935	£428,309,307					
Gross Ha/ Acres						60.00	148.26								
Average market units sales values psf						£418.07									
Residential Coverage (square feet per net dev area)						15,000									
Less fees and marketing costs (market housing only) @									3.00%	(£12,849,279)	(£12,849,279)	(£1,050,000)			
Less Transaction Cost for Affordable Disposal to RSL (affordable housing only) @									750.00%	(£1,050,000)					
						Flats %	sq ft	£/ft2	(£113,822,072)	(£113,822,072)					
BCIS Build Costs Market Housing (£ per sq ft @)						64.1%	772,461	£147.35							
BCIS Build Costs Affordable Rent (£ per sq ft @)						25.4%	305,469	£147.35			(£45,010,821)				
BCIS Build Costs Shared Ownership (£ per sq ft @)						7.1%	85,293	£147.35			(£12,567,946)				
BCIS Build Costs First Homes (£ per sq ft @)						3.4%	41,280	£147.35			(£6,082,543)				
						100.0%	1,204,502	£147.35	(£5,324,501)	(£5,324,501)	(£3,414,662)	(£1,909,839)			
Contingency						3.0%		(£5,324,501)							
Site Prep Contingency													£0		
Technical Fees							7.1%	(£12,907,882)					(£12,907,882)	(£8,277,969)	(£4,629,913)
Developer Profit on Market Housing						17.5%	(£56,515,406)	(£63,702,947)					(£63,702,947)	(£56,515,406)	(£4,406,155)
Developer Profit on Affordable Housing						6.0%	(£4,406,155)								
Developer Profit on First Homes						12.0%	(£2,781,386)		(£2,781,386)						
						14.2%									
Gross Clean Serviced Value										£154,991,315	£128,065,789	£26,925,527			
Infrastructure & Abnormals						Per Plot £79,415	(£111,181,386)	(£111,181,386)							
S106 Contributions						Per Plot £23,000	(£32,200,000)	(£32,200,000)							
Land Cost						(£15,000,000)	(£16,075,000)								
SDLT / Fees						(£1,075,000)									
Finance Costs						(£18,563,997)	(£18,563,997)	(£178,020,383)							
Surplus / Deficit										-£23,029,067					
VIABLE/ NON-VIABLE?										NON-VIABLE					

APPENDIX 3

Turner Morum
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North Witney

Residual Appraisal - 45% Affordable Housing

DSP Appraisal Re-build - 20% Margin on Market Housing

Appendix 3

Unit Type (average)	Tenure	Beds	Number of Units	Average ft2	Average m2	Total ft2	Total m2	£s per ft2	Unit Value	Total Value	Market	Affordable
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TOTAL SHARED OWN		8%	50	826	77	41,280	3,835	£293	£241,610	£12,080,518		£12,080,518
1 -Bed Flat	Custom Build	1	70	0	0	0	0	£0	£125,000	£8,750,000		
TOTAL FIRST HOMES		5%	70	0	0	0	0	£0	£125,000	£8,750,000		£8,750,000
TOTAL AFFORDABLE HOUSING		45%	630	686	64	432,041	40,138	£244	£167,245	£105,364,131		
TOTAL SCHEME GDV		100%	1,400	860	80	1,204,502	111,901	£356	£305,935	£428,309,307		
Gross Ha/ Acres						60.00	148.26					
Average market units sales values psf						£418.07						
Residential Coverage (square feet per net dev area)						15,000						
Less fees and marketing costs (market housing only) @									3.00%	(£12,849,279)	(£12,849,279)	(£1,050,000)
Less Transaction Cost for Affordable Disposal to RSL (affordable housing only) @									750.00%	(£1,050,000)		
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BCIS Build Costs First Homes (£ per sq ft @)						3.4%	41,280	£147.35				
						100.0%	1,204,502	£147.35	(£5,324,501)	(£5,324,501)	(£3,414,662) £0	(£1,909,839) £0
Contingency						3.0%						
Site Prep Contingency												
Technical Fees							7.1%	(£12,907,882)	(£12,907,882)	(£8,277,969)	(£4,629,913)	
Developer Profit on Market Housing						20.0%	(£64,589,035)	(£71,776,576)	(£71,776,576)	(£64,589,035)	(£4,406,155) (£2,781,386)	
Developer Profit on Affordable Housing						6.0%	(£4,406,155)					
Developer Profit on First Homes						12.0%	(£2,781,386)					
						16.1%						
Gross Clean Serviced Value										£146,917,686	£119,992,159	£26,925,527
Infrastructure & Abnormals						Per Plot £79,415	(£111,181,386)	(£111,181,386)				
S106 Contributions						Per Plot £23,000	(£32,200,000)	(£32,200,000)				
Land Cost						(£15,000,000)	(£16,075,000)					
SDLT / Fees						(£1,075,000)						
Finance Costs						(£18,563,997)		(£18,563,997)				
Surplus / Deficit										-£31,102,697		
Viable/ Non-Viable?										Non-Viable		