Review of Applicant’s Financial Viability Assessment (FVA)

Planning Application Reference Number 21/01630/OUT

Land at North West Bicester, Home Farm, Lower Farm and SGR2, Caversfield, Oxfordshire, OX27 8AN

21 November 2022

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1. Introduction

Overview

1.1 Highgate Land and Development Consultancy Limited (HLD) was instructed by Cherwell District Council (CDC) in **November 2021** to undertake a review of the Applicant's viability submission in relation to land at Home Farm, Lower Farm and SGR2, Caversfield, near Bicester, Oxfordshire, OX27 8AN.

1.2 The site falls within a wider residential led development known as North-West Bicester Eco-town, and is an area anticipated for significant residential growth in the Cherwell Local Plan **Policy Bicester 1**. The site is the only remaining Eco-town being delivered in the country, in accordance with the North West Bicester Supplementary Planning Document (SPD) adopted in **February 2016** and also the Planning Policy Statement (PPS): 'Eco-towns – a supplement to Planning Policy Statement 1'. We understand that this PPS has been withdrawn by the UK Government for all other Eco-town sites, apart from North West Bicester.

1.3 Outline planning application proposals (Planning Application **Reference Number 21/01630/OUT**) have been submitted by the Firethorn Trust (herein referred to as 'Firethorn') which relate to land immediately adjacent to the first 'Exemplar' phase of development (the majority of which has already been delivered). The outline planning application proposals are for the construction of up to 530 residential dwellings, and hence form a part of the wider Eco-town proposals.

1.4 Significant discussions have been undertaken with the Applicant, and their viability advisors, Rapleys LLP, in relation to the viability of this outline planning application. Initial discussions were undertaken around **March/April 2021,** prior to the outline planning application being submitted. We understand that the outline planning application was validated in **May 2021**. There have been significant discussions regarding the viability of the scheme with the Applicant and their advisors, Rapleys, following the submission of Rapleys' Financial Viability Assessment (FVA) report, dated **22nd October 2021**.

1.5 HLD were involved in discussions with the previous Applicant for the wider site in **2018** in relation to the viability of the wider Eco town scheme, and also, subsequently assisted CDC Planning Officers with their submission for Housing Infrastructure Fund (HIF) from Homes England (HE) to assist the viability of the wider scheme at that time.

1.6 A key issue identified by the Applicant is requirements of the Eco-town PPS, Policy Bicester 1 and the North West Bicester SPD (which amongst other things, require the Eco town to deliver a 'True Zero Carbon' (TZC) mixed use development), and the impact that this has on the scheme's development viability. The North West Bicester SPD also anticipates that the wider site will provide approximately 6,000 homes, employment uses, schools, green space and strategic infrastructure across the approximately 400 hectares of land identified.

1.7 The requirement for a True Zero Carbon (TZC) scheme is therefore a key requirement of the SPD, along with the requirement deliver affordable housing and Section 106 contributions. The Applicant and their advisors argue that all of these requirements render the development of the outline planning application unviable, and hence, policy requirements (i.e. relating to affordable housing, Section 106 requirements and/or the need for to deliver a TZC development) need to be 'flexed' in order to ensure that the scheme is viable.

1.8 In light of the above, we have therefore undertaken a review of the FVA produced by Rapleys, and undertaking our own FVA analysis of the scheme, in order to assess the development viability of the scheme (and hence its ability to deliver affordable housing, Section 106 contributions and dwellings which are TZC).

1.9 We have undertaken our development viability appraisal analysis in line with the Planning Practice Guidance (PPG) and also the RICS Professional Statement: 'Financial viability in planning: conduct and reporting' (**May 2019**). The purpose of our development viability appraisal is to assess the viability of the outline planning application proposals only. Our development viability appraisal analysis does not comprise a 'valuation' in accordance with the Royal Institution of Chartered Surveyors (RICS) Professional Standards, i.e. the 'Red Book'.

1.10 The findings of our review of the Applicant's FVA will inform CDC's discussions with the Applicant, Firethorn, regarding the scale of affordable housing and other planning obligations that can be provided by the scheme, along with whether the requirement to deliver dwellings which are TZC can be met (or whether they need to be 'flexed' in order to ensure the viability of the scheme).

1.11 A key issue during discussions with the Applicant has been how the requirement to provide 'TZC' is interpreted at this outline planning application stage (i.e. what specification of dwellings would be required in order to achieve TZC?). We are not qualified to advise on this issue. We have therefore worked with CDC Officers, and their sustainability advisors, BioRegional, to explore the assumptions made by the Applicant, and identify areas where the specification requirements assumed in the Applicant's FVA analysis (and their supporting Cost Plan prepared by Gardiner & Theobald, G&T) could be reconsidered in order to reduce the construction costs and improve the viability of the scheme.

1.12 This report does not undertake a detailed review of the planning policy history relating to the site, and we have relied on CDC's Planning Officers input in this regard. We have also relied on CDC Planning Officers to advise us as to the appropriateness of the planning contributions (i.e. Section

106 contributions) that are anticipated to be required. A detailed assessment of the anticipated planning contributions has been undertaken in Appendix 5 of Rapley's FVA report, which we have utilised as the 'baseline' position to inform our FVA analysis. This will need to be reviewed by CDC Planning Officers to ensure that the Applicant's assumptions regarding the level of Section 106 contributions is appropriate. Should the level of Section 106 requirements change from that assumed by the Applicant (and incorporated in this report to inform our FVA), this may have an impact on the development viability appraisals.

RICS Professional Standards and Guidance

1.13 Following the publication of the RICS Professional Statement: 'Financial viability in planning: conduct and reporting' (1st Edition) in **May 2019**, this section responds to the conduct and reporting requirements set out by the RICS Professional Statement.

Confirmation of Instructions and Terms of Engagement

1.14 CDC instructed us on the **23 November 2021** to undertake a review of Rapleys' FVA dated **22 October 2021,** to inform their discussions with the planning Applicant, Firethorn, and their viability advisors, Rapleys, regarding the extent of affordable housing and planning obligations that are viable, along with the requirement to deliver a TZC scheme.

1.15 We confirm that we do not anticipate that a conflict of interest will arise by acting on behalf of CDC in undertaking this FVA, as required by **Paragraph 2. 2** of the RICS Professional Statement.

1.16 We have been provided with a range of information in addition to Rapleys' FVA report, which we have summarised throughout this FVA. We have also relied upon advice from CDC's Quantity Surveyors, Robinson Low Francis (RLF), who have undertaken a review of the Applicant's Costs Plans that have informed Rapleys' FVA and have been prepared by G&T.

1.17 We have also had regard to the initial advice and comments of CDC's sustainability consultants, BioRegional, regarding the Applicant's assessment of the requirements of TZC (and how these relate with the emerging requirements of the Future Homes Standard 2025 – which is now referred to as 'The Future Building Standard' by the UK Government).

Statement of Objectivity, Impartiality and Reasonableness

1.18 In line with **Section 2.1** of the RICS Professional Statement, we have adopted a collaborative approach with the Applicant and their advisors Rapleys in undertaking our review of their FVA submission and the supporting evidence, and in preparing this FVA.

1.19 Given the complexity of the scheme, this involved sharing our initial review of the costs and our first draft viability analysis with the Applicant in **March 2022** for their consideration and comment.

This enabled any points of difference to be discussed and debated, and any potential issues to be clarified, as far as possible.

1.20 We have acted with objectivity, impartiality and without interference, and with reference to all appropriate available sources of information in preparing this FVA.

FVA Origination, Reviews and Negotiations

1.21 As discussed at **Paragraph 2.8** of the RICS Professional Statement, this report comprises an FVA of the Applicant's outline planning application proposals. Whilst significant discussions and negotiations have already taken place with the Applicant regarding the inputs to the FVA analysis between **March 2022** and **September 2022**, it is anticipated that further negotiations may take place after the submission of this report to address any remaining areas of difference between HLD and Firethorn's viability advisors, Rapleys, once they have reviewed the findings of this report.

1.22 In addition, it is understood that discussions regarding the Applicant's interpretation of the requirements of TZC, and the level of Section 106 contributions that may be required, are still ongoing. Should alternative requirements be agreed from that assumed in this FVA report, this is likely to have an impact on development viability (and hence our FVA analysis would need to be updated).

1.23 We have aimed to provide full information in this report regarding our approach and assumptions, to reduce the need for further clarifications to be raised/subsequent negotiations following the submission of this report with Firethorn's viability advisors. Some of this information/evidence has already been exchanged and debated in detail with the Applicant between **March 2022** and **September 2022**, and we have sought to attach the key correspondence and evidence exchanged as appendices to this report, where appropriate.

Timescales for Carrying Out Assessments

1.24 As required by **Paragraph 2.14** of the RICS Professional Statement, we confirm that we have allowed adequate time to produce this FVA, having regard to the scale of the project.

Statement on Duty of Care and Due Diligence

1.25 As required by **Section 4** of the RICS Professional Statement, we confirm that we have carried out our FVA in line with the requirements of **Section 4** of the RICS Professional Statement, and have exercised reasonable care and due diligence in undertaking this FVA.

Remaining Structure of this Report

1.26 The remainder of this report is structured as follows:

- **Section 2** provides an overview of the site context; the relevant planning policy and history; along with an overview of the residential property market;

- **Section 3** provides an overview of the outline planning application scheme proposed by the Applicant. It also summarises the additional requirements that the Applicant has assumed in relation to the requirement to deliver a TZC scheme, along with the extent of planning contributions (i.e. Section 106 contributions) that they have assumed.

- **Section 4** provides a summary of our first draft viability position which was shared with CDC Planning Officers and the Applicant (and their advisors) in **March 2022**. It then provides an overview of the subsequent discussions that were undertaken with the Applicant between **March 2022** and **September 2022**, and the evidence exchanged. It also provides an overview of the Applicant's affordable housing proposal which was formally submitted to CDC on the **4 November 2022**.

- **Section 5** undertakes an assessment of the viability of the outline planning application, considering the approach, methodology and the assumptions that Rapleys have adopted, along with the discussions/negotiations that have taken place with the Applicant and their advisors following sharing our initial viability analysis with them in **March 2022.** We then set out the assumptions that we have adopted in our updated development appraisals that inform this FVA report.

- **Section 6** sets out our findings and any sensitivity testing that we have undertaken; and

- **Section 7** provides a Non-Technical Summary, as required by the RICS Professional Statement.

2. Site Context

Location

2.1 The site is situated to the north-west of the town of Bicester in Cherwell District. Bicester is well known for its connections with the military (albeit that these connections have reduced in recent years with the partial scaling back of the Ministry of Defence (MoD)). Bicester is also well known for its designer outlet shopping centre 'Bicester Village', which is situated to the south of the town.

2.2 Bicester is approximately 16 miles (25.7 km) to the north-east of Oxford; approximately 25 miles (40 km) to the south-west of Milton Keynes; approximately 34 miles (55.7 km) to the south-west of Northampton, and approximately 41 miles (66 km) to the north of Reading. Further afield, London is approximately 70 miles (113 km) to the south-east, and Birmingham approximately 68 miles (109 km) to the north.

2.3 Bicester has good connections by both rail and road, Junction 9 of the M40 being approximately 3.5 miles (5.6 km) to the south-west of the town. Bicester has two railway stations, providing services to Birmingham, Oxford, London and beyond. The two stations are Bicester Village Railway Station, and also Bicester North (the latter being situated in the north of Bicester Town Centre).

Situation

2.4 The subject site is located approximately 2 miles (3.2 km) to the north-west of Bicester Town Centre, and is situated immediately adjacent to the Exemplar phase of development within the wider North West Bicester SPD allocation. The site comprises two parcels of land (providing both 'Western' and 'Eastern' parcels.

2.5 The site is situated just beyond the north-western edge of the residential suburbs of Bicester. The open agricultural fields of the wider North West Bicester site allocation separate the site from the existing residential development of Bicester immediately to the south. The site is accessed through the Exemplar scheme both to the north and the south, both accesses providing direct access to the B4100 which runs from Bicester Town Centre up to Junction 10 of the M40 to the north-west and beyond.

2.6 The Western parcel of land is surrounded by open agricultural fields to the south, west and north, and is bounded by the Exemplar phase of development for the north and east. The Eastern parcel situated is bounded by Home Farmhouse and its associated grounds to the east and south, and the Exemplar phase of development to both the north and the west. The B4100 lies to the north eastern boundary of the site. To the north-east of the site is the church of St Laurence, a Grade II listed building, along with outbuildings, walled garden and landscaped grounds which appear to be associated with a neighbouring residential dwelling known as Caversfield House. We understand that Home Farmhouse itself is also Grade II listed.

2.7 The new Exemplar phase comprises housing development and a primary school (known as 'Gagle Brook'), along with a main spine road known as 'Charlotte Avenue' which connects the two areas of the Exemplar phase of development.

Description

2.8 The site comprises two main parcels of land. We understand from the Applicant's FVA submission that the total area of the site is 23.97 hectares (59 acres) gross. However, we understand from CDC Planning Officers that during the negotiation of the planning application, the red line boundary was amended to include an area of land for a construction access. We understand that CDC Planning Officers have calculated the revised site area as 24.26 hectares (59.95 acres) gross – a slight increase to that calculated based upon the original red-line site boundary.

2.9 The land is mainly agricultural/grassland, and is bounded by hedges. The western parcel also includes an area of woodland, which we understand will be retained by the outline planning application proposals. Access to the western parcel is via Charlotte Avenue to the east of the site. The western parcel is currently accessed off the B4100 to the north of the site. This parcel adjoins, and also appears to include part of, a private drive which provides access to Home Farmhouse which is situated immediately to the south-east of the eastern parcel.

2.10 For the purposes of our FVA report, we have assumed that there are no title or access issues which impact on the development potential of both parcels of land. The site was inspected by Nigel Simkin, MRICS MRTPI, Director of HLD, on the **16 January 2022**. This involved viewing both the eastern and western parcels from the site boundaries (off Charlotte Avenue). It did not involve a site walkover or inspecting the boundaries of the site.

2.11 We have not undertaken a measured survey of each parcel of land, and have relied upon the assessment of the gross areas of land referred to in Rapleys' FVA in relation to the site areas.

2.12 Location, Situation and Site Plans are attached at **Appendix 1**.

Planning Overview

2.13 This section provides an overview of the planning policy and history relating to the site. We have had regard to the Planning Statement prepared on behalf of the Applicant by Barton Willmore (dated **April 2021**), and supplemented this with our own research of the key planning policy documents (such as the Local Plan, the Eco-town PPS, and the North West Bicester SPD).

Planning Policy

National

The National Planning Policy Framework

2.14 The National Planning Policy Framework (NPPF) is a material consideration in the determination of planning applications. The latest version of the NPPF at the time of writing is dated **20 July 2021**, which included minor updates to the previous version which was published in **February 2019**. The NPPF was originally published in **March 2012**.

2.15 **Paragraph 55** states that:

> *'Local planning authorities should consider whether otherwise unacceptable development could be made acceptable through the use of conditions or planning obligations. Planning obligations should only be used where it is not possible to address unacceptable impacts through a planning condition'.*

2.16 **Paragraph 56** states that:

> *'Planning conditions should be kept to a minimum and only imposed where they are necessary, relevant to planning and to the development to be permitted, enforceable, precise and reasonable in all other respects.'*

2.17 **Paragraph 57** states that:

> *'Planning obligations must only be sought where they meet all of the following tests:*
>
> *a) necessary to make the development acceptable in planning terms*
>
> *b) directly related to the development; and*
>
> *c) fairly and reasonably related in scale and kind to the development.'*

2.18 Finally, **Paragraph 58** states that:

> *Where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. The weight to be given to a viability assessment is a matter for the decision maker, having regard to all the circumstances in the case, including whether the plan and the viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force. All viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in the*

national planning guidance, including standardised inputs, and should be made publicly available.'

2.19 In relation to development viability, **Paragraph 65** of the NPPF states that:

> *'Where major development involving the provision of housing is proposed, planning policies and decisions should expect at least 10% of the total number of homes to be available for affordable home ownership, unless this would exceed the level of affordable housing required in the area, or significantly prejudice the ability to meet the identified affordable housing needs of specific groups. Exemptions to this 10% requirement should also be made where the site or proposed development:*
>
> *a) provides solely for Build to Rent homes;*
>
> *b) provides specialist accommodation for a group of people with specific needs (such as purpose-built accommodation for the elderly or students);*
>
> *c) is proposed to be developed by people who wish to build or commission their own homes; or*
>
> *d) is exclusively for affordable housing, an entry-level exception site or a rural exception site.'*

Eco-Towns: Planning Policy Statement 1 (Supplement)

2.20 The Eco-Towns Planning Policy Statement (PPS) provided the standards for any Eco-town to adhere to before it was cancelled on the **5 March 2015**. However, the UK Government's website states that the PPS was cancelled for all Eco-towns *excluding* North-West Bicester at that date. Hence, our understanding is that the Eco-town PPS is still relevant to North West Bicester.

2.21 **Paragraph 3** of the PPS sets out the minimum standards which are more challenging and stretching than would normally be required for new development. It also confirms that the standard acts to ensure that Eco-towns are 'exemplars' of good practice, and provide a showcase for sustainable living and allow government, business and communities to work together to develop greener, low carbon living. The Eco-town standards are included at **Page 6** of the PPS at **Section ET7 'Zero Carbon in eco-towns'.**

2.22 **Paragraph ET7.1** provides a definition of zero carbon as follows:

> *'The definition of zero carbon in eco-towns is that over a year the net carbon dioxide emissions from all energy use within the buildings on the eco-town development as a whole are zero or below.'*

2.23 **Paragraph ET7.1** adds that the initial planning application and all subsequent planning applications for the development of an eco-town should demonstrate how this will be achieved.

2.24 **Paragraph ET9.1 'Homes'** provide some further requirements for homes, as well as those relating to zero carbon. A range of requirements should be met, such as Building for Life 'Silver Standard' and Level 4 of the Code for Sustainable Homes (unless higher standards are set elsewhere). **Paragraph ET9.1** states that Lifetime Home standards (and space standards) should be met, as well as a range of other requirements such as the requirement for at least 30% affordable housing (which includes social rented and intermediate housing).

2.25 The PPS also provides for a range of other aspects that should be considered by eco-towns, such as:

- employment;
- transport;
- healthy lifestyle;
- local services;
- green infrastructure;
- landscape and historic environment;
- biodiversity;
- water;
- flood risk management;
- waste;
- master planning;
- transition (and delivery etc.); and
- community and governance.

Local Planning Policy

The Cherwell Local Plan (2011 – 2031) Part 1

2.26 The Cherwell Local Plan (2011- 2031) Part 1 was adopted on the **20 July 2015.**

2.27 **Policy Bicester 1: North West Bicester Eco-Town** of the adopted Local Plan sets out the strategic policy and development standards for the eco-town development site at North-West Bicester.

Policy Bicester 1 identifies the wider site as comprising 390 hectares, and allocates it for a new zero carbon mixed use development including 6,000 homes.

2.28 **Policy Bicester 1** states that permission will only be granted for development in North-West Bicester which is in accordance with a comprehensive masterplan for the whole area. It states that the wider site will provide a minimum of 10 hectares of employment land, with at least 3,000 jobs created within the B1, B2 and B8 use class uses.

2.29 In terms of housing, **Policy Bicester 1** requires for up to 6,000 homes (3,293 of which are anticipated to be delivered during the plan period). The policy requires affordable housing provision of 30%, and the residential development to achieve 'Building for Life 12' and 'Lifetime Homes' standards. The homes to be constructed are also to be capable of achieving a minimum of Level 5 of the Code for Sustainable Homes on completion with each phase of development, including being equipped to meet the water consumption requirements of Code Level 5.

2.30 **Policy Bicester 1** also refers to the provision of extra care housing and real time energy monitoring systems and a range of other requirements. A range of infrastructure needs are also highlighted, such as for education, health, burial grounds, green infrastructure, green space, access and movement, community facilities, and their management, utilities, water infrastructure and monitoring.

2.31 **Policy Bicester 1** also sets out key site-specific design and place shaping policies, including zero carbon development requirements for new buildings to incorporate best practice on tackling overheating; assisting residents in reducing their carbon footprint; and a range of requirements for the onsite layout (such as encouraging the modal shift from car use to other forms of travel). Furthermore, the policy also refers to contributions for improvements to the surrounding road networks; significant green infrastructure provision; and a range of further requirements.

2.32 **Policy BSC3: 'Affordable Housing'** of the Local Plan states that:

> *'At Banbury and Bicester, all proposed developments that include 11 or more dwellings (gross), or which would be provided on sites suitable for 11 or more dwellings (gross), will be expected to provide at least 30% of new housing as affordable homes on site'*.

2.33 **Policy BSC3** also states that:

> *'All qualifying developments will be expected to provide 70% of the affordable housing as affordable/social rented dwellings and 30% as other forms of intermediate affordable homes. Social rented housing will be particularly supported in the form of extra care or*

other supported housing. It is expected that these requirements will be met without the use of social housing grant or other grant.'

2.34 **Policy BSC3** also states that:

'Should the promoters of development consider that individual proposals would be unviable with the above requirements, 'open-book' financial analysis of proposed developments will be expected so that an in house economic viability assessment can be undertaken. Where it is agreed that an external economic viability assessment is required, the costs shall be met by the promoter.'

2.35 **Policy BSC3** continues:

'Where development is demonstrated to be unviable with the above requirements, further negotiations will take place. These negotiations will include consideration of: the mix and type of housing, the split between social rented and intermediate housing, the availability of social housing grant/funding and the percentage of affordable housing to be provided.'

The North-West Bicester Supplementary Planning Document (SPD) adopted February 2016

2.36 The North-West Bicester SPD was adopted in **February 2016** and provides further detail on the requirements of **Policy Bicester 1** in relation to North-West Bicester. The SPD incorporates both the provisions of **Policy Bicester 1** along with the requirements of the Eco-town PPS discussed above (a copy of which is contained in Annex 2 of the SPD).

2.37 The SPD highlights and reconfirms the aspiration to provide up to 6,000 TZC homes, along with employment opportunities, primary schools, 40% green space, half of which will be public open space along with a range of other requirements. It highlights that North-West Bicester was identified as an eco-town in **2009**, and in **2014** as a locally led garden city, at which point it was awarded 'Garden Town' status.

2.38 Although the Eco-Town PPS was cancelled in **March 2015**, this was for all areas except North-West Bicester Eco-town. **Paragraph 1.4** of the SPD expected that the PPS would at some point be cancelled in its entirety, and hence incorporated the PPS within the appendices to the SPD. **Paragraph 1.5** also confirms that in **March 2014**, a master plan and supporting vision documents were submitted to Cherwell District Council by developers A2 Dominion.

2.39 The purpose of the SPD is to set out the minimum standards to be achieved by the proposed Eco-town (of which the subject site forms part).

2.40 **Section 3** of the SPD sets out the vision and the objectives. **Paragraph 3.7** states that the SPD has taken key elements of the North-West Bicester master plan submitted by the developers A2 Dominion.

2.41 **Section 4** sets out the development principles and requirements. These are listed as either 'development principles' or 'development requirements'. Under each Development Principle are a range of development requirements that any development at North-West Bicester Eco-town is expected to meet.

2.42 A list of the Development Principles and Requirements is below:

- **Development Principle 1** - Master Planning and Comprehensive Development
- **Development Requirement 1** - Delivering the masterplan.
- **Development Principle 2** – "True" Zero Carbon Development
- **Development Requirement 2** – True Zero Carbon Development
- **Development Principle 3** – Climate Change Adaption
- **Development Requirement 3** - Climate Change Adaption
- **Development Principle 4** – Homes
- **Development Requirement 4** – Homes
- **Development Principle 4(a)** - Homes - Home Working
- **Development Requirement 4(a)** - Homes/Home Working
- **Development Principle 5** - Employment
- **Development Requirement 5** - Employment
- **Development Principle 6 –** Transport, Movement and Access
- **Development Requirement 6** – Transport, Movement and Access
- **Development Principle 6(a)** - Sustainable Transport - Modal Share and Containment
- **Development Requirement 6(a)** - Sustainable Transport - Modal Share and Containment
- **Development Principle 6(b)** - Electric and low emission vehicles
- **Development Requirements 6(b)** - Electric and low emission vehicles

- **Development Principle 6(c)** - Proposed Highways Infrastructure - Strategic Link Road and Proposed Highways Realignments
- **Development Requirement 6(c)** - Proposed Highways Infrastructure: Strategic Link Road and Proposed Highways Realignments
- **Development Principle 6(d)** - Public Transport
- **Development Requirement 6(d)** - Public Transport
- **Development Principle 7** - Healthy Lifestyles
- **Development Requirement 7** - Healthy Lifestyles
- **Development Principle 8** - Local Services
- **Development Requirement 8** - Local Services
- **Development Principle 9** - Green Infrastructure and Landscape
- **Development Requirement 9** - Green Infrastructure and Landscape
- **Development Principle 9 (a)** - Tree Planting
- **Development Requirement 9(a)** - Tree Planting
- **Development Principle 9(b)** - Development edges
- **Development Requirement 9 (b)** - Development edges
- **Development Principle 9 (c)** - Hedgerows and Stream Corridors
- **Development Requirement 9(c)** - Hedgerows Dark Buffers and Stream Corridors
- **Development Principle 9(d)** - Sport Pitches
- **Development Requirement 9(d)** - Sport Pitches
- **Development Principle 9(e)** - Biodiversity
- **Development Requirement 9(e)** - Biodiversity
- **Development Principle 10** - Water
- **Development Requirement 10** - Water
- **Development Principle 11** - Flood Risk Management

- **Development Requirement 11** - Flood Risk Management
- **Development Principle 12** - Waste
- **Development Requirement 12** - Waste
- **Development Principle 13** - Community and Governance
- **Development Requirement 13** - Community and Governance
- **Development Principle 14** - Cultural Wellbeing
- **Development Requirement 14** - Cultural Wellbeing

2.43 The above does not seek to expand on the requirements within each of these principles/requirements, but does seek to demonstrate the range of principles and requirements set out in the SPD that any future development at North-West Bicester will need to consider.

2.44 However, of particular relevance is '**Development Requirement 1'** which highlights that the Local Plan **Policy Bicester 1** requires the provision of infrastructure to allow for a zero carbon development on the site. In addition, **Development Principle 2** specifically refers to a TZC development, and reconfirms the Local Plan's definition of TZC. The definition of TZC excludes embodied carbon and emissions from transport, but includes all buildings (i.e. not just houses, but also commercial and public sector buildings). **Development Requirement 2** requires that all development in North-West Bicester will need to be accompanied by an Energy Statement and comply with the definition of TZC development.

2.45 **Development Principle 4 'Homes'** at **Paragraph 4.59** requires proposals to include details of 30% affordable housing of a type and tenure to meet local housing needs. **Development Principle 6** sets out a range of highways and public transport improvements that will be required throughout the Eco-town.

2.46 **Section 5** of the SPD sets out the design and character areas that need to be considered as proposals come forward in North-West Bicester.

2.47 **Section 6** of the SPD considers delivery. **Paragraph 6.17** anticipates that legal agreements will be required for the provision of planning obligations and developer contributions for the following:

- provision of affordable housing;
- contributions to educational facilities;
- community facilities;

- sports facilities;
- management and maintenance of open space;
- burial ground;
- governance;
- sustainable lifestyles requirements;
- local employment, training and skills;
- sustainable transport measures including the provision of bus services, off-site highway schemes, pedestrian and cycle routes; and
- the provision of Sustainable Urban Drainage systems (SUDs).

2.48 **Paragraph 6.18** confirms that this is not an exhaustive list, and that early discussions regarding the above requirements are encouraged.

Planning History

2.49 We have not undertaken a detailed review of the planning history for the site, and have had regard to the research undertaken in the Applicant's Planning Statement at **Section 2** which has been prepared by Barton Willmore.

2.50 We understand from **Paragraph 2.9** of the Planning Statement that residential development has already been approved within the wider SPD allocation area, with the residential dwellings already having been constructed and occupied on the Exemplar site (which is adjacent to the subject site).

2.51 As of **April 2021**, the following planning permissions within North West Bicester Eco-town had been submitted, according to the Applicant's Planning Statement.

- Up to 1,700 homes at the Himley Village site (we understand that this site has been brought forward within North-West Bicester Eco-town on a 'policy compliant' basis and is seeking to deliver 30% affordable housing, planning contributions and a TZC scheme);
- The new local centre/community uses at the Exemplar site;
- Delivery of new highways infrastructure (aligned with Howes Lane);
- Over 500,000 sq ft of employment uses.

2.52 We also understand that permission was granted for the Exemplar phase at North-West Bicester in **July 2012** which sought to secure 393 residential dwellings and an Energy Centre. The Exemplar phase also included a range of other uses, such as a community centre, convenience store, post office, pharmacy and an eco-business centre, along with an eco-pub and a primary school.

2.53 We understand that there are also a range of historic applications which are yet to be determined.

Residential Property Market Context

National and Regional

2.54 In recent years, the residential property markets throughout the UK and in the South-East have experienced a strong recovery in growth since the financial crash of **2007** and the recession that followed, with significant residential price growth experienced over the last decade. This was helped by the general upturn in market conditions, and UK Government initiatives such as 'Help to Buy'. These initiatives have fed through to the demand for new build dwellings across the UK and throughout the South-East, and improved market sentiment, demand and hence values.

2.55 However, a key issue was initially the impact of the Coronavirus (Covid-19) pandemic on both the residential and wider property markets, and more recently, the uncertainty brought about by the war in Ukraine and the inflationary pressures in both the global and UK economies. However, even before the Coronavirus pandemic, some market commentators were anticipating that certain elements of the national housing market were undergoing a market correction, with falls in house prices being reported in London and the South-East. This was partly fuelled by the continued political uncertainty relating to Brexit since **2016**, albeit that the market outlook arguably became more favourable at the end of **2019**, just before the Covid-19 pandemic, following the more decisive outcome of UK General Election (which arguably brought about more political stability and hence less uncertainty at that time).

2.56 In **2020**, the first national UK lockdown saw the housing market virtually 'shut' for several months due to the COVID-19 pandemic. Whilst this initially drove increased levels of uncertainty for delivering residential development in **2020** (and will still need to be closely monitored throughout **2022**), looking back, there was then significant market growth in the wider housing market after the market reopened in the second half of **2020**, and this growth continued into **2021** and **2022**. Some housebuilders adjusted their house-types in **2020** to ensure that work from home living spaces were better accommodated, and there was a general shift in demand towards housing with private outdoor space, and a refocus to more rural locations (some commentators have subsequently referred to this as 'the race for space').

2.57 In **2020**, some market commentators initially anticipated that house prices would fall between 5% and 30% in the latter part of **2020**, and into **2021**, due to the pandemic. However, in the latter half of **2020**, many of the same market commentators *revised* their original forecasts, and anticipated that the impact of COVID-19 on the residential property markets would be less severe. Looking back, during **2020**, the main housing data sets (such as a Land Registry and Nationwide) now show that there was a *significant increase* in house prices at a national level of approximately 7% to 8% during **2020**.

2.58 During **2021**, several market commentators anticipated that the impact on the residential property markets would be more significant when the UK Government's Stamp Duty Land Tax (SDLT) holiday began to be 'phased out' following the announcement in the **March 2021** UK budget. However, looking back, this does not appear to have had a negative effect on the residential sales values, and throughout **2021,** some market commentators revised their forecasts again, stating that they expected market demand to remain, even after the SDLT holiday was phased out.

2.59 House prices at a national level have continued to grow into **August 2022** (the last available month of analysis at the UK Land Registry at the time of writing). The latest Land Registry UK House Price Index shows an average house price in the UK of **£295,903,** with property prices rising approximately 0.88% from the previous month and approximately 9.90% over the course of the year (i.e. since **September 2021**).

2.60 At a regional level, the South-East has outperformed the national average accordingly to UK Land Registry data, showing an 11.04% increase in prices from **September 2021** to **August 2022**, with the average house price (for all property types) in the South-East being **£406,981**. This is echoed at a more local level, the UK Land Registry reporting that average house prices for all property types in in Cherwell District was **£321,635** as at **September 2021**, but that this has risen significantly over the year and now stands at **£370,740** as at **August 2022** (the last available month of analysis). This equates to an increase of approximately 15.27%.

2.61 Some market commentators have warned there could be some turbulence ahead for the residential market. The Omicron variant of COVID-19 at the end of **2021** was highlighted as the initial threat, but more recently during **2022**, falling consumer confidence and the threat of rising interest rates (which are likely to be exacerbated by the War in Ukraine in **February/March 2022** and the 'cost of living squeeze' brought about by rising energy prices, amongst other things) are also likely to temper the residential market in the later stages of **2022**. The pace of house price inflation is also expected to ease in light of Bank of England (BoE) interest rate rises (the BoE base rate now being at 3.00% as at **November 2022**), and the impact that this will have on the cost of mortgage finance.

2.62 We are now experiencing unpredictable market conditions. The UK Government, in an attempt to mitigate the impact of the rise in living costs, capped energy bills (as at **1 October 2022**) at approximately £2,500 per year (based upon the average household's energy bills), and a range of measures set out in the 'Mini-budget' in September (albeit that many of these measures have subsequently been reversed by the UK Government).

2.63 The continued inflationary pressures and wider global economic outlook will need to be closely monitored moving into **2023**. Anecdotal evidence has suggested that the recent rises in interest rates has recently had an impact on sales rates at new-build housing developments, and several market commentators have predicted that house prices will now fall moving into **2023**. For example, Lloyds Bank recently anticipated that house prices could drop between 8% and 18%.

2.64 In addition, the role of Help to Buy in the market is now drawing to a close (with the programme having recently closed to new applications at the end of **October 2022**, with all new purchases needing to have completed by the end of **March 2023**). More recent government measures should however assist the market moving forward, such as the guarantee scheme for lenders offering 95% mortgages, which was announced in the **March 2021** UK budget.

2.65 It is also important to highlight the current issues relating to material shortages and cost increases faced by the construction industry. Anecdotal evidence from both contractors and developers indicates that material prices have increased significantly during **2021** and **2022**, and some building materials are harder to source. This has continued into **2022,** and the RICS Build Cost Information Service (BCIS) indicates that whilst average build costs fell slightly during **2020** and into **2021,** the 'All-In' Tender Price Index (TPI) is now currently forecasting that tender prices will continue to rise throughout **2022**. This has been exacerbated further in recent months, given the war in Ukraine and the inflationary pressures that this has arguably fuelled in the market.

2.66 There is therefore continued uncertainty regarding the outlook for the residential property markets into **2023**, despite the strong growth in sales experienced throughout **2020, 2021** and **2022** to date. This could have an impact on the viability of development at the subject site in the future.

Local

2.67 We undertook a review of the local residential property markets in **December 2021** to inform our initial appraisal of the outline planning application proposals (which was shared with the Applicant and their advisors Rapleys in **March 2022)** when we circulated our first draft development viability position.

2.68 Our review of the local property markets involved considering the detailed property market evidence included within Rapley's FVA submission in Section 10 of their FVA report, and the pricing exercise and market evidence set out and undertaken by Green & Co Estate Agents which is attached at Appendix 3 of Rapleys' FVA Report. We have supplemented this research by reviewing the new build development sites in Bicester including the adjacent 'Exemplar' development phase, along with new build dwellings being delivered at South West Bicester (by various developers) and also the Custom Build housing at 'Graven Hill' to the south east of Bicester, along with other new build residential developments.

2.69 Given the specific house types and residential development mix that Rapleys have assumed in their FVA (which is summarised in further detail in the section that follows), we set out our market research in 'schedule' format for each dwelling type assumed by the Applicant and Rapleys in **March 2022**. This schedule sets out whether we agreed or disagreed with the values applied by Rapleys, along with our comparable evidence. This was to enable the Applicant to review and easily identify where our sales values were different and our rationale/evidence as to why we have adjusted the prices Rapleys had applied.

2.70 In addition, given that this is an outline planning application scheme, and the development mix and unit sizes would not be 'fixed' until the reserved matters planning application stage, we also raised a range of queries regarding the unit types and sizes assumed. In some cases, the unit sizes appeared to be smaller than those being delivered in the market, and there were also no five-bedroom dwellings included within the development scheme mix.

2.71 There has subsequently been a detailed exchange of evidence both on the mix of residential development that is appropriate to inform the viability testing undertaken at this outline planning application stage, and also, the residential sales values applied with the Applicant during **March** and **September 2022**. These discussions are summarised in **Section 4** of this report.

2.72 Our final sales value assumptions, and the evidence/rationale for our assumptions, is attached in the schedule at **Appendix 2** of this report. This schedule summarises the original position adopted in Rapleys' FVA and our draft viability analysis circulated in **March 2022**, and the subsequent discussions and additional exchange of evidence that has taken place since with the Applicant since **March 2022**. It also sets out a 'compromise' position proposed by Rapleys on the sales values in **October 2022** and our review of these proposed sales values (and where there remain differences between the sales values that we have applied).

2.73 Assessing the sales values that are appropriate at the scheme has not been a straightforward exercise, in light of several factors, such as:

- **Size of Dwellings** - some of the dwellings proposed in the Applicant's residential development mix are smaller than comparable dwellings being delivered at competing sites. There are therefore no direct comparable transactions for some of these dwellings. It should be noted that where the dwellings proposed by the Applicant are more typical of the sizes being delivered in the market, there is less difference between the sales values assumptions applied by ourselves and the Applicant.

- **Market Improvement** - As set out above, whilst negotiating the sales values during **2022**, there has been a significant market improvement in residential values at both national and local levels.

  Our discussions with house builders delivering new build residential housing in Bicester suggest that there has been a *significant* increase in residential sales values of new building dwellings in Bicester following the COVID-19 pandemic. In addition, developers/house builders believe that the prices for new build residential dwellings in Bicester have been viewed as 'good value' when compared to surrounding settlements such as Oxford. Developers/house builders have suggested that Bicester's good connections to London have also attracted commuters to the town (who can benefit from Bicester's lower house prices and now need to commute into London less regularly following more flexible working practices after the COVID-19 pandemic). These factors have increased demand at Bicester following the pandemic and has increased the values achievable for new build residential dwellings in the town.

2.74 We therefore agreed that **Quarter 1 (Q1) 2022** would be used as a 'base date' for both the assessment of sales values and costs to inform the development viability appraisal with Rapleys. This was so that a base position could be reached regarding both values and costs, and any movements in the market, both in terms of cost and values, could be sensitivity tested at the point that negotiations on the inputs to our FVA were finalised with the Applicant.

2.75 The next section sets out our understanding of the outline planning application scheme which is the subject of our development viability testing.

3. The Outline Planning Application Proposals

3.1 This section provides an overview of the outline planning application proposals for the subject site, and how these have been interpreted by the Applicant and their viability advisors, Rapleys, in order to undertake their assessment of development viability.

Description of Development

3.2 The planning application has been submitted in outline, with all matters reserved except for access.

3.3 The description of development is as follows:

> *'Outline planning application for up to 530 residential dwellings (within Use Class C3), open space provision, access, drainage and all associated works and operations including but not limited to demolition, earthworks, and engineering operations, with the details of appearance, landscaping, layout and scale reserved for later determination.'*

3.4 The proposals are therefore in outline, with all matters reserved except for access. It is also clear that whilst the description of development sets a total of 530 dwellings, a lower number of dwellings may be brought forward at the reserved matters stage.

Indicative Scheme/Mix of Residential Development

Assumed Mix of Development

3.5 At this outline planning application stage, we understand that there is no definitive mix of residential development which will be approved (as this will be the subject of the subsequent reserved matters planning application(s)). This is confirmed at **Paragraph 6.5** of Rapleys' FVA report which states that:

> *'The application for the proposed development has been brought forward in outline form and there is no fixed design scheme for the Site. What is fixed is the height of the proposed development across the Parcels, which is predominantly up to 12m, with a small section of the Western Parcel close to Charlotte Avenue being for development of up to 16m.'*

3.6 Rapleys' FVA continues at **Paragraph 6.6** that:

> '*In the absence of a fixed design, the applicant has instructed Mosaic to prepare a proposed scheme and an accommodation schedule for the proposed scheme has been produced by Barton Wilmore and amended by G & T.'*

3.7 A copy of an Illustrative Masterplan has been provided to us (**Drawing Reference Number SK004 Rev C**). However, this masterplan is illustrative at this stage and does not include a schedule of the proposed accommodation. A copy of this Illustrative Masterplan is attached at **Appendix 3**.

3.8 The accommodation schedule is summarised at **Paragraph 6.6** of Rapleys' FVA report. A summary of the mix of development proposed is set out in **Table 3.1** overleaf.

Table 3.1 – Summary of Accommodation Schedule

Unit Type	No. of Dwellings	% of Residential Mix
One bed flat	31	5.85%
Two bed flat	50	9.43%
Two bed house	149	28.11%
Three bed house	196	36.98%
Four bed house	102	19.25%
Bungalows	2	0.38%
Total	**530**	**100.00%**

Source: Rapleys' FVA (October 2021); HLD Analysis (November 2022)

3.9 However, there is further detail behind **Table 3.1** above which has informed the viability testing undertaken by Rapleys. For example, there are a range of unit types (and sizes) that have been assumed within each of the dwelling types set out above. These also differ between those for private market sale and those for affordable housing. We understand from our discussions with Rapleys that this is based upon the accommodation schedule that the Applicant's architect (Mosaic) has proposed.

3.10 We have therefore considered the detailed assumptions provided in the schedule of accommodation assumed by Rapleys upon which their viability test it based. This is to ensure that the assumptions are reasonable from a market perspective at this outline planning application stage (bearing in mind that a detailed scheme for the site will be brought forward by a housebuilder at the reserved matters stage).

3.11 We inputted the detailed assumptions that the Applicant and Rapleys have made into an Excel spreadsheet, which draws together the schedule of accommodation assumed in Rapleys' FVA Report for each scenario, and combines it with the sales values assumptions that they have applied in their appraisal. This spreadsheet was provided to the Applicant in **March 2022** and formed the basis of subsequent discussions with them regarding both the sales values and the mix of development to be appraised.

3.12 Whilst we were broadly comfortable with many of the assumptions adopted by Mosaic and incorporated in Rapleys as FVA, we made a number of observations on the development mix proposed to underpin the viability testing in providing our initial review of scheme viability in **March 2022**. These related in particular to the small size of all of the two bed houses proposed for private market sale 590 sq ft (54.81 sq m); that some of the three-bedroom dwellings for private market sale are also smaller than we would anticipate that developers/house builders in the market would seek to deliver; along with the absence of any five bedroom dwellings in the development mix.

3.13 These issues (and the potential impact on the sales values) have been discussed at length with the Applicant between **March** and **September 2022**, as summarised in the section that follows. We have sensitivity tested our key concerns with the residential development mix as discussed later on in this report, in order to assess the likely impact on development viability.

Assumed Development Density

3.14 We understand from discussions with the Applicant and their advisors, Rapleys, and subsequent discussions with CDC Planning Officers, that the gross area of the site comprises approximately 23.97 hectares (59 acres). However, we understand that the red line boundary has subsequently increased to 24.26 hectares (59.95 acres) gross due to the need to include a small amount of additional land for a construction access.

3.15 However, given the site constraints and the wider requirements of the SPD, we understand from our correspondence with the Applicant that the 'net developable' area of land for residential development is much lower and is estimated to be 12.35 hectares (30.52 acres). We understand that CDC Planning Officers have calculated a slightly difference figure of 14.29 hectares (35.31 acres net) based upon the Landscape Parameters Plan (albeit that CDC Officers acknowledge that some open space is included within this area, which may explain why the Applicant's assessment of the net developable area is lower). This suggests that the 'net to gross' ratio of the site is approximately 50% to 60%, depending upon the precise figures adopted. This is at the lower end of the range that we would anticipate.

3.16 We understand that the extent of the net developable area has been discussed between the Applicant and CDC Planning Officers, although we have not been party to those discussions. We have assumed that the net developable area calculated by the Applicant is correct for the purposes of undertaking our viability study; however, the net developable area achievable will ultimately depend on the detailed layout brought forward at the reserved matters stage.

3.17 The Mosaic scheme anticipates a square footage of approximately 42,756 sq m (460,222 sq ft) Gross Internal Area (GIA) albeit this excludes the 'circulation areas' of the apartments which are accounted for separately in both the G&T and RLF Cost Plans. This equates to an average dwelling size of 868 sq ft (80.61 sq m). This average is at the lower end of the range that we would anticipate for the scheme of this nature.

3.18 CDC Planning Officers have advised us that a 'Development Parameters Document' was submitted by the Applicant in **March 2022** which sets out that with regard to land uses, the development is proposed to provide up to a maximum of 530 residential dwellings (up to 50,000 sq ft – 538,195 sq ft). The maximum sq m (sq ft) coverage anticipated in the Applicant's Development Parameters Document therefore significantly exceeds the coverage that they have anticipated in the scheme upon which Rapley's development viability appraisal is based.

3.19 Given the assumed net developable area is 12.35 hectares (30.52 acres), this equates to a density of 42.91 dwellings per hectare (17.4 per acre) – or if CDC's higher net developable area is used, this would equate to approximately 37 dwellings per hectare. This development density is broadly within the range that we would anticipate for a scheme of this nature. In terms of site coverage, this equates to approximately 15,080 sq ft (net) per net developable acre. Again, this falls within the range that we would anticipate for a scheme of this nature, with typical development densities being in the order of 15,000- 16,000 sq ft per net developable acre in our experience.

3.20 Whilst the majority of the above assumptions broadly fall within the 'rule of thumb' ranges that we would anticipate, based upon our market experience, we note that the average dwelling size is at the lower end of the scale in our experience. In addition, the number of dwellings on a 'per acre' basis of 17, although not unrealistic, is at the higher end of the range that we would anticipate. We anticipate that one of the reasons for this is that many of the two (and some three) bedroom dwellings in the Applicant's mix for market housing are at the lower end of the size range that housebuilders/developers in the market would seek to deliver.

3.21 This has been subjected to significant debate with the Applicant and their advisors following providing them with our draft appraisals in **March 2022**, as summarised in the section that follows. We have also undertaken a sensitivity test of an adjusted residential development mix in order to assess the potential impact on development viability.

The Specification of Dwellings to be Developed at North West Bicester Eco-town

3.22 **Section 6.8** of Rapleys' FVA report states:

'The specification of the scheme in relation to energy efficiency is one of the key determinants of the viability of the scheme. With this in mind, we have appraised the scheme based on three different specification assumptions:

- *North West Bicester Traditional Housebuilding Costs*
- *Future Homes Standard (FHS)*
- *True Zero Carbon Housing (TZC)'*

3.23 Initial pre-application discussions undertaken with the Applicant in **March/April 2021** (prior to the submission of both the outline planning application and their FVA) and again in **September 2021** discussed the above approach as a way of seeking to consider how the additional requirements of the SPD (in particular, relating to TZC) will have an impact on development viability. The approach adopted by Rapleys to consider the base build costs of the scheme in 'three layers' is welcomed, as it enabled the additional costs required by the SPD to be more easily identified (over and above those estimated for traditional housebuilding).

3.24 However, we understand that there is no precise specification for the dwellings to be delivered in the outline planning application for this stage set by the SPD (albeit that we understand that a base specification has subsequently been discussed between RLF and G&T for the traditional house build). Hence, the requirements of both the SPD to deliver a TZC scheme, and how this relates to FHS 2025 (some elements of which are now already a requirement of the Building Regulations from **June 2022**) have needed to be interpreted and considered with the Applicant and their cost advisors, G&T.

3.25 RLF has been instructed by CDC to undertake a review of the Cost Plan provided by G&T on behalf of the Applicant (upon which Rapleys' **October 2021** FVA analysis is based). An initial review undertaken by RLF was provided to CDC and the Applicant in **February 2022** for consideration and discussion. In addition, RLF's advice also included a summary of their analysis of the base build costs (i.e. Traditional House Build), which summarised the additional 'extra over' costs which were anticipated by G&T to increase the costs of the scheme (and tried to identify whether these were driven by FHS, TZC, or were other requirements perhaps of the SPD or other planning policy requirements). These were then considered by both CDC Officers and the Applicant to explore the requirements (and associated costs) assumed in the G&T and RLF Cost Plans to confirm whether or not they were appropriate to include in the Cost Plan and/or whether there were requirements that could be targeted to improve development viability (if necessary). A summary of these ongoing discussions is included in the next section.

3.26 It is also understood that CDC have instructed their sustainability advisors, BioRegional to review the assumptions that the Applicant has made in respect of the requirement to deliver a TZC scheme (given that neither ourselves or RLF are qualified to advise on these sustainability issues and the interpretation of the requirements of TZC). At the time of writing, BioRegional's review of the Applicant's assumptions and their discussions with them are ongoing. However, should the outcome of this advice lead to an alternative interpretation of the requirements FHS or TZC, RLF's Cost Plan will need to be updated and this could have an impact on underlying development viability.

Planning Contributions (Section 106)

3.27 In addition to the requirements set out above relating to the Eco-town, and the policy requirements to deliver a TZC scheme, there are also a significant range of planning contributions which have been assumed by the Applicant (and incorporated into Rapleys' development viability analysis).

3.28 A commentary on the planning contributions that the Applicant and Rapleys have assumed in their FVA is set out at **Paragraph 12.11** onwards of Rapleys' report. In addition, **Paragraph 12.22** provides a helpful table which summarises the assumptions that have been incorporated into Rapleys' development appraisal (and are summarised in further detail in Appendix 5 of Rapleys' Report). We have replicated the table at **Paragraph 12.22** below. We then provide commentary as to how these assumptions appear to have been updated by Rapleys' to inform their most recent appraisals in **October/November 2022** below.

Table 3.2 – Summary of Section 106 Planning Contributions Assumed by Rapleys in their FVA

Assumed Section 106 Contribution	Rapley's Assumed Basis of Indexation	Assumed Section 106 Contribution per Dwelling	Total Assumed Section 106 Contribution
Health	CPIH from Q2 2017	£281.29	£149,084
Neighbourhood Police	CPIH from Q2 2017	£164.03	£86,936
Community Building Provision	CPIH from Q2 2017	£1,139.37	£603,864
Road Crossing to Caversfield Church	Unindexed	£1	£1
Community Development Workers	CPIH from Q2 2017	£376.70	£199,648
Community Development Fund	CPIH from Q2 2017	£49.10	£26,023
Primary School	BCIS All-in TPI from 327	£11,163.28	£5,916,540

Secondary School	BCIS All-in TPI from 327	£7,805.38	£4,136,850
Special Education Needs	BCIS All-in TPI from 327	£558.26	£295,876
Sports Pavilion contribution	CPIH from Q2 2017	£534.48	£283,275
Sports Pitches and Maintenance	CPIH from Q2 2017	£518.25	£274,673
Burial Ground	CPIH from Q2 2017	£10.91	£5,780
Community Management Organisation	CPIH from Q2 2017	£1,537.21	£814,722
Community Facility Maintenance	CPIH from Q2 2017	£427.23	£226,430
Waste	CPIH from Q2 2017	£106.90	£56,655
Bus Provision	CPIH Index from Q4 2020	£1,179.46	£625,114
Pedestrian/Cycle Infrastructure	PUB SEC Index from Dec 20	£707.56	£375,008
Right of Way Contribution	PUB SEC Index from July 21	£32.87	£17,419
Improvements to junction of Charlotte Avenue/B4100	PUB SEC Index from Dec 20	£84.79	£44,937
Improvements to junction of B4100/A4095	PUB SEC Index from Dec 20	£499.02	£264,478
Travel Monitoring Plan	CPIH Index from Dec 2020	£5.48	£2,903
Adoption of Unallocated Parking Bays	CPIH from Q2 2017	£1,029.93	£545,864
Local Road Improvements	CPIH from Q4 2020	£377.35	£199,995
Bicester Leisure Centre contribution	CPIH from Q2 2017	£534.48	£283,275
Biodiversity	CPIH from Q2 2017	£65.35	£34,637
Strategic Highway Contribution	Unindexed	£5,882.35	£3,117,646
Library Services	CPIH from Q2 2017	£58.34	£30,919
Children's services	CPIH from Q2 2017	£8.68	£4,602
Village traffic calming	CPIH from Q2 2017	£62.34	£33,039
Secondary School land Contribution	CPIH from Q4 2020	£677.17	£358,901
Total		**£35,878.53**	**£19,015,094**

Source: Rapleys FVA October 2021 (Paragraph 12.22); HLD Analysis (November 2022)

3.29 **Table 3.2** above indicates that the total Section 106 contributions (excluding the requirement for a crossing to Caversfield Church, which is included in the Cost Plan) equates to **£19,015,094**.

3.30 We understand that CDC Planning Officers are in the process of confirming the Section 106 contributions set out above. However, it should be noted that in Rapleys' most recent appraisals (**October 2022**), the following adjustments appear to have been made to the above assumptions:

- **Unallocated Car Parking Bays** - The assumed Section 106 for Unallocated Parking Bays of **£545,864** has been removed (presumably in response to CDC Planning Officer's comments in **April 2022)**;
- **Braeburn Avenue** – An additional assumed Section 106 cost has been added of **£100,000**; and
- **Howes Lane Interim Scheme** – An additional assumed Section 106 cost of **£189,000** has been added.

3.31 We therefore estimate that the total Section 106 costs assumed by the Applicant have reduced from **£19,015,094** in **October 2021** (which equates to £35,878.53 per dwelling) and are now in the order of **£18,758,233** (which equates to £35,393 per dwelling).

3.32 For the purposes of our FVA, we have assumed that the Applicants'/Rapleys' latest assessment of the anticipated Section 106 contributions (as set out in **Table 3.1** above but as recently updated by them in **October/November 2022**) is appropriate. Hence, we have assumed this level of Section 106 contributions to inform our viability testing. We have also, as far as possible, reviewed the detailed trigger points in Rapleys' detailed schedule in Appendix 5, and reflected these in our Argus appraisal model, as far as possible.

3.33 As highlighted in Rapleys's FVA report, the Applicant has assumed an allowance of **£3,117,646** as a Strategic Highway Contribution. CDC Planning Officers will need to consider this, along with the other Section 106 costs set out above in **Table 3.2**, and confirm whether this assessment is an accurate reflection of the Section 106 contributions that will be required.

Network Rail Shared Value Policy

3.34 We understand from **Paragraph 12.27** of Rapleys' report that the above does not include a contribution to Network Rail Shared Value policy (in connection with the delivery of strategic infrastructure works under Network Rail's land in the wider North-West Bicester site). In the absence of information to the contrary, we have continued to assume that there is no cost/contribution to Network Rail in line with Rapleys' approach.

Housing Infrastructure Funding (HIF)

3.35 **Paragraph 11.23** of Rapleys' FVA report acknowledges that approximately **£6.7 million** of HIF funding has been awarded by Homes England to assist Cherwell DC in funding the construction of the new rail-over-road bridge that is required to facilitate the re-alignment of the A4095 in the vicinity of Howes Lane and Lords Lane in Bicester.

3.36 Whilst Rapleys FVA originally assumed that the £6.7 million would be a receipt (i.e. income) to the developer (i.e. the Applicant) of the subject site, we were informed that this position would be revised in future appraisals, given that it was unlikely that the **£6.7 million** of funding would be received by the Applicant to assist with this phase of the Eco-town (as it had already been received by Oxfordshire County Council (OCC) for the delivery of infrastructure in the wider North-West Bicester Eco-town allocation). Therefore, as a working assumption, both HLD and Rapleys' have assumed a nominal amount of HIF funding received of £1 in their respective viability appraisals, until the approach to HIF funding is confirmed by CDC Planning Officers.

3.37 We are not aware of the precise nature of the funding agreement between HE and Cherwell DC/OCC, and whether the Applicant will receive any of these monies (or whether any monies will be re-couped from the Applicant from CDC/OCC to repay HE, if the HIF funding needs to be repaid).

3.38 The next section provides a summary of our initial review of Rapleys' **October 2021** FVA, and the first draft position that we reported in **March 2022**. It then provides an overview of the subsequent discussions and evidence exchanged between the parties during **March 2022** and **September 2022**.

4. Discussions/Negotiations with The Applicant

4.1 This section provides an overview of the viability position in Rapleys' **October 2022** FVA report, and our initial viability review which was provided to CDC Planning Officers and subsequently the Applicant and their advisors on the **23 March 2022**.

4.2 It then provides an overview of the chronology of the discussions/negotiations between HLD and Rapleys that subsequently took place between **March 2022** and **September 2022** regarding the nature of the scheme to be appraised (in particular, the mix of residential development); some of the requirements/costs included within G&T's Cost Plan, and the areas of difference between Rapleys and our development appraisals. Where relevant, we re-attach our responses and evidence in response to our discussions/negotiations with the Applicant.

4.3 The final section provides a summary of the areas of difference that we anticipate remain between our updated appraisals and those undertaken by Rapleys.

Rapleys' October 2021 FVA Viability Position

4.4 Rapleys' FVA considers a range of affordable housing and construction cost scenarios (for example, considering 'tiered' construction costs from traditional house building standards; the additional costs of FHS 2025, and the additional costs of achieving a TZC scheme).

4.5 Rapleys' FVA considers a range of scenarios with reduced levels of affordable housing and/or a varied affordable housing tenure mix. In total, approximately 12 scenarios have been viability tested by Rapleys to inform their **October 2021** appraisal analysis. These scenarios are summarised from **Paragraph 3.13** onwards in their FVA report.

4.6 **Paragraph 3.14** of Rapleys' report sets out their analysis regarding the viability of the scheme. Of the 12 scenarios viability tested, only three scenarios are anticipated to be viable. These are as follows:

- **Scenario 1** – 30% Affordable Housing provision, with approximately 70% Affordable Rented and 30% Shared Ownership – with Traditional House Building Costs (i.e. no additional costs to reflect either FSH 2025 or TZC requirements).
- **Scenario 7** – 30% Affordable Housing (all of which is Shared Ownership, with no Affordable/Social Rented included), and only traditional housing building costs (i.e. no additional costs for either FSH 2025 or TZC).
- **Scenario 10** – 0% Affordable Housing, and only traditional housing building costs (i.e. no additional costs for either FSH 2025 or TZC).

4.7 Rapleys at **Paragraph 16.2** of their conclusions state that:

> *'We have established a scheme that could deliver 30% affordable housing (70% AR/30% SO) if it were constructed based on what we are calling 'North West Bicester Traditional House Building Costs'. These are house building costs that are fully compliant with current Building Regulations but do not incur additional 'extra over' costs of meeting FHS or TZC'.*

4.8 **Paragraph 16.3** continues that:

> *'Our financial modelling demonstrates that it is the cost of building to FHS and then additionally to TZC requirements that is challenging to deliver and not the delivery of affordable housing'.*

4.9 As alluded to in previous sections, Rapleys' FVA **October 2021** is accompanied by a range of information, including a 'pricing exercise' that has informed the sales values in their appraisal undertaken by Estate Agents Green & Co, and a Cost Plan prepared by Gardiner & Theobald (G&T) dated **20 October 2021**.

HLD's Review of the Applicant's Viability Submission

4.10 We were appointed in **November 2021** to review Rapleys' FVA. During our initial discussions with the Applicant, it was agreed that CDC's Quantity Surveyors , RLF, should undertake a more detailed review of the costs, in light of the evidence provided by G&T in their Cost Plan. This involved a series of Microsoft Teams meetings and information exchanged while RLF were undertaking their review of the G&T Cost Plan during **December 2021** and **February 2022**.

4.11 RLF provided their Cost Plan for the scheme to HLD and CDC entitled 'Feasibility Cost Estimate - NW Bicester Master Plan – Cherwell District Council' (**February 2022**) Order of Cost No. 1 on the **23 February 2022**. HLD then undertook a detailed review of Rapleys' appraisals, utilising Rapleys' Argus development appraisal model, and reported our initial viability position to CDC Planning Officers on the **23 March 2022**. A copy of the email setting out our first draft review of the Applicant's FVA, along with RLF's Cost Plan and associated evidence, is attached at **Appendix 4.**

A summary of our initial first draft viability position findings for Scenario 3 is set out in **Table 4.1** below.

Table 4.1 – Summary of HLD's Draft Viability Findings (23rd March 2022)

Scenario	Residual Land Value (RLV)	Benchmark Land Value (BLV)	Project Gap
Updated Scenario 3 – 30% affordable housing (approximately 70% affordable rent and 30% shared ownership) with TZC scheme.	£1.31 million	£8.85 million	£7.54 million

Source: HLD Draft Findings (Email from CDC Officers to the Applicant on 23rd March 2022).

4.12 Our initial conclusion was that whilst the project gap was narrower than that set out by Rapleys (given that their appraisal for Scenario 3 produced a negative Residual Land Value (RLV) of approximately **-£5.52 million**), there was still a significant project gap which needed to be addressed in order for the scheme to be viable of approximately **£7.54 million.**

4.13 Rapleys' **Scenario 3** was used as a 'baseline' appraisal in our draft viability position, following discussions with CDC Planning Officers regarding the affordable tenure split. CDC Planning Officers had confirmed that if viability was an issue, the delivery of 70% Affordable Rented (rather than 70% Social Rented) affordable housing as part of the affordable mix would be appropriate and in line with CDC's planning policies. We also understood from CDC Planning Officers that flexing the tenure mix first would be preferable prior to flexing any other requirements of the scheme (such as Section 106, reduced levels of affordable housing provision, and/or adjustments to the requirement to deliver a TZC scheme).

4.14 **Scenario 3** therefore represented a 'baseline' policy compliant scenario so that the initial viability gap could be identified, and ways to close the viability gap could be then considered both with CDC Planning Officers and the Applicant.

4.15 Our initial viability appraisal analysis highlighted that, having reviewed the detail of Rapleys' FVA and the G&T Cost Plan, there were several elements that would be prudent to review before the viability appraisals were updated, including considering the development mix and dwelling sizes, and the interpretation of scheme requirements (in particular, the requirements of both FHS and TZC).

4.16 HLD's initial observations and areas of difference are summarised in detail in **Appendix 4.** In summary, the key areas identified that required consideration/discussion were as follows:

- Development mix and dwelling sizes assumed;
- The quantum of garages, car parking spaces (in particular for visitors), and EV charging points assumed;

- The 'net' and 'gross' areas (i.e. the circulation space) of the apartments;
- Whether the apartment buildings would require lifts;
- The requirement to deliver First Homes (which had not yet been considered by either party's viability analysis);
- Section 106 costs; and
- Interpretation of the requirements of both FHS and TZC, and the impact on the construction costs.

4.17 The discussions regarding these issues are summarised in the paragraphs that follow; however, adjustments in the assumptions in relation to some of the above areas have improved the viability of the scheme during discussions between **March** and **September 2022.**

Discussions between March and September 2022

4.18 Following circulating our initial draft findings in **March 2022**, the following is a summary of the discussions and exchange of evidence that took place:

Supplemental Information Provided to the Applicant

4.19 Following providing our initial first draft viability position on the **23 March 2022**, the Applicant requested a 'live' version of our Argus appraisal file which we provided to them on the **24 March 2022,** and also for further information regarding our approach to assessing the Benchmark Land Value (BLV). With respect to the later, we provided them a copy of **Planning Appeal Reference APP/V3120/W/20/3264500** 'Land South of Steeds Farm, Coxwell Road, Faringdon' in order to assist their consideration of our BLV.

4.20 A copy of this Appeal decision is attached at **Appendix 5**.

Letter dated 5 April from Rapleys CDC

4.21 Rapleys' provided an initial review of HLD's evidence and stated that the mix and size of dwellings were deemed appropriate and in line with market expectations, and therefore should be remained unchanged for the purposes of assessing viability.

4.22 Rapleys' letter also stated that the gross to net ratio for the apartments (i.e. circulation space) of 70% should be accepted, given that this had been accepted by RLF whilst undertaking their Cost Plan. It also clarified some discrepancies in the areas (and acknowledged that this would have a nominal impact on the overall viability appraisal). It also considered the provision of garages in the scheme and stated that most house builders preferred a garage for each three-bedroom dwelling (and above).

4.23 In relation to visitors' car parking, discussions with OCC were referenced and it was believed that the extent of visitor parking was therefore compliant and market driven. In relation to electric charging points for visitors, Rapleys referred to the parking standards referred to in CDC's Residential Design Guide SPD (adopted **July 2018**) which states that every home should have access to at least one car parking charging point, and the Applicant had assumed 50% provision for visitor's parking (given the high sustainability credentials of the scheme). It also set out that they considered their interpretation of the FHS and TZC to be appropriate and policy compliant, subject to considering BioRegional's review.

4.24 A copy of this letter is attached at **Appendix 6.**

Email from CDC Planning Officers to Applicant dated 14 April 2022

4.25 An email response was provided by CDC Planning Officers on the **14 April 2022** to the points raised in the Applicant's letter of **5 April 2022,** and addressed the dwelling sizes, in particular, the size of the two-bedroom dwellings and also the lack of five-bedroom dwellings in the mix. It also suggested that a reduced level of garaging should be considered, given the significant costs allowed for garages in the Cost Plans, and that ongoing discussions relating to other nearby schemes in North West Bicester indicated that garages are most often associated with detached four and five bedroom dwellings.

4.26 It also highlighted that the level of visitor car parking would need to be agreed with OCC as the Highways Authority, and queried the Section 106 for the adoption of allocated parking bays. Finally, it also highlighted that the Electric Charging Points for 50% of visitor car parking spaces although positive, was not a requirement and therefore could be reduced in order to reduce costs and improve development viability.

4.27 A copy of this email is attached at **Appendix 7.**

Email from Applicant to CDC on the 11 May 2020

4.28 An email providing a response was provided from Rapleys to CDC on the **11 May 2022**. This also provided an updated executive summary which was for publication on the Council's website. It also provided the Applicant's sustainability advisor's, Stantec, response to the comments provided by BioRegional on sustainability measures assumed in the scheme. It also stated that updated development viability appraisals would be provided at a later date.

4.29 A letter from Rapleys attached to the email stated that the development mix assumptions had been updated and some five bedroom houses had been included in the updated accommodation schedule. It also provided comparable evidence for small two bed dwellings in Bicester, and stated that the Accommodation Schedule was going to be revised to include larger two bedroom semi-detached and terrace dwellings of 63.08 sq m (679 sq ft). There was also an adjustment proposed for the three-bedroom terraced houses, and an update proposed to the mix to increase the size of the four-bedroom detached dwellings, and that the Applicant had instructed their architects (Mosaic) to adjust the Accommodation Schedule on this basis. However, the Applicant stated that this would reduce the number of dwellings from 530 to only 500.

4.30 The Applicant also confirmed that there would be a reduction in the number of Electric Vehicle Charging Points for visitors to reflect 25% (rather than 50%) provision. There was also additional information provided in relation to sales values.

4.31 A range of evidence on some of the areas of difference was also requested from HLD, including the following:

- Affordable housing values;
- HIF funding;
- Professional fees;
- Private marketing fees;
- Affordable marketing fees;
- Finance;
- Development Phasing;
- Pre-construction period;
- Construction period and timing of sales period commencement;
- Cashflow for infrastructure costs; and
- Benchmark Land Value (BLV).

Additional Appraisals Forwarded on the 9 June 2022

4.32 An email was provided to CDC on the **7 June 2022** which summarised additional viability evidence produced by Rapleys. The associated attachments to this were provided by email on the **9 June**

2022. This also included two schedules of accommodation (both for a scheme of 500 dwellings and the original scheme of 530 dwellings). It also provided an updated Cost Plan undertaken by G&T.

4.33 Rapleys' updated development appraisal findings indicated that although the updated scheme with revised dwelling types and sizes, along with some five bedroom houses had only 500 dwellings in it, the refinements to the scheme mix actually improved development viability.

4.34 It was then subsequently agreed between the parties that, given the significant areas of difference between the parties that remained regarding the mix and appraisal assumptions (etc.), that HLD would review the revised evidence provided by Rapleys and a 'Viability Workshop' would then be undertaken to discuss the areas of difference (with the view to discussing each party's respective positions and seeking to narrow them as far as possible through negotiations at this Workshop, and if necessary, a further exchange of information/evidence).

4.35 Instructions were received to progress discussions with the Applicant on this basis on the **30 June 2022**.

Viability Workshop on 4 July 2022

4.36 A workshop was undertaken between Archie Mackay-James (Rapleys) and Nigel Simkin (HLD) on the **12 July 2022** at Rapleys' offices. The purpose of this workshop was to consider the areas of difference in the development appraisal (excluding the costs prepared by RLF), and to discuss the points in detail and through debate and negotiation, to see where agreement could be reached. An exchange of further evidence could then be focussed on any remaining areas of difference.

4.37 No notes of this meeting were taken, but a summary of the actions arising and the discussion at the Workshop was provided on **14 July 2022**. A copy of this email is attached at **Appendix 8.**

4.38 An exchange of information via email then took place, leading to a Microsoft Teams call with the Applicant and Rapleys on the **26 July 2022**. Following this Teams Call, an email was provided from HLD commenting on a schedule of outstanding areas of difference between the parties produced by Rapleys on the **1 August 2022**.

4.39 This email also provided a draft of HLD's analysis of the updated Accommodation Schedule and residential development mix, and evidence from both the Farmers' Weekly and a Savills Farmland **January 2022** Research Report which provided additional evidence on agricultural land values to inform the BLV (as agreed at the workshop meeting on the **12 July 2022** and discussed during the conference call on the **26 July 2022)**. A copy of this email, and the attachments, are included at **Appendix 9**.

4.40 A further email was provided on the **4 August 2022** by HLD to Rapleys which provided an overview of HLD's actions on the project, along with RLF and HLD's analysis of the phasing of the infrastructure in the appraisal. This email also sought a response from Rapleys on their actions from the Viability Workshop on the **12 July 2022**. A copy of this email is attached at **Appendix 10.**

4.41 Additional emails were provided by Rapleys to CDC and HLD providing supplemental information as follows:

- **9 August 2022** - an email from Rapleys providing additional commentary from the Applicant's architects, Mosaic, regarding the residential development mix.
- **11 August 2022** – an email providing additional information on the development mix. In addition, the email provided excerpts from the stakeholder consultation on the emerging Local Plan Viability Study, where a BLV of approximately £171,943 per acre had been proposed (lower than the £200,000 per acre adopted for the previous Viability Study). Rapleys stated that this would generate a BLV of **£10.14 million** based upon the gross area of the site, and Rapleys proposed to reduce their BLV to this level.
- **An email/letter from the Applicant -** providing a response to CDC's Letter on sustainability measures/issues, dated **16 August 2022**.
- **An email from HLD to the Applicant on 2 September 2022** - which provided a response to their correspondence of the **9 August 2022**, **11 August 2022** and **16 August 2022**.

  This provided a response on HLD's review of the emerging update to the Local Plan viability evidence base regarding the BLV, and the updated GDV for the scheme, along with our responses regarding the development mix. A copy of this email is attached at **Appendix 11.**

4.42 A final email was provided to HLD from Rapleys providing a response on sales values and the development mix on the **20 September 2022**. In addition to this, a without prejudice offer of 10% affordable housing, along with a slightly revised Section 106 offer (which we have incorporated into our updated development appraisals) was provided on the **4 October 2022** (and formerly made to CDC in **November 2022**).

4.43 We have considered these latest emails whilst finalising this FVA report and updating our **March 2022** appraisals.

Summary

4.44 The above seeks to provide an overview of the detailed discussions that have been undertaken between ourselves, the Applicant, and their advisors, Rapleys, between **March** and **September 2022**.

4.45 We anticipate that the outstanding areas of difference are now as follows:

- **Sales Values** - The only outstanding issues are now the value of the small two-bedroom dwellings which the Applicant proposes will comprise 54.81 sq m (590 sq ft), and the sales values applied to the four bedroom dwellings.
- **Development Mix** – The development mix to be appraised (given the small size of some of the dwellings for market sale that the Applicant has assumed, and that no five-bedroom dwellings have been included in the mix). We have therefore sensitivity tested this later in this report.
- **Construction Costs** - The respective cost positions between the parties (RLF's assessment of the costs being lower than those proposed by G&T).
- **Phasing Assumptions** – Rapleys propose that a further three months for procurement activities should be built into the development appraisal phasing, whereas HLD's approach is to assume that the procurement of contractors has already taken place and that commencement of development can take place immediately (as this is standard practice for viability appraisals in our experience).
- **Phasing of Infrastructure Costs** - The phasing of infrastructure costs (albeit that the evidence that we have shared with the Applicant seeks to demonstrate that our approach would have a more negative impact on viability than the approach they have adopted in their own appraisal, (which we understand is based upon information from G&T)).
- **Benchmark Land Value (BLV)** - HLD remain at our initial assessment of £150,000 per gross acre for the BLV, whereas the Applicant has reduced their assessment from £200,000 per acre to approximately £171,000 per gross acre. The respective BLV positions are **£8.85 million** proposed by HLD, with **£10.14 million** now proposed by Rapleys and the Applicant.

4.46 The following section provides our development viability analysis, and provides commentary on the assumptions highlighting whether or not agreement has been reached with the Applicant's viability advisors, Rapleys.

5. Development Viability Analysis

5.1 This section sets out the development viability analysis that we have undertaken of the outline planning application proposals; along with the assumptions that we have adopted.

5.2 Given that an initial draft of our viability appraisal was provided to the Applicant and their advisors in **March 2022,** this section focuses on the assumptions that we have adopted in our updated viability appraisals. Our updated appraisals follow the extensive discussions and evidence exchanged with the Applicant and their advisors Rapleys between **March 2022** and **September 2022**, which sought to narrow down the areas of difference between each party's respective viability positions (as far as possible).

Approach

5.3 Our approach has been to assess the development viability of the outline planning application proposals summarised in **Section 3** of this report. As the proposals are in outline only, with matters (such as the design, size and mix of dwellings) to be determined at the reserved matters stage, a range of assumptions regarding the nature of the scheme have been required in order to inform the values and costs in our development viability analysis. We have adopted the development mix assumptions proposed by the Applicant's architects, Mosaic, and their viability advisors, Rapleys, as far as possible. However, we have highlighted any issues and considered these as part of our sensitivity testing later on in this section (to assess the potential impact on development viability), where appropriate.

5.4 Our approach has been to assess the development viability of the outline planning application proposals to consider the likely level of affordable housing that can be delivered, along with the requirements to deliver a TZC scheme, and the other planning contributions anticipated by the Applicant (Section 106 requirements).

5.5 A range of scenarios were tested by Rapleys in their FVA, dated **October 2021** (in terms of the provision of affordable housing and the tenure mix assumed). In contrast, we have assumed a policy compliance level of affordable housing of 30% provision to inform our 'baseline' development viability appraisal of the scheme. As with our **March 2022** appraisals, the tenure mix that we have assumed in our baseline appraisal comprises approximately 29% Shared Ownership dwellings and approximately 71% Affordable Rented dwellings (in line with our discussions with CDC Planning Officers).

5.6 Whilst undertaking our negotiations with the Applicant between **March 2022** and **September 2022**, we understand that there is now a requirement for 25% of any affordable housing to be delivered as First Homes, at no more than 70% of Market Value. This is not yet factored into our viability analysis of the scheme. However, as First Homes can only be provided up to a maximum of 70% of Market Value (unless local planning policy regarding First Homes dictates otherwise), the requirement to provide First homes is likely to slightly improve development viability (as the value received at 70% of Market Value is slightly higher than the Shared Ownership dwellings it is likely to replace).

5.7 Our development viability appraisal has had regard to the master plan prepared by Mosaic and how this has been interpreted by Rapleys in their Schedule of Accommodation. Critically, our FVA assumes that 530 dwellings would be delivered. In reality, the outline planning application is for 'up to' 530 dwellings, and it may be that this density is not achievable at the reserved matters stage. Our development viability appraisal analysis assumes that the maximum figure of 530 dwellings is achieved.

5.8 Our FVA has had regard to the sales values that we anticipate for the dwellings proposed, having regard to the market research that we have undertaken and the detailed discussions on sales values that we have undertaken between **March 2022** and **September 2022** with Rapleys. The costs proposed by the Applicant (which are incorporated into Rapleys' appraisals) which have been prepared by Gardiner & Theobald (G&T) have also been considered by Quantity Surveyors, RLF, who have reviewed the Cost Plans prepared by G&T. We have utilised RLF's Cost Plans to inform our viability analysis.

5.9 We have also had regard to the initial comments made by BioRegional and CDC Planning Officers regarding which costs are likely to be driven by the requirements of FHS/TZC requirements, and those that are likely to be required by other planning policies (such as those in the SPD). We have then considered items that could be 'flexed', based upon our initial discussions with CDC Planning Officers, to demonstrate the potential impact on development viability.

5.10 Finally, as alluded to in previous sections, we have also assumed that the level of Section 106 contributions identified by the Applicant (as recently updated in **October 2022**) are appropriate for the purposes of undertaking our development viability appraisals. However, should these be altered in future, this would have an impact on development viability, and our viability appraisal would need to be updated accordingly.

5.11 Our methodology for undertaking our development viability appraisal analysis is set out in the following paragraphs.

Methodology

5.12 We have adopted the 'residual' method of development appraisal to undertake our assessment of viability, utilising a computer software package known as 'Argus Developer'. This approach and software model is well known in the development industry. It assesses all the revenues that could be generated by the development proposed in the outline planning application, and assesses all the costs that will be incurred to undertake the development.

5.13 Our approach assumes a set level of developer's return for risk (i.e. profit) in order to generate a Residual Land Value (RLV) for the scheme. The RLV generated can then be compared with the Benchmark Land Value (BLV). If the RLV is higher than the BLV, then the scheme is viable, and there is a surplus for further planning obligations/affordable housing. However, if the RLV is below the BLV, the scheme is not viable, based upon the assumption was adopted, and there is no surplus for additional affordable and/or Section 106 payments and there is a 'viability gap'. Our approach also assumes that development finance can be secured by a developer/housebuilder in order to undertake the development.

5.14 The Planning Practice Guidance (PPG) promotes 'standardised' inputs to development appraisals, and suggests a target level of developer's return of between 15%-20% of the Gross Development Value (GDV) of the market housing, and a lower level of developer's return for affordable housing.

5.15 The Argus Developer software model was also utilised by Rapleys in order to undertake their development viability appraisal analysis in their FVA. We have utilised Rapleys' electronic Argus file, updating it as necessary, in order to undertake our own viability analysis of the scheme. We adopted this approach to ensure that Rapleys' appraisal assumptions were fully understood (particularly in relation to development phasing, finance and timescales).

5.16 Before considering the findings of our viability analysis, it should be noted that development appraisals are subject to several limitations. First, they assume a demand which may not actually exist. For example, our development viability appraisal assumes that a developer/house builder can be attracted to develop the site, and can secure funding to undertake the development.

5.17 Second, they are principally a tool to assess what to pay for development land (or the resulting level of developer's return that will be generated once the site has been purchased). They do not necessarily determine the level of risk attached. This is ultimately a decision for the developer/house builder and/or their investors/funders. Third, a development appraisal does not necessarily determine the value of the land from the perspective of the owner, as other factors may come into play (for example, the value of the land in its existing use; relocation costs; and best value considerations etc.).

5.18 We have undertaken our appraisal in line with the RICS Professional Statement: 'Financial viability in planning: conduct and reporting' (**May 2019**). It should be noted that the development viability appraisals set out in this report do not comprise 'valuations' in accordance with the RICS

Professional Standards, ('the Red Book'), and are for the purposes of informing discussions between CDC Planning Officers and the Applicant regarding the viability of the scheme, and its ability to provide affordable housing and other planning contributions (such as Section 106), along with the requirement to provide a TZC scheme, only.

5.19 Although a range of assumptions have been needed to consider how development could come forward at the reserved matters stage, the viability analysis we have undertaken does provide a useful guide as to the viability of the outline planning application proposals, and its ability to provide both affordable housing and meet other planning policy requirements (such as TZC).

Development Viability Appraisal Assumptions

5.20 We have adopted the following assumptions in our development viability appraisal analysis.

Development Revenue

- **Residential Sales Values** - we have utilised our research of comparable residential development schemes in Bicester to inform our opinion of the sales values for the market housing that would be achievable at the subject site. This has been the discussion of significant debate with the Applicant and Rapleys during **March 2022** and **September 2022**. We have sought to narrow down the areas of difference as far as possible with the Applicant, and the schedule at **Appendix 2** summarises the values that we have applied for each dwelling type (and any remaining areas of differences between ourselves and Rapleys).

  Following Rapleys' updated appraisal in **October 2022**, the only remaining differences are for the small, two-bedroom market housing houses which comprise only 590 sq ft (54.81 sq m), and also, the values of the four-bedroom houses for private market sale. Detailed commentary and market evidence justifying our difference of opinion of these values (as at **Q1 2022** values) is included against each dwelling type in **Appendix 2**. A schedule setting out the most recent sales values and how they are incorporated into our baseline appraisal of the scheme is attached at **Appendix 12.**

- **Affordable Housing** – our baseline model assumes that Shared Ownership and Affordable Rented dwellings are provided as part of the affordable housing mix. We have assumed that the affordable rented generates a value equating to 55% of Market Value, and the Shared Ownership generates a value of 65% of Market Value. As discussed in the previous section, these assumptions have been subject to the debate with the Applicant, but are now agreed inputs to the appraisal.

- **HIF Funding** - we have assumed a nominal income of £1 is received as HIF Funding to assist in the delivery of the subject site, as discussed in the previous sections of this report. Our understanding is the HIF monies have been received by OCC to assist in the delivery of wider strategic infrastructure at North West Bicester.

  CDC Planning Officers should therefore consider whether this assumption is appropriate. This will ensure that the impact of HIF funding on the scheme is properly understood, and accurately reflected in the viability appraisal.

Development Costs

5.21 In terms of development costs, we have assumed the following:

- **Residual Land Value (RLV)** - the RLV generated in our development viability appraisal is the 'output' of our appraisal analysis in order to indicate viability, as discussed above. The RLV can then be compared with the Benchmark Land Value (BLV) in order to indicate scheme viability. The BLV is discussed later in this section.

- **Purchaser's Costs on the RLV** - we have applied standard market allowances to reflect the developer's site acquisition costs, in accordance with market practice. This includes Stamp Duty Land Tax (SDLT) at the prevailing rates following the **March 2016** budget. It also includes Agents' fees of 1% and Legal fees of 0.8% (the latter allowing for VAT at the prevailing rate).

- **Residential Construction Costs** - we have relied upon the Cost Plans prepared by RLF to inform our analysis of the construction costs. Copies of RLF's Cost Plans are attached at **Appendix 13**.

  The residential construction costs, the specification that they are based upon, and the impact of planning policies (such as the requirement to deliver a TZC scheme), have been debated between the respective costs advisors (RLF and G&T). RLF's assumptions in their Cost Plan equate to the following:

  - **Private residential houses** - an average construction cost of £119.11 per sq ft;

  - **Private residential flats** – a construction cost of £142.09 per sq ft (applied over the Gross Internal Area (GIA) of the apartments including the circulation space, in accordance with market practice). The gross to net area of the apartments has now been agreed with Rapleys at 80%;

- **Shared Ownership houses** – a construction rate of £121.78 per sq ft;
- **Affordable Rented houses** - the construction rate of £121.78 per sq ft; and
- **Affordable Rented flats** – a construction rate of £142.07 per sq ft (applied over the circulation space of the apartments in accordance with market practice).

Due to the workings of the Argus appraisal model, there are some minor rounding issues when the above costs are from RLF's Cost Plans are inputted into the Argus software. We have tried to ensure that the total costs reflected in RLF's Cost Plan are reflected in our appraisal, as far as possible. We do not anticipate that the rounding issues we have identified would have a significant impact on the outcome of our viability appraisals.

- **Contingency** - there are two elements of contingency that have been applied in Rapleys' viability appraisal model. First, a contingency allowance of 10% has been applied to the infrastructure costs assumed in G&T's Cost Plan. RLF have applied the same contingency in their Cost Plan and therefore we have adopted a 10% contingency on RLF's infrastructure costs within our appraisal model.

  Second, there is also a contingency on the construction costs and other 'extra over' construction costs relating to FHS and TZC in Rapleys' appraisal model. Whilst we understand that both G&T and RLF have assumed a 10% contingency in their Cost Plan model, Rapleys have applied a reduced contingency rate of 5% in their Argus appraisal model. We agree with this approach, given that the levels of contingency in house builders' appraisals are typically much lower than 10%, and range between 3% to 5% in our experience (depending upon the risks involved). We are therefore content to adopt Rapleys' reduced contingency allowance of 5% on all other non-infrastructure items (notwithstanding the advice that has been provided by both G&T and RLF to adopt a higher contingency).

- **Infrastructure/abnormals** – RLF's Cost Plan advises infrastructure/abnormal costs equating to **£15,567,000**. We have reviewed the extent of these costs with RLF to identify, as far as possible, which costs are likely to be incurred upfront (i.e. prior to the construction of house building commencing) and which infrastructure/abnormal costs are likely to be incurred over the life of development (i.e. house-building construction). As summarised in the previous section, this has been discussed between **March** and **September 2022** with Rapleys and the timing of these infrastructure costs remains an area of difference between us. We have therefore assumed **£4,147,000** of the costs would be incurred upfront, and the remaining **£11,420,000** of anticipated infrastructure/abnormal costs would be incurred over the life of the development, in line with RLF's advice.

Rapleys do not agree with our proposed approach to phasing the infrastructure costs, albeit that in our view, our approach seeks to 'front load' more of the infrastructure costs than anticipated by Rapleys in their appraisal, and hence we anticipate that our approach would have a more negative impact on the development viability of the scheme, all other things remaining equal.

- **Other Construction Costs** – RLF's Cost Plan highlights a range of other construction costs over and above the infrastructure/abnormal costs anticipated (discussed above), and the base build construction costs which assume a traditional house building specification (i.e. do not anticipate/include the additional costs of delivering FHS or a TZC development at North-West Bicester). We have therefore allowed for the additional costs in line with the RLF Cost Plan in our development viability appraisal, as follows:

  - **Garages** - a cost of **£816,000** for the detached garages anticipated in the scheme has been assessed by RLF, which we have incorporated into our appraisal. To confirm, the additional cost of detached garages was a significant cost identified in our **March 2022** appraisals, and the Applicant subsequently agreed to reduce the number of detached garages so that these are provided for four-bedroom dwellings only. We have therefore adopted this lower and revised cost in our development viability appraisal (and have also reconsidered our sales values to ensure that they reflect the fact that only the four-bedroom dwellings would be provided with detached garages).

  - **Permeable paving to 'Farmstead' locations** – RLF have identified an additional cost of **£231,419** for permeable paving to farmstead locations. We understand that these areas are likely to be included as part of any future scheme. As permeable paving is not included in RLF's assessment of the base construction costs for the residential dwellings, we have incorporated this cost within our development viability appraisal.

- **Permeable Paving for Visitor Parking** – RLF's Cost Plan anticipates that permeable paving will be required to significant areas of visitor parking, which equates to a cost of **£683,264**. We have therefore adopted this figure in our development viability appraisal. It should be noted that the requirement for visitor parking areas has reduced during discussions with the Applicant between **March 2022** and **September 2022**. This reduced cost should improve the viability of the scheme.

- **Additional foundation requirements for FOGs (Flats Over Garages) –** RLF's Cost Plan anticipates an additional requirement for foundations assuming that FOGs are provided in line with Rapleys' assumed development mix, at an additional cost of **£128,000**. We have therefore adopted this additional cost within our development viability appraisal.

- **Permeable paving finishes to the house building plots** – RLF's Cost Plan anticipates an additional cost of **£374,071** for the permeable paved finishes to the house building plots. We have therefore adopted this cost in our development viability appraisal.

- **Lifts to Apartment Blocks** – RLF's Cost Plan anticipates an additional cost of **£272,400** for lifts to the apartment buildings. It should be noted that the scope of lifts assumed in the respective Cost Plans has been considered by RLF and this cost has been removed in the 'Value Engineered' Cost Plan of the scheme (which is considered as part of our sensitivity testing).

- **Passive Ventilation (assumed to apply to 5% of all dwellings)** – RLF have calculated an additional cost of **£245,160** for passive ventilation which is assumed to be required for 5% of all residential dwellings. We understand from our discussions with CDC Planning Officers that the SPD states that homes should optimise the potential for solar energy gain and passive house techniques for ventilation and cooling. We understand that this has been raised with the Applicant by CDC Planning Officers as a potential cost that could be reduced (and hence RLF have removed this cost in their 'VE Scheme' in order to inform our sensitivity test later in this report).

- **Rainwater Harvesting and Grey Water** – RLF's Cost Plan identifies a cost of **£5,908,072** for rainwater harvesting and grey water. This is a significant cost in the development viability appraisal, and has been highlighted to CDC Planning Officers and the Applicant as a potential area where the assumed specification of the scheme could be reduced in order to enhance development viability. CDC Planning Officers have stated that whilst Climate Change mitigation is a key aspect along with reducing water efficiency to contribute to the sustainable use of water, the particular scheme proposed by the Applicant appears to add significant cost and hence a cheaper option should be explored. We have therefore considered removing this cost as part of our sensitivity testing, to assess the impact on viability.

- **Fruit Tree to be provided in each private garden** – a cost of **£101,923** has been identified by RLF. Although this is a relatively nominal amount when compared to some of the other costs in the wider appraisal, RLF have considered a scenario where this requirement is removed from the scheme (in order to seek to reduce costs and enhance the viability).

- **Extra Over costs assumed to achieve FHS 2025** – RLF's Cost Plan anticipates that a cost of **£9,791,082** will be required in order to meet the Future Home Standard (FHS) 2025. We understand that all of these requirements would also be required in order for the dwellings to achieve TZC status (albeit that CDC Planning Officers should confirm this with their sustainability consultants, BioRegional). The costs identified by RLF in order to achieve FSH 2025 equate to approximately £18,474.74 per dwelling. We have therefore assumed this figure within our development viability appraisal.

  It should be noted that the FHS 2025 is anticipated to be a requirement of Building Regulations by **2025**. It is therefore debatable whether these future increases in build costs (due to future Building Regulations) should be included in the viability appraisal model at this point in time (as viability appraisals are usually undertaken on a 'current cost' and 'current value' basis. We have incorporated these additional costs into our appraisal on the basis that regardless of the Building Regulations, adherence to the FHS 2025 and TZC will be a requirement of the outline planning application.

- **Extra Over Cost for True Zero Carbon (carbon offsetting)** - a further figure of **£543,600** is assumed in Rapleys' development viability appraisal for 'carbon offsetting' in addition to the assumed requirements of FHS 2025. **Paragraph 12.1** of Rapleys FVA states that: '*the applicant has instructed Stantec to calculate the carbon offset figures to get to the policy on TZC*'. The calculations contained in **Appendix 4** and at **Paragraphs 12.1 to 12.4** of Rapleys' report should therefore be reviewed and considered by CDC's sustainability advisors, BioRegional. We are not qualified to advise on whether the Applicant's calculation of this additional payment is appropriate. We have adopted the assumed payment of **£543,600** as a cost to the scheme in our development viability appraisal (although this may need to be updated subject to the outcome of BioRegional's advice and discussions with the Applicant on this issue).

- **Extra-Over Allowance for inflation to Q1 2022** – RLF's review of G&T's appraisal was undertaken in **Q4 2021** and but was based upon **Q3 2021** cost prices set out in G&T's Cost Plan. Given that discussions subsequently took place on the Cost Plan between RLF and G&T between **December 2021** and **February 2022**, and the wider inflationary pressures in the market (even prior to the war in Ukraine), RLF included an allowance for inflation within their **February 2022** Cost Plan to ensure that their overall cost position reflected **Q1 2022** prices.

  It was subsequently agreed with the Applicant and their advisors Rapleys that **Q1 2022** would be used as a 'base date' for the appraisal (in order to avoid constantly updating the cost and value inputs whilst the appraisal inputs were being negotiated).

  It should be noted that RLF's allowance for cost price inflation from **Q3 2021** to **Q1 2022** is significant (equating to **£3,000,000**). To ensure that values and costs were aligned as far as possible, we updated our **December 2021** sales values by an appropriate Land Registry index (which is set out in our initial draft appraisal results on the **23 March 2022**) when reporting our first draft viability position to CDC Planning Officers and the Applicant in **March 2022** (to ensure that both movements in both sales values and costs were reflected in our appraisal, as far as possible). We consider the impact of inflation in both costs and values since **Q1 2022** later on in this report.

- **Section 106 costs** - as set out above, Section 106 costs are assumed in line with **Section 3** of this report (which reflects the Applicant and Rapleys' estimate of the Section 106 costs that they anticipate, which was recently updated in their latest appraisals in **October/November 2022**). We understand that this is currently being reviewed by CDC Planning Officers.

- **Professional Fees** - both ourselves and Rapleys have proposed an allowance of 8% for professional fees in the viability appraisal. However, HLD's allowance was slightly lower than that adopted by Rapleys in monetary terms, and upon further investigation, this was due to Rapleys having applied professional fees to the 'contingency' as well as the cost items in their development viability appraisals. Whilst we do not normally adopt this approach, we have accepted it during our negotiations with Rapleys, on the basis that this was the approach that was adopted by Montague Evans in their viability studies which informed the Local Plan.

- **Disposal Fees** - the disposal fees have been the subject of discussions between the Applicant and HLD following the submission of our first draft viability analysis in **March 2022**.

  Rapleys have subsequently accepted that no allowance for affordable housing agency fees should be included in the development viability appraisal. We have however accepted a slightly higher allowance for marketing, agency and legal fees on the market dwellings of 3% (our previous assumption equating to approximately 2.85% of GDV). We have adopted this allowance on the basis that it falls in line with the range of marketing percentages that we usually experience. We also reviewed the viability study informing the Local Plan evidence base, in which the sales value allowance applied by Montague Evans was approximately 4% of GDV (which both Rapleys and ourselves believed to be excessive).

- **Affordable Legal Fee** - whilst we have queried (and Rapleys have accepted) the appropriateness of including an affordable housing agency fee, we have made an allowance for the sale of the affordable housing to a Registered Provider (RP) as a solicitor would still be required to draw up the legal documentation for these transactions. Our allowance equates to 0.35% of the GDV of the affordable housing (which falls within the range that we would anticipate).

- **Development Finance** - we had originally assumed an allowance of 6.5% on debt (with no allowance for a credit rate on positive cash-flow balances) as the cost of finance within our development appraisal (assuming that a house builder/developer can secure finance in the current economic climate).

  In contrast, Rapleys have allowed for a higher rate of 7% on debt, but also allowed for a credit rate on positive cash-flow balances in the appraisal of 0.25%.

  Finance costs have been discussed at length with Rapleys in between **March 2022** and **September 2022**, and both parties agreed to remove the credit interest rate from the appraisal and increase the debt finance rate to 6.75%. We have kept this debt finance rate the same as agreed with Rapleys in **August 2022**; however, it should be noted that given the recent BoE interest rate rises, there is significant uncertainty at the time of writing regarding the cost (and availability) of development finance in the market.

- **Developer's Return for Risk (i.e. Profit)** - we have adopted a set level of Developer's Return for Risk equating to 20% of the Gross Development Value (GDV) of the market housing and 6% for the affordable housing. This is in line with our experience for a scheme of this nature, and also is within the parameters set by the PPG. It is also in line with the approach adopted by Rapleys. This generates a 'blended' developer's return of approximately 17.24% of GDV in our baseline scenario).

Development Phasing

5.22 We undertook a detailed review of the phasing assumptions applied by Rapleys' development viability appraisal model to inform the draft appraisals we provided to CDC and the Applicant in **March 2022**. We made a range of adjustments to Rapleys' viability appraisal as set out in **Appendix**

4, which set these out to the Applicant (along with our rationale) in our detailed notes at that time in **March 2022**.

5.23 As highlighted in the previous section, development phasing has subsequently been debated during our discussions/negotiations with the Applicant between **March 2022** and **September 2022**. Whilst the areas of difference have narrowed, some key areas of difference remain (such as the need for a three-month additional lead in period during which procurement of infrastructure works will take place, according to the Applicant and their advisors, G&T).

5.24 In addition, the timing/profiling of infrastructure costs remains an area of difference (albeit that the evidence we provided to the Applicant in **August 2022** anticipates that our approach is more realistic, (and actually has a more negative impact on the cashflow than that adopted by Rapleys/G&T). To confirm, in our latest appraisals attached to this report, our phasing assumptions are as follows:

- **Lead in period** - we have assumed a lead in period of six months, assuming that planning permission is in place and that all planning conditions have been discharged. Previously, Rapleys have assumed significant lead in periods of several years (which they argued was required in order to submit reserved matters planning application(s)). Rapleys have however subsequently accepted in **July/August 2022** that the site should be appraised assuming that reserved matters approval is in place (and all planning conditions have been discharged).

- **Construction Period** - we have assumed a construction period equating to 93 months (which equates to the delivery of four dwellings per month for private market sale). This falls in line with our experience, and falls broadly in line with our previous assumptions and our subsequent discussions with Rapleys.

- **Lag between the start of the construction of dwellings and the first sale** - we had previously argued that the lag assumed by Rapleys of approximately six months was too long, and a lag of four months between the start of construction and the sale of the first dwelling was more appropriate. However, having reviewed this further with several house builders, and having considered the more 'bespoke' nature of the scheme (i.e. the additional requirements that the construction of each house will need to meet in order to achieve TZC), we have extended our 'lag' from the start of construction to the first sale from four to six months, so that it is in line with Rapleys' assumption.

- **Sales Period** - we have assumed that the sales of private market dwellings (both houses and apartments) will be broadly in line with construction period, at a rate of approximately four dwellings sold per month. This generates a sales period of 93 months.

- **Timing of Section 106 payments** - we have adopted the specific timing assumptions adopted by Rapleys in Appendix 5 of their FVA. However, these assumptions will need to be reviewed by CDC Planning Officers to ensure that they are appropriate. If the timing of payments is moved to earlier in the development scheme, this is likely to have a negative impact on viability. Conversely, if the timing of payments can be delayed to later on in the scheme, this is likely to have a positive impact on viability.

Benchmark Land Value (BLV)

5.25 As discussed in the previous section, the appropriate BLV to apply to the site has been the subject of significant discussion with the Applicants and their advisors, Rapleys. Our rationale and evidence for the BLV that we have adopted has been set out in this correspondence (as detailed in **Section 4** of this report). However, our approach to assessing the EUV is summarised again as follows:

Existing Use Value

5.26 We have assessed the Existing Use Value (EUV) of the land as agricultural use in line with the lower end of the range of Rapleys' FVA assessment at approximately £10,000 per gross acre. Given that there are approximately 59 acres (gross), this equates to an EUV of approximately **£590,000.**

5.27 This rate per acre falls just above the evidence on land values from the Farmers' Weekly and Savills' Research Report that we supplied to the Applicant and Rapleys on the **1 August 2022**, following the Viability Workshop and Conference Call with them (which is attached at **Appendix 9**).

Premium/Plus

5.28 The Planning Practice Guidance (PPG) requires the consideration of the appropriate 'premium/plus' in order to incentivise landowners to bring forward sites for development.

5.29 **Paragraph 016 Reference ID: 10-016-20190509** of the PPG states that the 'premium' or 'plus' should:

> *'provide a reasonable incentive for a land owner to bring forward land for development while allowing a sufficient contribution to fully comply with policy requirements.'*

5.30 **Paragraph 016** continues that:

'Plan makers should establish a reasonable premium to the landowner for the purpose of assessing the viability of their plan. This will be an iterative process informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration. Market evidence can include benchmark land values from other viability assessments. Land transactions can be used but only as a cross check to the other evidence. Any data used should reasonably identify any adjustments necessary to reflect the cost of policy compliance (including for affordable housing), or differences in the quality of land, site scale, market performance of different building use types and reasonable expectations of local landowners. Policy compliance means that the development complies fully with up to date plan policies including any policy requirements for contributions towards affordable housing requirements at the relevant levels set out in the plan. A decision maker can give appropriate weight to emerging policies. Local authorities can request data on the price paid for land (or the price expected to be paid through an option or promotion agreement)'.

5.31 **Paragraph: 013 Reference ID: 10-013-20190509** states:

'The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to fully comply with policy requirements. Landowners and site purchasers should consider policy requirements when agreeing land transactions. This approach is often called 'existing use value plus' (EUV+)'.

5.32 We have adopted a premium/plus of approximately 15 times of the EUV of £10,000 per acre, in order to incentivise the landowner to bring forward the site for development. This therefore equates to a premium/plus above the EUV of approximately **£8.26 million.**

5.33 The Applicant has argued that a higher multiplier should be applied, and has also referred us to the recent stakeholder consultation on the emerging Local Plan viability evidence base. In addition, they have sought to argue that the £10,000 per acre assumption should be increased (in order to inflate the underlying EUV). However, more recently, they have reduced their assessment of the BLV to **£10.14 million** (which reflects just over £170,000 per gross area). We set out our final response to these issues in our email of **2 September 2022** (which is attached at **Appendix 11**).

BLV

5.34 In light of the above, we have therefore adopted a BLV of **£8.85 million** within development viability appraisal analysis.

5.35 The next section sets out our findings of a viability analysis, along with the sensitivity testing that we have undertaken.

6. Findings

6.1 The following paragraphs set out the findings of our updated development viability appraisal and our sensitivity testing. Our updated development viability appraisal is based upon our first draft appraisal produced in **March 2022,** but updated to reflect the outcome of the discussions/negotiations that we have had with the Applicant and their advisors Rapleys between **March 2022** and **September 2022.**

6.2 To confirm, our baseline appraisal of the scheme anticipates the following:

- 30% Affordable Housing provision;
- An affordable housing tenure mix of 69% Affordable Rented and 31% Shared Ownership;
- The Section 106 contributions anticipated by the Applicant (and most recently updated in **October/November 2022**); and
- A True Zero Carbon (TZC) scheme - in line with the construction costs assessed by RLF.

6.3 This baseline scenario can be compared with **Scenario 3** of Rapleys' original **October 2021** appraisals in their FVA.

6.4 The findings of our development viability appraisal testing of our baseline appraisal are set out in **Table 6.1** below.

Table 6.1 – Findings

Scenario	Residual Land Value (RLV)	Benchmark Land Value	Viability Gap £
Baseline Scenario – HLD appraisal with 30% affordable housing (69% affordable rented, 31% shared ownership, TZC costs in line with RLF's Cost Plan; and Section 106 obligations in line with that assessed by the Applicant of **£18,758,233**).	£2,496,302 (say £2.5 Million)	£8.85 million	£6.35 million

Source: HLD Viability Analysis (November 2022))

6.5 Our updated development appraisal demonstrates that the RLV produced by the baseline scheme is approximately **£2.5 million.** Therefore, whilst the RLV of the scheme is positive, the appraisal does not generate a RLV which is higher than the BLV of **£8.85 million** and hence, there is a viability gap of approximately **£6.35 million** based upon the assumptions adopted in our baseline scenario that would need to be met in order for the scheme to be viable.

6.6 A copy of our development viability appraisal for the baseline scenario is attached at **Appendix 14.**

Sensitivity Testing

6.7 In light of the above, we have undertaken a range of sensitivity testing of our baseline appraisal, to assess the impact of key variables on development viability. These are as follows:

- **Cost/value sensitivity testing** - we undertake a sensitivity test on the baseline appraisal to assess the impact of movements in both costs and values of both plus and minus 10%;
- **Sensitivity Test of RLF's 'Value Engineered' Scheme** - given the significant cost identified by RLF of **£5,908,072** for rainwater harvesting and grey water, in consultation with CDC Planning Officers, we have sensitivity testing the impact of removing this cost from the development appraisal (i.e. assuming that this would not be required to be provided as part of the scheme, in order to improve development viability). This also includes further more modest cost reductions in order to assist development viability, such as removing the requirement to provide fruit trees, passive ventilation to 5% of dwellings, and lifts to the apartments.
- **The Scheme (I.e. Development Mix and Sizes of Dwellings)** - given our concerns regarding the scheme that Rapleys' viability appraisal is based upon (and in particular, the small size of some of the houses that have been assumed by the Applicant's architect, Mosaic and viability tested by Rapleys), we have undertaken a strategic sensitivity test of delivering slightly larger market dwellings and including some five bedroom houses within the scheme, to assess the potential impact on development viability. This is a strategic sensitivity test in the absence of a detailed master plan having been prepared for the site at this outline planning application stage;
- **Update of Market Conditions** - given that the RLF's Cost Plan is based on **Q1 2022** costs, and that sales values in our baseline appraisal are based upon **Q1 2022** values, we have undertaken a sensitivity test to assess the impact of updating both costs and values in our appraisal to the current day (i.e. **November 2022**) to assess the impact on viability.

6.8 The following paragraphs provide the results of each of our sensitivity tests.

Costs and Values

6.9 Our first sensitivity test assesses the impacts of increases and decreases in the costs and values set out in the baseline appraisal.

6.10 This demonstrates that at least a 5% increase in sales values would be required in order for the BLV to increase to a level more in line with the BLV, or alternatively, a fall in construction costs of over 10% would be required in order for the RLV to increase to be broadly in line with the BLV of **£8.85 million.**

6.11 We have attached this sensitivity test at **Appendix 15.**

Sensitivity Test of RLF's VE Scheme

6.12 In this sensitivity test, we have removed the **£5,908,072** cost for rainwater harvesting and greywater in the scheme, and the other more modest costs removed in RLF's 'VE' Scheme removed (such as the lifts within the apartments blocks; the fruit trees to each private garden, and the assumption that passive ventilation will be required to 5% of the dwellings), in order to assess the impact on viability of removing these requirements from the scheme.

6.13 In this scenario, the RLV increases to approximately **£7.89 million**, which is approximately £1 million below the BLV of **£8.85 million.** A copy of this sensitivity test is attached at **Appendix 16.**

6.14 Therefore, this sensitivity test demonstrates that, based upon our baseline scenario with 30% affordable housing (69% of which is delivered as Affordable Rented and 31% Shared Ownership), this would improve the viability of this scheme significantly (given that the cost of construction has reduced) and would almost close the project gap identified in our baseline viability appraisal.

6.15 This indicates that with a few further adjustments to the above scenario (perhaps to the Section 106 costs or the inclusion of First Homes etc.), the scheme could continue to deliver a TZC scheme and 30% affordable housing provision.

Sensitivity Test of Updated Market Conditions

6.16 As set out above, our baseline scenario (and hence the above sensitivity tests) are based upon **Q1 2022** values and costs. This sensitivity tests therefore updates both the cost and the values in the appraisal to assess whether there is an impact on the viability gap, based on the most recent market conditions.

6.17 RLF have advised that their estimate of inflation from **Q3 2021** prices to **Q4 2022** is 9.44%, and hence the figure for inflation set out in their latest Cost Plan would revise from £3 million up to £9.60 million. Our sensitivity test appraisal therefore updates the allowance for inflation of £3 million in the baseline appraisal to £9.6 million (in order to bring the costs up to current day prices), in accordance with RLF's advice.

6.18 In contrast, UK Land Registry data suggests that since our appraisals were undertaken in **March 2022**, house prices in Cherwell District have increased by approximately 2.27%. We have therefore updated our appraisal to reflect this anticipated movement in the sales prices over the period.

6.19 It should be noted that this level of growth since **March 2022** appears to be lower than the wider South-East District or United Kingdom, with figures for the latter being approximately 6.69% and 6.60% respectively. If these higher inflation figures were applied in our sensitivity test, this would improve development viability. Our recent discussions with house-builders in Bicester also indicate that there has been significant price increases at a more local level in Bicester during **2022.**

6.20 Our appraisal indicates that if sales value inflation of 2.27% is assumed in the development viability appraisal, a RLV of approximately **-£540,000** is produced. However, if a higher level of sales value inflation of 6.69% is assumed, this generates a higher RLV of approximately **£3.85 million** when this inflation sensitivity test is undertaken.

6.21 Given that the RLV produced by the figures as at **Q1 2022** falls broadly within the middle of the outcome of these two strategic sensitivity tests, we have continued to adopt **Q1 2022** prices to inform our viability analysis of the scheme.

Impact of Adjusted Dwelling Sizes to Assess the GDV

6.22 The final sensitivity test that we have undertaken considers the scheme proposed by the Applicant's architects Mosaic that has informed Rapleys' viability testing, but updates some of the dwelling sizes (particularly where we believe dwelling sizes are smaller than would typically be delivered in the market). It also includes five-bedroom houses, to assess the impact on underlying development viability.

6.23 Our sensitivity test indicates that the RLV of the scheme, based upon our strategic assumptions as to how the scheme could change, increases from **£2.5 million** to **£4.41 million**. This demonstrates that if a more optimum scheme could be brought forward at the Reserved Matters stage, this is likely to have a positive impact on the viability of the scheme.

6.24 This therefore also suggests that a review of the viability appraisal should be undertaken on each and every reserved matters stage (as has been offered in our discussions with the Applicant during

July and **August 2022**), to ensure that the impact of the detailed reserved matters scheme on viability is properly understood (i.e. any enhanced scheme is captured within the viability analysis).

6.25 A copy of our assumptions regarding our strategic changes to the development mix and dwellings sizes, along with our sensitivity test appraisal, are attached at **Appendix 17**. To confirm, this is a strategic sensitivity test and we have not updated any of the cost assumptions (such as the number and cost of garages etc.) at this stage.

6.26 The final section provides a non-technical summary, as required by the RICS Professional Statement.

7. Non-Technical Summary

7.1 HLD has been instructed by Cherwell District Council (CDC), to undertake a review of the financial viability assessment (FVA) produced by Rapleys in **October 2021** on behalf of the Applicant, Firethorn, in respect of land at Home Farm, Lower Farm and SGR2, Caversfield, Oxfordshire OX27 8AN, which falls within the wider residential allocation known as North West Bicester Eco-town.

7.2 Our review has concentrated on the FVA produced by Rapleys in **October 2021**, and also the review of costs that has been prepared by Gardiner & Theobald (G&T) which has been undertaken by CDC's quantity surveyors, RLF.

7.3 Following discussions between RLF and G&T regarding the costs between **November 2021** and **February 2022**, and the submission of RLF's initial Cost Plan in **February 2022**, a first draft of our development viability analysis was provided to CDC Planning Officers (and subsequently the Applicant and their advisors Rapleys) in **March 2022**. This set out a range of observations, clarifications, and areas of difference based upon our initial review of the viability evidence for the Applicant's consideration/comment.

7.4 There were then extensive discussions (as summarised in **Section 4** of this report) with the Applicant and their advisors to interrogate the additional costs that the Applicant anticipates will be required (given the site's designation as an Eco-town), and also exploring the areas of differences between Rapleys and HLD's appraisals, to see whether agreement could be reached, where possible. This process began in **March 2022** and ended in **September 2022.**

7.5 The viability analysis included in this report therefore takes on board these discussions/negotiations and the evidence exchanged, and updates HLD's **March 2022** viability appraisal analysis. It should be noted that during the course of these negotiations, there has been significant inflation both in terms of costs and sales values. To ease the negotiations, both parties agreed that the baseline appraisals should be set based on cost and values as at **Q1 2022**; and that following the outcome of negotiations, the appraisals would then be sensitivity tested/updated to reflect updated market conditions.

7.6 We have updated our viability analysis and undertaken a range of sensitivity testing as appropriate, in line with the both the Planning Practice Guidance (PPG) and also the relevant RICS guidance.

7.7 Our baseline appraisal of the scheme assumes 30% affordable housing provision (of which approximately 69% is Affordable Rented and 31% is Shared Ownership). It also assumes that a True Zero Carbon (TZC) scheme is delivered (in line with the construction costs assessed by RLF Quantity Surveyors), and planning obligations (i.e. Section 106 costs) in line with those assumed by the Applicant equating to approximately **£18.76 million**. At the time of writing, discussions regarding the Applicant's interpretation of the requirements of TZC remain ongoing; however, RLF and HLD, in consultation with CDC Planning Officers, have highlighted a range of areas where requirements could be reduced or 'flexed' in order to improve the viability of the scheme. The most significant area we have identified is the Applicant's assumed costs for rainwater/grey water harvesting which, based upon RLF's Cost Plan figures, equates to almost **£6 million** which we believe could be removed from the scheme (whilst still meeting the requirements of TZC), in order to improve development viability. However, this will need to be confirmed by CDC Planning Officers and their sustainability advisors, BioRegional.

7.8 Our **March 2022** appraisals anticipated that a policy compliant scheme would generate a viability gap, and hence either affordable housing and/or some of the requirements of the scheme may need to be 'flexed' in order to ensure that the scheme is viable. Our updated viability appraisals re-confirm this position. Our baseline development appraisal generates a Residual Land Value (RLV) of approximately **£2.50 million**. As our Benchmark Land Values (BLV) is **£8.85 million**, this generates a project 'viability gap' of approximately **£6.35 million**, as set out in **Table 7.1** below.

Table 7.1 – Findings

Scenario	Residual Land Value (RLV)	Benchmark Land Value	Viability Gap (£)
Baseline Scenario – HLD appraisal with 30% affordable housing (69% affordable rented, 31% shared ownership, TZC costs in line with RLF's Cost Plan; and Section 106 obligations in line with that assessed by the Applicant of **£18,758,233**).	£2,496,302 (say £2.5 Million)	£8.85 million	£6.35 million

Source: HLD Viability Analysis (November 2022)

7.9 We have then considered how this project viability gap might be addressed, in order to assist CDC Planning Officers' consideration of the requirements of the scheme, and what requirements may need to be 'flexed' in order to ensure that the scheme is viable. Our appraisal analysis suggests that if the affordable housing tenure of 69% Affordable Rented and 31% Social Rented is acceptable to CDC, by considering RLF's 'Value-Engineered' (VE) scheme where the requirement to deliver Rainwater Harvesting/grey water at the site is removed, along with a few more modest cost requirements, this would significantly increase the RLV to a level more in line with the BLV, with only limited further 'flex' in policy requirements potentially being required to close the remaining gap (perhaps by including First Homes within the affordable mix, and/or making further adjustments to the Section 106 contributions). This will need to be considered further by CDC Planning Officers and discussed with the Applicant.

7.10 Moving forward, CDC Planning Officers will need to confirm whether the Section 106 requests that the Applicant's advisors Rapleys have incorporated into their development appraisal are appropriate, and the timing of Section 106 obligations. We have assumed Section 106 contributions broadly in line with the Applicants in our development viability appraisal analysis. In addition, advice from CDC's sustainability advisors, BioRegional, may identify further issues with the Applicant's interpretation of FHS 2025 standards/the requirements to achieve a TZC scheme, or areas where the requirements of the scheme assumed by the Applicant can be reduced. All of these are likely to have an impact on viability.

7.11 Finally, we have set out a range of reservations about the scheme that the Applicant has assumed at this outline planning application stage to inform the viability appraisals. Our sensitivity testing indicates that it is possible that an enhanced scheme could be brought forward which could improve development viability at the Reserved Matters stage (from that which informs the current viability position). The Applicant has indicated that they are willing to enter into an affordable housing 'review mechanism' prior to both the commencement of development and during the life of the scheme (should a policy compliant position not be agreed). Securing such a review mechanism, as offered by the Applicant in our discussions with them, is crucial in our view, as such a review mechanism would capture any improvement in value generated if a more optimum scheme is brought forward at the reserved matters stage.

Finalised and issued by:

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