

Cherwell

DISTRICT COUNCIL
NORTH OXFORDSHIRE

CHERWELL DISTRICT COUNCIL: LOCAL PLAN PARTIAL REVIEW – VIABILITY ASSESSMENT

 **MONTAGU
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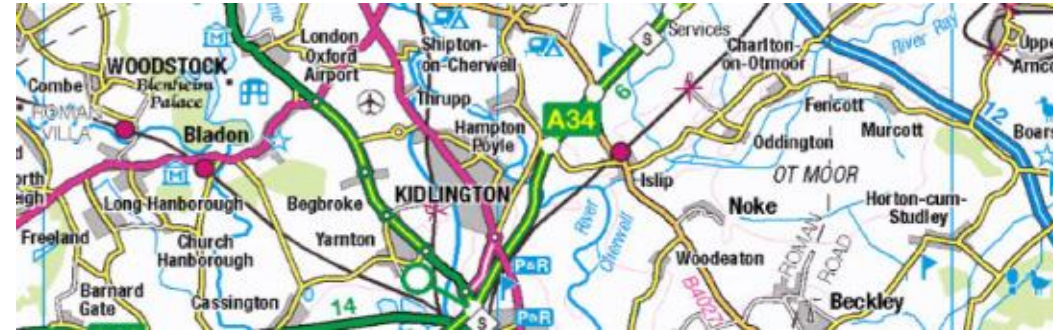
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1. INTRODUCTION

Montagu Evans LLP has been commissioned by Cherwell District Council to provide an assessment of the authority's emerging Local Plan Partial Review (LPPR). The review is undertaken to meet the requirements of the National Planning Policy Framework ("NPPF"), and provides a strategic review of the likely viability and deliverability of the key additional sites to be included as part of the LPPR. These additional sites reflect the requirement for Cherwell District to meet some of the unmet need from Oxford City.

The key focus of the study is to consider matters of delivery and viability in relation to seven residential led sites. A market overview is provided, together with consideration of plan policies which may have a cumulative effect on viability and delivery. The work also reflects some key policies of Oxford City, given that the housing would meet need from this neighbouring authority. A series of high-level viability assessments are undertaken, together with wider qualitative commentary on the Local Plan Partial Review sites. The assessment provides the Council with views on the overall robustness of including these sites in the revised local plan and having regard to its overall delivery.

It should be noted that the viability testing undertaken is set at a high level, given the strategic nature of the exercise. In doing so, it is also recognised that the plan will be delivered over a longer timescale, and variations in the property market and scheme proposals will occur over this time.

In order to meet the aims of this Local Plan review, the following key tasks have been undertaken:

- Review of the Local Plan context.
- An overview of national planning policy and the context for undertaking the study.
- Examination of the cumulative impact of planning policy on viability and delivery issues, as adopted in Cherwell's Local Plan, with reference also made to a number of key Oxford City planning policies.
- An overview of Cherwell's property market with particular reference to the residential market.
- Viability assessment of allocated sites contained within the LPPR.
- Broad consideration of wider delivery issues.
- Conclusions on the assessment undertaken.

The report is structured as follows:

- **Section 2 – Context**
- **Section 3 – Property Market Overview**
- **Section 4 – Cumulative Impact of Local Plan Policies**
- **Section 5 – Viability Testing of the Local Plan**
- **Section 6 – Wider Delivery Matters**
- **Section 7 – Conclusions**

2. CONTEXT

THE NATIONAL PLANNING POLICY FRAMEWORK (NPPF)

The National Planning Policy Framework (NPPF) was published in March 2012. The NPPF sets out the government's planning policies for England and how these are expected to be applied.

At the heart of NPPF, is that the purpose of planning is to help to achieve sustainable development. The NPPF must be taken into account in the preparation of Local Plans and is a material consideration in planning decisions. In delivering sustainable development the NPPF is clear that investment in business should not be over burdened by the combined requirements of planning policy expectations. Planning policies should however recognise, seek and address potential barriers to investment through the preparation of Local Plans. This should be to set out a clear economic vision and strategy for the area. In doing so, authorities should set criteria or identify strategic sites to match their strategy and meet needs over the plan period.

NPPF AND HOUSING

The delivery of housing is given significant prominence in NPPF. Local planning authorities need to identify and update annually a supply of specific deliverable sites of enough quantity to provide five years' worth of housing requirements. Local Plans should also meet objectively assessed needs, with sufficient flexibility to adapt to rapid change.

An additional buffer of 5% should also be added to ensure choice and competition. Where under delivery of housing has been a persistent characteristic of the area, then the local authority should increase this buffer to 20%. Beyond the first five years, local authorities also need to identify a supply of specific and deliverable sites in broad locations for growth for years 6-10 and, where possible, for years 11-15.

NPPF: VIABILITY AND DELIVERY

NPPF places considerable weight on plans being viable and deliverable, and notes that careful attention needs to be made to viability and costs in plan making and decision taking. Plans should be deliverable. Viability is determined, in broad terms, through:

"The costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing landowner and willing developer to enable the development to be deliverable." (Page 41)

The footnotes of NPPF (page 12) clarify the definition of a deliverable and developable site:

"to be considered deliverable, sites should be available now, offer a suitable location for development now, and be achievable with a realistic prospect that housing will be delivered on site within five years and in particular that development of the site is viable. Sites with planning permission should be considered deliverable until permission expires, unless there is clear evidence that schemes will not be implemented within five years.

To be considered developable, sites should be in a suitable location for housing development and there should be reasonable prospect that the site is available and could be viably developed at the point envisaged."

NPPF also requires local planning authorities to consider the likely cumulative impacts on development in the area of existing and proposed local standards, supplementary planning documents and policies that support their development plans. Crucially, the cumulative impact of these standards and policies should not put delivery of the local plan at serious risk.

This all focuses on ensuring local authorities submit plans which are considered to be sound. NPPF refers to 'soundness' as:

- Positively prepared
- Justified
- Effective
- Consistent with national policy

The effectiveness of the local plan relates to it being deliverable over its period. The guidance set out in NPPF sets the focus for the preparation of LPPR and the context for the assessment of the document undertaken here.

2. CONTEXT

NATIONAL PLANNING PRACTICE GUIDANCE (2014)

The National Planning Practice Guidance (NPPG) clearly states that understanding Local Plan viability is critical to the overall assessment of deliverability. Local Plans should present visions for an area. This should be in the context of understanding of local economic conditions and market realities. It not should not however undermine ambition for high quality design and wider social and environmental benefit, and such ambition should be tested against likelihood of delivery.

NPPG also states:

“The National Planning Policy Framework policy on viability applies also to decision-taking. Decision taking on individual schemes does not normally require an assessment of viability. However viability can be important where planning obligations or other costs are being introduced. In these cases decisions must be underpinned by an understanding of viability, ensuring realistic decisions are made to support development and promote economic growth. Where the viability of a development is in question, local planning authorities should look to be flexible in applying policy requirements wherever possible”. (Para: 001 ID: 10-001-20140306)

NPPG is also clear that there is “no standard answer to questions of viability, nor is there a single approach for assessing viability”. (Para: 003 ID: 10-003-20140306)

SUSTAINABLE HOMES

Although the Code for Sustainable Homes no longer applies there is a continued emphasis on housebuilders to provide sustainable construction solutions, and it remains an important consideration. Sustainability is a feature of a number of Cherwell’s Local Plan Policies.

DEVELOPMENT IN THE GREEN BELT

In February 2017 the Government issued a Housing White Paper. It is designed to address the market’s failure to deliver the numbers of affordable homes needed. There are a number of key messages within the White Paper, including:

- The need for more land for homes where people want to live.
- Authorities to have up-to-date plans in place.
- Ensuring that homes are built quickly once planning permissions are granted.
- Diversify the housing market, opening it up to smaller builders and those who embrace innovative and efficient methods.
- Encourage housing associations and local authorities to build more.
- Work to attract new investors into residential.

Considerable reference in the White Paper is also made to the Green Belt. The White Paper reaffirms the intention to maintain existing strong protections for the Green Belt, and that Green Belt boundaries should be amended only in exceptional circumstances. Local authorities would need to demonstrate that they have fully examined all other reasonable options for meeting their identified housing requirements.

Where land is removed from the Green Belt, local policies should require the impact to be offset by compensatory improvements to the environmental quality or accessibility of remaining Green Belt land. The White Paper also states that it will explore whether higher contributions can be collected from development as a consequence of land being released from the Green Belt.

Examples of Green Belt improvements cited in the White Paper include community forests, nature reserves or allotments. There is also reference to improving arrangements for capturing uplifts in land value for community benefit, and exploring whether higher contributions can be collected from development as a consequence of land being released from the Green Belt.

These proposals concerning Green Belt land could have implications for the LP1 PR. All (save one) of the proposed sites which are the focus of this report are within the Green Belt. This report therefore examines the White Paper’s approach to Green Belt compensatory improvements.

2. CONTEXT

CHERWELL DISTRICT LOCAL PLAN

Cherwell District's Local Plan Part 1 (LP1) was adopted in 2015. The development strategy set out in this Local Plan focusses the majority of growth in and around Bicester and Banbury, with growth being somewhat more limited in rural areas.

Since the LP1 was adopted, work has been progressing in relation to a partial review. This partial review is necessary in order to accommodate some of Oxford City's unmet housing need. The Council is committed to seeking to address the unmet housing needs arising in the Oxfordshire Housing Market Area, particularly Oxford City (paragraph B.95 Local Plan Part 1).

The Oxfordshire local authorities - including the County Council – have been working together through the Oxfordshire Growth Board to identify the distribution of unmet housing needs across Oxfordshire. The Board decided in September 2016 the following apportionment of additional homes across the area.

District	Apportionment No. of Homes (net)
Cherwell	4,400
Oxford	550
South Oxfordshire	4,950
Vale of the White Horse	2,200
West Oxfordshire	2,750
Total	14,850

The Local Plan Part 1 Partial Review (LPPR) addressing Oxford's unmet housing need within Cherwell will form part of the statutory Development Plan for the District.

It is also worth noting that since the Cherwell LP1 was adopted, there has been a very substantial uplift in housing delivery in the District. This is commented on further below, but signals that there is strong demand for housing in the area.

To meet the allocation of additional homes in Cherwell arising from Oxford City a number of sites have been identified which are anticipated will have the potential to accommodate this need. As per the table above, these sites total an additional 4,400 units which would be delivered over the plan period to 2031.

Cherwell Local Plan Partial Review – Proposed Additional Housing Sites

Site	LP1 PR Policy	Housing Units
Land East of Oxford Road	PR6a	650
Land West of Oxford Road	PR6b	530
Land South East of Kidlington	PR7a	230
Land at Stratfield Farm	PR7b	100
Land East of the A44	PR8	1950
Land West of Yarnton	PR9	530
Land South East of Woodstock	PR10	410

2. CONTEXT

AFFORDABLE HOUSING AND HOUSING MIX

LP1 PR is a focused plan proposing a number of development sites addressing Cherwell’s apportionment of Oxford’s unmet housing need. The Oxford Local Plan, its housing strategy and Oxfordshire’s SHMA (2014) describe the city’s housing need.

Affordable housing mix (SHMA 2014 Paragraph 7.29):

- 1-bed properties: 25%-30%
- 2-bed properties: 30%-35%
- 3-bed properties: 30%-35%
- 4-bed properties: 5%-10%

Market housing mix (SHMA 2014 Paragraph 7.34):

- 5% 1-bed properties
- 25% 2-bed properties
- 45% 3-bed properties
- 25% 4+ bed properties

It is expected that the mix of housing will be negotiated and agreed with Cherwell District and Oxford City Councils having regard to the most up to date evidence on housing need and available evidence from developers on local market conditions.

In terms of affordable housing, all development sites are strategic, qualify for affordable housing provision and expected to provide:

- 80% of the affordable rent/social rented dwellings and 20% as other forms of intermediate affordable homes.
- An opportunity for community self-build or self-finish housing to be agreed with Cherwell District and Oxford City Council.

For the purposes of the viability testing in this report, the overall housing mix set out in the table below is used as a basis for the viability work, reflecting the SHMA findings.

	1-bed	2-bed	3-bed	4-bed
Market	5%	25%	45%	25%
Affordable	25%-30%	30%-35%	30%-35%	5%-10%
All Dwellings	15%	30%	40%	15%

Oxfordshire SHMA Table 67: Mix of Homes, HMA Level

Although the SHMA provides guidance on housing mix, it should be recognised that each site would not be expected to slavishly adhere to this range – it would likely depend on the site characteristics, location and market demand factors – as well as any future negotiations with the Council’s planning department.

WIDER INFRASTRUCTURE

In addition to considerations regarding release of Green Belt land set out in the Housing White Paper, February 2017, the sites themselves which are the focus of this viability review provide for significant housing and therefore population growth.

Inevitably, an increasing population will place greater pressure on the District’s infrastructure. Development will need to be supported by the delivery of new infrastructure – schools, doctors, community facilities – irrespective of a need to provide compensatory improvements to the environment quality or accessibility of remaining Green Belt land.

2. CONTEXT

LOCAL PLAN VIABILITY TESTING – GUIDANCE

In 2012 the Local Housing Delivery Group issued guidance entitled 'Viability Testing Local Plans – Advice for Planning Practitioners (June 2012)'. Although only guidance, the document advocates the use of a Residual Land Value method to assess viability for planning purposes. This guidance advocates a method whereby the total value of the completed development, less all development costs and a profit margin, provides a Residual Land Value (RLV - i.e. what money is available to pay for the land). This is illustrated in the adjacent diagram.

If development is to come forward, then the Residual Land Value needs to be higher than a Threshold Land Value. The Threshold Land Value is a benchmark value to compare against the Residual Land Value generated. This Threshold Land Value, as described in the 'Viability Testing Local Plan' guidance is referred to as a premium over current use values and credible alternative use values (noting various exceptions). Alternatives to current use value are most likely to be relevant where there is competition for land among a range of alternative uses, such as in town centres.

The Threshold Land Value assumes that there must be an incentive for a landowner to sell his land for alternative development. This reflects the view that a landowner is unlikely to sell if his return is equal to or less than the Threshold Land Value (potentially plus premium), as he would not be sufficiently incentivised to sell (nor be adequately compensated for the risk and other taxation measures which could impact on the financial return they would receive).

RESIDUAL LAND VALUE: SUMMARY DIAGRAM

$$RLV = GDV - GDC$$

	Gross Development Value: GDV (sales prices / values) less
	Gross Development Costs: GDC (construction costs, fees, finance, etc. including developers profit) equals
	Residual Land Value: RLV

Separate guidance has been prepared by the RICS – 'Financial Viability in Planning (2012)'. There is a difference in the approach to testing viability compared with the 'Viability Testing Local Plans' guidance. The benchmark proposed for use in the RICS guidance is referred to as Site Value. Site Value is based on market value which is then risk adjusted. Site Value will therefore be normally lower than market value itself.

There is however no clear guidance on what degree of risk adjustment should be made to the market value (and indeed even substantiating market value can be challenging itself). Thus, some degree of judgement is needed to apply a discount to the Market Value to reflect risk. Site Value is defined so that it would normally be less than current market prices for development land for which planning permission has been secured and planning obligation requirements are known.

While the RICS guidance advocates the use of Site Value, it acknowledges that regard also needs to be had to current use value, alternative use value, as well as market/transactional evidence. Indeed, the RICS guidance also acknowledges that adopting a market value approach to testing viability may not always be appropriate and that there are limitations to this approach, and notes too that other benchmarks might be used. Perhaps most critically the 'Viability Testing Local Plans' guidance indicates that the Threshold Land Value needs to have regard to future plan policy requirements which will have an impact on land values and land owner expectations.

2. CONTEXT

VIABILITY BENCHMARKS IN PRACTICE

Many housing deals for large sites are based upon offers to landowners which bid for a future land payment calculation which is on a gross land basis, particularly for larger strategic sites. From this, the costs of planning obligations (including affordable housing) and significant site abnormal and other cost matters are deducted from a headline price.

In the Cherwell Local Plan Viability 2013 and Update 2014 an approach to benchmarks was to use a range of 10-20 times agricultural value for greenfield sites (based on draft report called the HCA Area Wide Viability Model 2010), and deemed an acceptable minimum price per hectare. Agricultural land is valued at around £25,000 per hectare in Q1 2017 (RICS: Rural Market Survey).

Thus applying a multiplier of 10-20 then the Threshold Land Value would be £250,000 - £500,000 per hectare gross for land which is subject to be part of the core development. So long as the Residual Land Value does not fall below this minimum Threshold Land Value, then there is still sufficient incentive for a landowner to sell his land for development and the scheme can be considered viable. Clearly, the eventual price paid for land may vary upon the various development factors and costs which are involved with individual sites. There is therefore no exact figure which can be applied to all sites, given that each site is individual and has its own characteristics, opportunities and constraints.

It is also interesting to note that we are aware that a typical 'base' land value included in purchase agreements for larger residential sites is £100,000 per acre gross, equating to c.£250,000 per hectare gross. This ties in strongly with the lower end of the land price ranges indicated by the HCA spectrum of 10-20 times the original value of £25,000 per hectare.

A somewhat unusual nuance to this approach in the circumstances being considered by this report is that additional compensatory land may also be part of a package – with this land being compensation for the loss of Green Belt land for housing. The intention for this compensatory land is not though for it to be redeveloped, with the anticipation that it would largely remain in the Green Belt in its agricultural or open space use. Thus applying such a high benchmark land value to this compensatory land – as compared to the core development area – may not be a realistic assumption.

3. PROPERTY MARKET OVERVIEW

INTRODUCTION

This section provides an overview of Cherwell District’s property market and in particular the local housing market. It draws on recent information prepared to inform Cherwell’s Housing and Employment Land Availability (HEELA) 2017 as well as other up to date information, as relevant to the study.

CONTEXT

Cherwell District lies in North Oxfordshire and covers some 590 sq km. The main settlements are Banbury, Bicester and Kidlington, with its rural landscape the location of numerous smaller settlements and villages. The population is estimated at 145,550 (Mid Year Statistics, 2015). The population is also expected to grow very significantly - by 13.9% between 2014 – 2026 (OCC - Population Forecasts, May 2015).

Oxford lies just beyond the District’s southern boundary. Oxford is considered to have a significant influence on southern Cherwell – not least through overspill demand for housing, given the highly constrained nature of the city. Other major centres also lie close to the District – Northampton, Milton Keynes and Aylesbury for example.

The District itself lies more or less equidistant between Birmingham and London. One of the most important parts of Cherwell’s infrastructure is the M40, threading north south through the District. Access from the motorway is readily gained at Banbury, Bicester and Kidlington (via the A34).

The District is also well served by good rail connections with links to Oxford, Reading, South East, Midlands and the cross country services to the North. A new Oxford Parkway railway station has been constructed in Cherwell between Kidlington

and the northern edge of Oxford. It links Oxford to London Marylebone and forms part of the first phase of East-West Rail connecting Oxford to Bicester and, in time, Milton Keynes and Cambridge.

THE UK ECONOMY

The UK economy has performed well in recent years. Despite this, the referendum decision for the UK to leave the European Union has led many commentators to point toward the prospect of a period of greater political and economic uncertainty. However, according to the ONS there has been little hard statistical evidence of a negative impact of the Brexit vote on the UK economy to date. Recent key economic indicators include:

- Economic growth of 0.7% in Q4 2016 and 0.2% in Q1 2017. The Bank of England (BoE) has recently upgraded its growth forecast for 2017 and is now projected to be 2.0% (BoE).
- As at January 2017, the UK jobless rate was around 4.7%: the lowest since 1975.
- The annual rate of inflation (CPI) has risen recently (to 2.3% in April 2017) largely due to rising prices of imported food and fuel.
- Interest rates remain at historically low levels. They were reduced to 0.25% in August 2016.

While inevitably there are some concerns regarding the longer term impact of leaving the European Union on the economy (potentially inflationary), presently the economic and market signals remain strong for the UK.



3. PROPERTY MARKET OVERVIEW

Housing Market - A UK Perspective

The annualised rate of house price growth in the UK has remained fairly stable at the start of 2017 at 4.3% (Source: Nationwide 2017). Over the mid term, the pace of house price growth has remained within the range of 3% to 6% - a rate that has prevailed since early 2015, and is substantially above the rate of inflation. Although there are now some signs of slowing house price increases, overall this continued house price growth bodes well for sustaining housing market activity. Generally too, the shortage of homes coming on to the market will also provide underlying support for higher prices.



House Price Change (Source: Nationwide 2017)

The number of mortgages approved for house purchases has remained relatively stable too, from 119,574 in August 2015 compared to 117,443 in August 2016 (Source: Building Societies Association). This consistent trend points toward a healthy and positive housing market.

Cherwell’s Housing Market

The Oxfordshire Strategic Market Housing Assessment 2014 (SHMA) assessed housing need across local authorities in Oxfordshire. For Cherwell, the SHMA states (para. 9.58):

“For Cherwell District the evidence indicates a need for 1,142 dwellings per annum (2011-31) to support the Strategic Economic Plan. This is based on supporting Committed Economic Growth...”

Cherwell’s adopted Local Plan Part 1 (2015) reflects this need, with an average target completion rate of 1,142 houses per annum for the area.

In the last few years housing delivery (or completion) rates have increased significantly in the District. In Cherwell they have increased from around 350 units per annum in 2011/2012 to 1,425 units in 2015/2016 – a 300% increase. This is the highest recorded completion figure for Cherwell.

Of these units, 353 (25%) were at Banbury, 367 (26%) at Bicester and 705 (49%) in the rural areas including Kidlington (AMR, 2016). It is clear that there is strong demand for new homes across the District, including the Kidlington area.

Between 2011 and 2016, 41% of new dwellings were delivered on previously developed land in the District. The reuse of previously developed land and the scale of existing residential planning permissions are again encouraging local housing market signals.

3. PROPERTY MARKET OVERVIEW

Housing Completion (net) 2011 – 2016 (Source Cherwell AMR – 2016)

	Banbury	Bicester	Elsewhere	District			
	Total	Total	Total	GF	PDL	Total	PDL%
2011/2012	136	66	154	192	164	356	46%
2012/2013	42	130	168	170	170	340	50%
2013/2014	34	170	206	268	142	410	35%
2014/2015	328	223	395	534	412	946	44%
2015/2016	353	367	705	880	545	1425	38%
Totals	893	956	1628	2044	1433	3477	41%

The Housing Delivery Monitor (Appendix 2, Cherwell AMR 2016) also illustrates a strong pipeline of projected completions to 2031 in the District. This points to a continuing positive delivery rate, given sites are in many cases already identified and considered developable.

Cherwell's House Prices and Sub Markets

As at July 2016 the average house price in the Cherwell District was £292,521, up 8.3% from the previous year (Land Registry 2016). This is above the UK average, again demonstrating the comparative strength and attractiveness of the District's housing market at this time. There are price variations evident in Cherwell. Kidlington and rural areas (based on selected postcodes) are capable of achieving considerably higher values in comparison to Banbury and Bicester.

Location	Current Average Value	Average Price Paid	Annual % Increase
Banbury	£331,158	£295,284	5.26%
Bicester	£363,615	£327,058	4.28%
Kidlington	£409,768	£399,834	6.27%
Rural North East Cherwell (OX17)	£426,641	£383,502	4.17%
Rural North West Cherwell (OX15)	£462,251	£380,552	3.84%
Rural Central Cherwell (OX25)	£478,215	£394,641	4.82%
Rural Central Cherwell (OX27)	£454,652	£362,422	4.80%
Rural South Cherwell (OX2)	£691,804	£692,094	4.68%
Rural South Cherwell (OX33)	£504,106	£421,616	4.75%

Source: Land Registry 2016

The District's house price variation is further substantiated by examining a sample of housing developments in Cherwell. Information compiled for the Council's HEELA (2017) shows variation between asking prices for new homes in the District, dividing schemes into Banbury, Bicester and Kidlington / Rural areas.

Based on the evidence, typical asking prices in Banbury are between £2,850 - £3,335 sq m (£265 - £310 per sq ft), noting that achieved sales values may be a little lower than this. Asking prices for new builds in Bicester are generally in the range of £2,960 - £3,500 (£275 - £325 per sq ft).

For Kidlington and rural areas of Cherwell District, the review of developments points toward asking prices of typically between £3,330 - £5,380 per sq m (£300 - £500+ per sq ft) being sought. The evidence above substantiates that higher values can be achieved in rural areas and Kidlington in comparison with Banbury and Bicester. Higher house prices in the south of the District are also likely to be a result of Kidlington's proximity to Oxford, where house prices are higher. This is exclusively the location of sites which are assessed within this report.

3. PROPERTY MARKET OVERVIEW

From market research of developments in and around Kidlington, there is a range of house prices evident. These are:

Scheme	Price Range: £psm (£psf)
The Moors, Kidlington	£4,090 - £4,950 (£380 - £460)
The Boatyard, Yarnton	£4,250 - £4,575 (£395 - £425)
Peacehaven, Kidlington	£3,930 - £4,090 (£365 - £380)

Source: web based research 2017 (asking prices)

The Affordable Housing Viability Assessment (AHVA) prepared for Cherwell District in 2010 - and updated in 2013 - segmented the area into a number of smaller housing sub-markets:

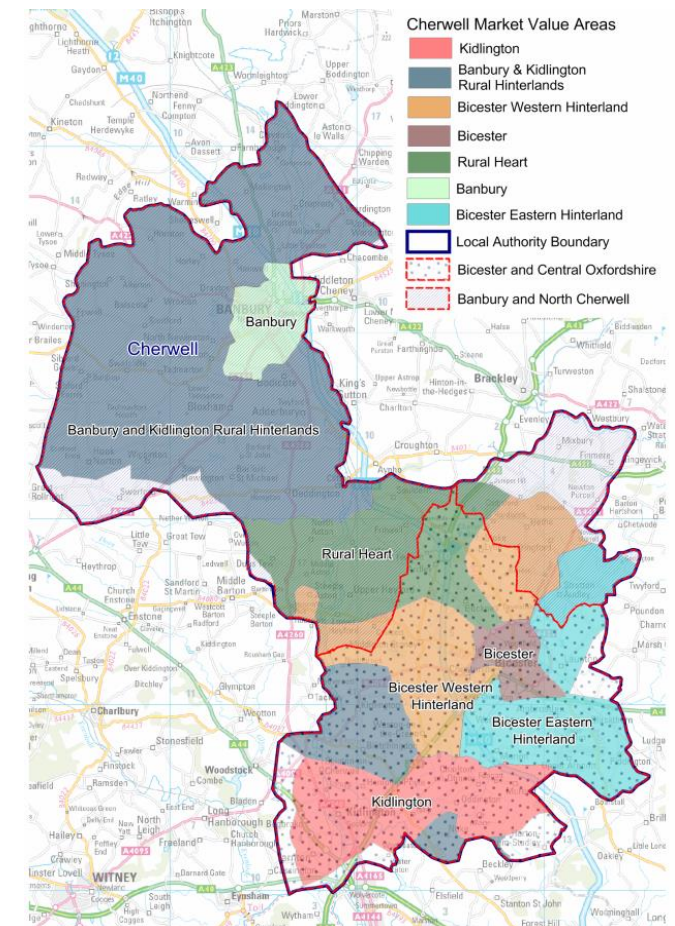
- Rural Heart
- Bicester Western Hinterland
- Banbury and Kidlington Rural Hinterland
- Kidlington
- Bicester Eastern Hinterland
- Bicester
- Banbury

Each of these areas was described as having different influences and characteristics which drive these sub-markets overall. This included evidence of differences in house prices between these sub markets.

Perhaps most notable for this study is that all of the sites lie within the Kidlington housing sub-market or in the Banbury and Kidlington Rural Hinterland. From this earlier work there is little to no price differential between these sub market areas.

This largely provides a consistent basis for understanding the operation of Cherwell's housing market insofar as Banbury is consistently considered as a separate area, with Kidlington and surrounding area commonly combined. The sub markets identified in the AHDV therefore continue to be relevant. This substantiates and provides for a consistent price basis on which to test each of the sites to be contained in the LP1PR.

Cherwell District Housing Sub Markets (Source: Affordable Housing Viability Study 2010 and 2013 update)



3. PROPERTY MARKET OVERVIEW

Government Initiatives

Alongside the positive market conditions in Cherwell, the housing market continues to be supported by a number of initiatives introduced by Central Government. These are summarised below.

Government Housing Initiatives

Housing Initiative	Summary
Help to Buy: ISA	<ul style="list-style-type: none"> Widely available from a range of banks / building societies. Available to each first time buyer (not each household) who are UK residents. The maximum government bonus receivable is £3,000. Potential to boost savings by 25%.
Help to Buy: Equity Loan	<ul style="list-style-type: none"> Available to first time buyers and homeowners looking to move home. The home must be newly built with a price of up to £600,000. Cannot own any other property when purchasing the new home. The government lends up to 20% of the cost of home.
Help to Buy: Shared Ownership	<ul style="list-style-type: none"> Provides the opportunity to buy 25-75% of a home's value. Rent paid on remaining share. Eligible if household earns £80,000 a year or less outside London, or £90,000 or less in London. Available to a first time buyers, older people and people with disabilities.
Help to Buy: New Buy	<ul style="list-style-type: none"> Aims to help buyers who have a deposit of at least 5% to buy a new-build home: a smaller deposit than often required. Allows purchasers to secure up to a 95% loan-to-value mortgage on a new build homes from participating builders in England. Targeted at home buyers who are excluded from sections of the market because of an insufficient deposit.
Builders Finance Fund	<ul style="list-style-type: none"> £525 million fund designed to help restart and speed up smaller housing developments (developments between and 5 and 250 units) that have slowed down or stalled. Funding is available on a recoverable basis. Minimum investment of £200,000.
Home Building Fund	<ul style="list-style-type: none"> £3 billion fund is government finance to increase the number of new homes being built in England. The fund provides: <ol style="list-style-type: none"> Development finance: Loan funding to meet the development costs of building homes for sale or rent. Loan funding for site preparation the infrastructure needed to enable housing to progress and to prepare land for development.
Starter Homes	<ul style="list-style-type: none"> Introduced in 2015. Aims to help young first-time buyers (below 40 years) to purchase a home with a minimum 20% discount off the market price. The government is committed to building 200,000 starter homes by 2020.

The Housing White Paper for consultation (February 2017) contains further ideas for housing initiatives although these have yet to be progressed.

3. PROPERTY MARKET REVIEW

OVERVIEW

At a national level, and despite some economic uncertainty surrounding Brexit, the UK macroeconomic indicators continue to perform well, which is positive for both the residential and commercial sectors.

The UK's housing market continues to be stimulated by a number of central government initiatives. The Housing White paper also points toward the prospect of further initiatives and policy direction to help shape the functioning of the UK's housing market.

The Strategic Housing Market Assessment (SHMA) for South Oxfordshire identifies substantial housing need over the next 15 years, including for Cherwell. Local housing research identifies that Kidlington and rural locations are capable of achieving higher residential values than Banbury and Bicester.

Healthy house price rises are evident over the last 12 months, supporting the case that collectively Cherwell is viewed as a good and healthy housing market. Whilst house prices in Banbury are somewhat lower than elsewhere in the District, there is still very good levels of development activity and housing delivery. Bicester has seen considerable house price growth in the last year, and now commands sales values in excess of £3,230 per sq m (£300 per sq ft). Significant development activity in Bicester has likely been spurred by a combination of house price inflation, housing need in the District generally and suitable, available and deliverable sites being available.

House prices in Cherwell District are considerably higher in Kidlington and rural areas. For Kidlington and the southern rural parts of Cherwell, the close proximity of Oxford has a significant positive impact on demand for homes and their values. The attractiveness of Cherwell's rural countryside is also likely to assist in securing high residential values in these less populated areas. Good levels of housing development activity and delivery is taking place in these areas – with sales values of new homes commonly in excess of £4,310 per sq m (£400 per sq ft). These high sales values will likely support viable development. High levels of housing completions – especially in 2015/2016 – across the District support this view.

Therefore, whilst the UK economy is subject to cyclical fluctuation, the short to medium term prospects remain attractive in the residential market across Cherwell District. Attractive, well located development sites in the area are likely to prove popular with developers, residents and businesses and support economic growth in the future

Overall, Cherwell's housing market is healthy and strong. The most obvious sign of this is the phenomenal uplift in housing delivery numbers in recent years. This is being driven by positive macroeconomic influences as well as strong sub regional demand for homes.

4. CUMULATIVE IMPACT OF LOCAL PLAN POLICIES

The cumulative impact of local standards and policies should not put delivery of the local plans at serious risk. Cherwell’s Local Plan policies were reviewed as part of the Cherwell Local Viability Study and Update (2013 and 2014). These policies have not changed, and therefore the content of this previous review is set out here again. Likewise, most planning policies which have cost implications are captured through the base assumptions, S106 contributions assumed and allowances for site infrastructure.

The emerging LPPR may reflect a number of additional key objectives aimed at meeting Oxford’s unmet housing need. The key policy difference between Oxford City and Cherwell regarding affordable housing (SO18) is reflected in the viability and sensitivity testing. Others do not however have an additional development cost implication: for example, they relate to working together with neighbouring authorities (SO16), supporting economic development (SO17) and Sustainable Transport (SO19).

The cumulative impact of policy also needs to recognize that developer contributions could be drawn through S106, Community Infrastructure Levy or possibly a combination of both.

<p>Policy SLE4 : Improved Transport and Connections Considered to be a design issue or captured as part of site infrastructure and S106 contributions for sites.</p> <p><i>No additional development cost</i></p>
<p>PR1: Achieving Sustainable Development for Oxford’s Needs</p> <p><i>Sustainability requirements could have development cost implications. Factored into viability testing.</i></p>
<p>PR3: The Oxford Green Belt</p> <p>Impact of including Green Belt land for development off set by compensatory improvements to other Green Belt land</p> <p><i>Potential to have a cost implication: allowance factored into appraisal for improvements to Green Belt Land.</i></p>
<p>PR4a: Sustainable Transport and PR4b: Kidlington Centre</p> <p>Considered to be captured throughout site infrastructure and S106 contributions for sites.</p> <p><i>No additional development cost</i></p>
<p>PR5: Green Infrastructure</p> <p>Relevant to on site and off site provision. Covered by site infrastructure, S106 and Green Belt compensatory allowances</p> <p><i>No additional development cost</i></p>

4. CUMULATIVE IMPACT OF LOCAL PLAN POLICIES

<p>Policy PR2 Housing mix For qualifying developments, viability assessments make assumptions on affordable housing allocation and its contribution to overall scheme value, as well as adopting a mix homes commensurate with the need. The LPPR identifies a specific affordable housing requirement for each proposed development site supported by viability assessment results.</p> <p>Affordable housing tested on a site by site basis at different levels: 35%, 40%, 45% and 50% – reflecting a range from Cherwell’s adopted Local Plan (35%) to that sought under Oxford City of up to 50%.</p> <p>No additional development cost.</p>
<p>Policy BSC7: Meeting Education Needs Assumed costs for education levied through S106 Agreements, or CIL if in place. Viability assessments make assumptions on S106 contributions and site infrastructure.</p> <p>No additional development cost.</p>
<p>Policy BSC9 : Public Services Utilities Costs captured via site infrastructure, as well as through S106 Agreements. Viability assessments make assumptions on S106 and site development costs.</p> <p>No additional development cost.</p>
<p>Policy BSC10 : Open Space, Outdoor Sport and Recreation Provision Policy BSC11: Local Standards Provision – Outdoor Recreation Policy BSC12: Indoor Sport, Recreation and Community Facilities Costs embedded in S106 Agreements. Viability testing makes assumptions on S106 contributions.</p> <p>No additional development cost.</p>

<p>Policy ESD1 : Mitigating and Adopting Climate Change Policy ESD2: Energy Hierarchy Cost implications detailed through policies ESD3, 4 and 5 (see below)</p>
<p>Policy ESD3 : Sustainable Construction Implementing at least Code Level 4 of the Code for Sustainable Homes for residential development and non residential development to meet at least BREEAM ‘Very Good’. Viability testing includes additional cost for Code Level 4 as a proxy for sustainable development. Available evidence of additional costs from BREEAM is very limited and generally indicates only a very marginal build cost increase (or some cases a small cost decrease); in part achieving BREEAM ratings depends on a building’s location. No cost variance in building size noted for BREEAM.</p> <p>Sustainability requirements could have development cost implications. Factored into viability testing.</p>
<p>Policy ESD4: Decentralised Energy Systems Policy ESD5: Renewable Energy Required only where feasibility assessments for certain scales and forms of development show decentralised energy systems are deliverable and viable. No absolute requirement.</p> <p>Potential additional cost implications for development. Not specifically factored in viability testing.</p>
<p>Policy ESD6: Sustainable Flood Risk Management Costs assumed to be captured by building costs, and through abnormal allocations for specific sites.</p> <p>Possible cost factored in appraisals via build cost assumptions and site infrastructure.</p>
<p>Policy ESD7: Sustainable Drainage Systems Costs assumed to be included in unit build costs and design matters and site infrastructure</p> <p>No additional development cost.</p>
<p>Policy ESD18: The Green Infrastructure Costs embedded in site infrastructure, or through S106 Agreements. Viability assessments make assumptions regarding S106 contributions.</p> <p>No additional development cost.</p>

5. VIABILITY TESTING

INTRODUCTION

This section focuses on the site specific viability testing. Seven sites which would be new allocations in the Local Plan Part 1 Partial Review are selected for testing. The viability modelling work is set at high level, reflecting the strategic nature of the Plan and the exercise itself. It therefore provides a strategic view on the prospects of delivering Cherwell's LPPR and to comply with the NPPF. It is also guided by the advice in 'Viability Testing Local Plans' (June 2012).

The Residual Land Value method is used, with the Residual Land Values compared to key benchmark land values. The viability testing is also subject to sensitivity scenarios: variations on price, S106 costs, affordable housing and build costs.

SITE SPECIFIC VIABILITY TESTING

The sites selected for viability testing are:

Site	Housing Units	Gross Core Site Area
1. Land South East of Woodstock	410	19.4ha
2. Land East of the A44	1,950	112.2ha
3. Land West of Yarnton	530	17.3ha
4. Land at Stratfield Farm	100	4.2ha
5. Land South East of Kidlington	230	10.7ha
6. Land West of the Oxford Road	530	31.6ha
7. Land East of the Oxford Road	650	31.7ha

COMPENSATORY LAND: INCREASED SITE AREAS

Site	Housing Units	Land for compensatory improvements	Gross Site Area*
1. Land South East of Woodstock	410	29.3ha	48.7 ha
2. Land East of A44	1,950	78.0ha	190.2 ha
3. Land West of Yarnton	530	82.0 ha	99.3ha
4. Land at Stratfield Farm	100	6.3ha	10.5ha
5. Land South East of Kidlington	230	21.5ha	32.2ha
6. Land West of the Oxford Road	530	29.9ha	61.5ha
7. Land East of the Oxford Road	650	16.1ha	47.8ha

* Is the total of Gross Core Site Area and Land for Compensatory Purposes

There is no expectation that the land for compensatory improvements would be developed on. Instead the intention for this land could be a range of initiatives, such as improved public accessibility, enhanced quality, or greater use for leisure and amenity purposes. The exact improvements are not yet defined. Indeed though, the use of this compensatory land is very likely to remain in its current use (and this is predominantly agricultural) with little overall impact on the area used for that purpose, if any.

5. VIABILITY TESTING

VIABILITY ASSUMPTIONS

The assumptions used in the viability testing are set out at Appendix A. The assumptions are supported and informed by research undertaken for the Council's existing Local Plan evidence base, recent property market research for the area, independent analysis, together with wider knowledge and experience of development.

The limitations of the assumptions and exercise are recognised. High level generic modelling cannot be expected to detail all site specific characteristics, cost and values, which are inevitably unique to each and every scheme. Changes to the property market for a variety of reasons – say, economic and legislative – can also impact on viability and delivery. The appraisal outputs themselves are sensitive to changes in the key inputs and assumptions used. Nevertheless, the approach taken seeks to provide a strong indication of the likely viability and delivery prospects for the additional, new sites contained in Cherwell's LPPR – and therefore the overall deliverability of the Plan as a whole.

VIABILITY BENCHMARKS

The benchmarks used in the viability testing – together with their rationale - are explained in the table across. Two key benchmarks are used. These are:

- £500,000 per hectare gross for the Core Development Site for the greenfield housing land; and
- £25,000 per hectare for the Compensatory Land.

Benchmark	Value (per ha) gross	Rationale
1	£500,000	<p>Greenfield Housing Land</p> <p>Used for greenfield housing land, and based on HCA draft guidance (2010), where benchmarks tend to be in the range 10 to 20 agricultural value: say £25,000 per hectare X 20 = £500,000 (RICS Rural Market Survey 2017). With a multiplier of 20 times agricultural land value, the benchmark value adopted represents the upper end of the expected range. The housing sites which are the focus of this study are proposed to be developed on greenfield sites, or bear similar low intensity of use characteristics. This approach to benchmarking is consistent with previous Local Plan Viability studies undertaken in 2013 and 2014 (Cherwell Local Plan Viability and Update).</p> <p>It should be acknowledged that this benchmark is generous, given that a typical minimum land value contained within land sales agreement for larger sites is £100,000 per acre (roughly equivalent to £250,000 per hectare). A figure of £250,000 per hectare would equate to the lower end of the HCA scale at 10 times the agricultural value.</p>
2	£25,000	<p>Compensatory Land</p> <p>The assumption is that this land will be continued to be used for current – largely agricultural - purposes, and that it does not form part of the core development sites. Therefore benchmarked on an existing use land value (conceivably, this compensatory land could be allocated at 'nil' value as the current use continues and the owner would still have the ability to sell this land to realise its value). Assumed to be all prime agricultural land benchmarked at £25,000 per hectare. A further development cost of £25,000 per hectare is also included within viability testing to allow for potential improvements to this compensatory land, such as creating enhanced access.</p>

Notes: One site – Land East of the A44 – does have some commercial uses which would be redeveloped as part of the overall scheme. An additional land assembly cost is included for this. Please see Appendix A for assumptions. Another site – Land West of the Oxford Road is the location of a golf course. Having regard to the 2017 rateable value for the premises and golf club (£71,000) and applying a reasonable capitalisation rate, the benchmark of £500,000 per hectare assumed for this land would be very considerably higher than its existing use value.

5. VIABILITY TESTING

VIABILITY ASSUMPTIONS

The assumptions that underpin the viability testing adopted are viewed as conservative in a number of ways, including:

- Professional fees are set at 10% of build costs. Residential schemes often assume professional fees of 6-8%.
- A blanket 20% profit on Gross Development Value (GDV) is applied to residential schemes; a fairly high developer profit return. Also, profit on affordable home development is typically assumed at 6% return on Gross Development Value (compared to the 20% assumed in this viability model).

Were a 6% return on affordable homes factored in, then the overall profit would be around 17%.

- A contingency of 5% of build cost is applied. 3% is commonly used.
- A 7% finance cost is applied. From reviewing other residential schemes across the UK, we are aware that assumed interest costs are closer to 6% at present, and in some cases considerably lower.

The assumptions used are therefore, in the main, conservative. Adopting keener assumptions would improve viability. The approach taken here to assess viability uses more modest assumptions, thus providing a buffer and a degree of financial flexibility.

RESIDENTIAL LAND VALUES (MARKET EVIDENCE)

From research of land values in Cherwell, it is clear that there is a wide range of values that can be applied to residential land values. This ranges from £100,000 to £2.5m per ha gross. The challenge is that each deal is different both in terms of site specific matters and subsequent impacts on scheme viability (such as planning status, affordable housing and abnormals) as well as the way the deal might be structured.

The transactional evidence does though, at a very high level, indicate that residential development in Cherwell District is a viable proposition, with land sold considerably in excess of the benchmarks assumed in the viability testing here. Thus, according to the market evidence, developers appear to be able to offer deals for residential land which are very significantly above the benchmarks used.

Commonly too developers enter into land transaction deals on the basis of landowner agreements that guarantee a minimum payment (typically expressed on a per acre gross). We are aware that this price is very commonly set at £100,000 per acre (c.£250,000 per hectare). This provides a strong indication of what a landowner may be willing to accept, acknowledging that there may be the opportunity to secure higher returns depending on the financial success of individual sites.

[NB - The RICS advocates Site Value to be used as a benchmark (Market Value adjusted for risk). The difficulty is that this site value can vary considerably depending on the location, scale of the site mix and the degree to which planning and other costs risks are perceived to exist. It is challenging to provide a consistent approach to this way of benchmarking: and indeed, research suggest that where this is adopted there are very disparate views on what any discount should be to Market Value and how this might be accounted for. Planning risk alone might be expected to discount the land value by at least 20%, and could be very considerably higher (say up to 80%), excluding other factors].

5. VIABILITY TESTING

SITE VIABILITY TESTING OUTPUTS

The key outputs of the site viability testing is described in a number of tables on this and the following pages. They show the Residual Land Values for two scenarios:

- 1. Base Position.** The core development site only
- 2. Base Position Plus Compensatory Land.** This includes both the core development land plus the safeguarded compensatory Green Belt land for all sites but Land South East of Woodstock (where the compensatory land is to protect Blenheim Villa Ancient Monument on site and the neighboring Blenheim Palace World Heritage Site and Grade 1 Registered Park and Gardens.)

The outputs are colour coded:

- **Red**– Assumed to be less than 90% of the benchmark value. **Not likely to be viable.**
- **Amber**–Not more than 10% lower than benchmark value. **Marginal viability.**
- **Green** – Above benchmark value. **Likely to be viable.**

BASE POSITION

The base position scenario assumes an affordable housing provision of 35%, with the outputs benchmarked against a land value of £500,000 gross per hectare. The outputs clearly show that all of the sites have good potential to be viable based on the assumptions used.

BASE POSITION PLUS COMPENSATORY LAND

The second table undertakes the same analysis but factors in the additional compensatory land. Again, the modelling assumes an affordable housing provision of 35%. The benchmark land value for the core development site is retained at £500,000 per hectare gross, with the additional compensatory land at £25,000 per hectare gross. This approach provides an average benchmark land value for each site. These are set out at Appendix A.

Again the modelling shows that even allowing for this additional compensatory land (and some modest costs to improve it at £25,000 per hectare) the sites would still remain viable. Even if an overall benchmark of £250,000 per hectare gross for all land (essentially a stress test) for all sites were used, all of the sites would still remain viable.

Base Position

Base Position – 35% Affordable	Gross Area	Gross Ha
1. Land South East of Woodstock	19 Ha	£1,287,943
2. Land East of A44	112 Ha	£1,581,346
3. Land West of Yarnton	17 Ha	£1,847,736
4. Land at Stratfield Farm	4 Ha	£1,426,875
5. Land South East of Kidlington	11 Ha	£1,251,156
6. Land West of the Oxford Road	32 Ha	£964,596
7. Land East of the Oxford Road	32 Ha	£1,080,304

Base Position Plus Compensatory Land

Base Position plus Compensatory Land	Gross Area	Gross Ha
1. Land South East of Woodstock	49 Ha	£496,129
2. Land East of A44	190 Ha	£922,238
3. Land West of Yarnton	82 Ha	£298,979
4. Land at Stratfield Farm	11 Ha	£553,545
5. Land South East of Kidlington	32 Ha	£397,699
6. Land West of the Oxford Road	62 Ha	£482,755
7. Land East of the Oxford Road	48 Ha	£708,347

5. VIABILITY TESTING

SENSITIVITY RESULTS: BASE POSITION - HOUSE PRICE INCREASE / DECREASE

Sensitivity analyses have been undertaken to examine the impact of house price changes on site viability. The changes to residential unit sales prices assumed is:

- House price increase of +5% and +10%; and
- House price decrease of -5% and +10%

-5% Sales Price	Gross Area	Gross Ha RLV
1. Land South East of Woodstock	19 Ha	£1,046,503
2. Land East of A44	112 Ha	£1,371,178
3. Land West of Yarnton	17 Ha	£1,506,964
4. Land at Stratfield Farm	4 Ha	£1,156,336
5. Land South East of Kidlington	11 Ha	£1,018,963
6. Land West of the Oxford Road	32 Ha	£786,729
7. Land East of the Oxford Road	32 Ha	£883,612

-10% Sales Price	Gross Area	Gross Ha RLV
1. Land South East of Woodstock	19 Ha	£806,616
2. Land East of A44	112 Ha	£1,161,009
3. Land West of Yarnton	17 Ha	£1,166,344
4. Land at Stratfield Farm	4 Ha	£885,797
5. Land South East of Kidlington	11 Ha	£787,634
6. Land West of the Oxford Road	32 Ha	£608,916
7. Land East of the Oxford Road	32 Ha	£687,658

The outputs for this sensitivity analysis show:

- Improved house prices creates more viable schemes, all other things being equal.

Even with a considerable reduction in house prices, the sites show that they can achieve returns well in excess of the benchmark land value of £500,000 per ha gross.

+5% Sales Price	Gross Area	Gross Ha RLV
1. Land South East of Woodstock	19 Ha	£1,527,686
2. Land East of A44	112 Ha	£1,791,514
3. Land West of Yarnton	17 Ha	£2,186,255
4. Land at Stratfield Farm	4 Ha	£1,701,926
5. Land South East of Kidlington	11 Ha	£1,481,349
6. Land West of the Oxford Road	32 Ha	£1,141,297
7. Land East of the Oxford Road	32 Ha	£1,276,509

+10% Sales Price	Gross Area	Gross Ha RLV
1. Land South East of Woodstock	19 Ha	£1,767,428
2. Land East of A44	112 Ha	£2,001,682
3. Land West of Yarnton	17 Ha	£2,525,874
4. Land at Stratfield Farm	4 Ha	£1,972,092
5. Land South East of Kidlington	11 Ha	£1,712,696
6. Land West of the Oxford Road	32 Ha	£1,318,589
7. Land East of the Oxford Road	32 Ha	£1,473,261

5. VIABILITY TESTING

SENSITIVITY RESULTS: BASE POSITION BUILD COST INCREASE / DECREASE

Sensitivity analyses have been undertaken to examine the impact of build cost changes on site viability. The changes to build cost assumed is:

- Unit build cost increase of +5% and +10%; and
- Unit build cost decrease of -5% and -10%

-5% Build Costs	Gross Area	Gross Ha RLV
1. Land South East of Woodstock	19 Ha	£1,419,178
2. Land East of A44	112 Ha	£1,688,040
3. Land West of Yarnton	17 Ha	£2,033,531
4. Land at Stratfield Farm	4 Ha	£1,580,389
5. Land South East of Kidlington	11 Ha	£1,376,342
6. Land West of the Oxford Road	32 Ha	£1,061,589
7. Land East of the Oxford Road	32 Ha	£1,186,846

-10% Build Costs	Gross Area	Gross Ha RLV
1. Land South East of Woodstock	19 Ha	£1,573,236
2. Land East of A44	112 Ha	£1,794,733
3. Land West of Yarnton	17 Ha	£2,248,862
4. Land at Stratfield Farm	4 Ha	£1,754,866
5. Land South East of Kidlington	11 Ha	£1,524,708
6. Land West of the Oxford Road	32 Ha	£1,173,979
7. Land East of the Oxford Road	32 Ha	£1,312,560

The outputs for this sensitivity analysis show:

- Lower build costs creates more viable schemes, all other things being equal.

Even testing the impact of a substantial increase in unit build costs shows that the sites can achieve returns substantially in excess of the benchmark land value for all sites.

+5% Build Costs	Gross Area	Gross Ha RLV
1. Land South East of Woodstock	19 Ha	£1,143,564
2. Land East of A44	112 Ha	£1,474,652
3. Land West of Yarnton	17 Ha	£1,645,774
4. Land at Stratfield Farm	4 Ha	£1,264,818
5. Land South East of Kidlington	11 Ha	£1,113,168
6. Land West of the Oxford Road	32 Ha	£859,169
7. Land East of the Oxford Road	32 Ha	£963,415

+10% Build Costs	Gross Area	Gross Ha RLV
1. Land South East of Woodstock	19 Ha	£1,000,737
2. Land East of A44	112 Ha	£1,367,958
3. Land West of Yarnton	17 Ha	£1,444,705
4. Land at Stratfield Farm	4 Ha	£1,102,762
5. Land South East of Kidlington	11 Ha	£975,180
6. Land West of the Oxford Road	32 Ha	£754,240
7. Land East of the Oxford Road	32 Ha	£846,898

5. VIABILITY TESTING

SENSITIVITY RESULTS: BASE POSITION AND INCREASED AFFORDABLE HOUSING

The LP1 PR identifies a specific affordable housing requirement for each proposed development site supported by viability assessment results. The impact of affordable housing is assessed at 35% (base position) and at 5% increments from the base position:

- 40%
- 45%: and
- 50%

35% Affordable (base position)	Gross Area	Gross Ha RLV
1. Land South East of Woodstock	19 Ha	£1,287,943
2. Land East of A44	112 Ha	£1,581,346
3. Land West of Yarnton	17 Ha	£1,847,736
4. Land at Stratfield Farm	4 Ha	£1,426,875
5. Land South East of Kidlington	11 Ha	£1,251,156
6. Land West of the Oxford Road	32 Ha	£964,596
7. Land East of the Oxford Road	32 Ha	£1,080,304

40% Affordable	Gross Area	Gross Ha RLV
1. Land South East of Woodstock	19 Ha	£1,142,644
2. Land East of A44	112 Ha	£1,453,971
3. Land West of Yarnton	17 Ha	£1,641,251
4. Land at Stratfield Farm	4 Ha	£1,262,912
5. Land South East of Kidlington	11 Ha	£1,110,433
6. Land West of the Oxford Road	32 Ha	£856,802
7. Land East of the Oxford Road	32 Ha	£960,670

While this analysis is not intended to be a full affordable housing study, the outputs of this exercise for these sites point toward:

- The sites being capable of accommodating higher levels of affordable housing, all other assumptions being equal, and based on the benchmark land value of £500,000 per hectare.

45% Affordable	Gross Area	Gross Ha RLV
1. Land South East of Woodstock	19 Ha	£995,618
2. Land East of A44	112 Ha	£1,326,596
3. Land West of Yarnton	17 Ha	£1,436,053
4. Land at Stratfield Farm	4 Ha	£1,098,949
5. Land South East of Kidlington	11 Ha	£969,710
6. Land West of the Oxford Road	32 Ha	£749,723
7. Land East of the Oxford Road	32 Ha	£841,578

50% Affordable	Gross Area	Gross Ha RLV
1. Land South East of Woodstock	19 Ha	£850,232
2. Land East of A44	112 Ha	£1,199,222
3. Land West of Yarnton	17 Ha	£1,228,585
4. Land at Stratfield Farm	4 Ha	£934,986
5. Land South East of Kidlington	11 Ha	£830,027
6. Land West of the Oxford Road	32 Ha	£641,410
7. Land East of the Oxford Road	32 Ha	£721,480

5. VIABILITY TESTING

SENSITIVITY RESULTS: BASE POSITION S106 CONTRIBUTION INCREASE

This sensitivity analysis examines the impact of an increase in S106 costs. The base position assumes a S106 contribution of £15,000 per housing unit. The analysis below shows sensitivities at:

- S106 at £20,000 per unit
- S106 at £30,000 per unit
- S106 at £40,000 per unit

£15,000 S106	Gross Area	Gross Ha RLV
1. Land South East of Woodstock	19 Ha	£1,287,943
2. Land East of A44	112 Ha	£1,581,346
3. Land West of Yarnton	17 Ha	£1,847,736
4. Land at Stratfield Farm	4 Ha	£1,426,875
5. Land South East of Kidlington	11 Ha	£1,251,156
6. Land West of the Oxford Road	32 Ha	£964,596
7. Land East of the Oxford Road	32 Ha	£1,080,304

£20,000 S106	Gross Area	Gross Ha RLV
1. Land South East of Woodstock	19 Ha	£1,188,837
2. Land East of A44	112 Ha	£1,510,589
3. Land West of Yarnton	17 Ha	£1,707,429
4. Land at Stratfield Farm	4 Ha	£1,314,285
5. Land South East of Kidlington	11 Ha	£1,155,287
6. Land West of the Oxford Road	32 Ha	£891,350
7. Land East of the Oxford Road	32 Ha	£999,094

The outputs for this sensitivity analysis are:

- When S106 costs are increased to £40,000 all sites continue to show that they are viable, although noting at £40,000 per unit some sites are beginning to show return closer to the benchmark value of £500,000 per hectare.

Overall though the results suggest that considerably higher S106 contributions could be sustained on greenfield land, assuming that other factors remain similar such as a 35% affordable housing allocation.

£30,000 S106	Gross Area	Gross Ha RLV
1. Land South East of Woodstock	19 Ha	£988,699
2. Land East of A44	112 Ha	£1,369,074
3. Land West of Yarnton	17 Ha	£1,427,584
4. Land at Stratfield Farm	4 Ha	£1,089,104
5. Land South East of Kidlington	11 Ha	£963,551
6. Land West of the Oxford Road	32 Ha	£745,302
7. Land East of the Oxford Road	32 Ha	£837,000

£40,000 S106	Gross Area	Gross Ha RLV
1. Land South East of Woodstock	19 Ha	£790,239
2. Land East of A44	112 Ha	£1,227,560
3. Land West of Yarnton	17 Ha	£1,146,540
4. Land at Stratfield Farm	4 Ha	£863,923
5. Land South East of Kidlington	11 Ha	£772,267
6. Land West of the Oxford Road	32 Ha	£598,588
7. Land East of the Oxford Road	32 Ha	£675,682

5. VIABILITY TESTING

SENSITIVITY RESULTS: BASE POSITION PLUS COMPENSATORY LAND: AFFORDABLE HOUSING INCREASE

This sensitivity analysis examines the impact of an increase in affordable housing assuming that the compensatory land also forms part of the development package for the sites. As per the Base Position scenario testing, this is tested at 35%, 40%, 45% and 50% allocations.

Base plus Compensatory Land 35% AH	Gross Area	Gross Ha RLV
1. Land South East of Woodstock	49 Ha	£496,129
2. Land East of A44	190 Ha	£922,238
3. Land West of Yarnton	82 Ha	£298,979
4. Land at Stratfield Farm	11 Ha	£553,545
5. Land South East of Kidlington	32 Ha	£397,699
6. Land West of the Oxford Road	62 Ha	£482,755
7. Land East of the Oxford Road	48 Ha	£708,347

Base plus Compensatory Land 40% AH	Gross Area	Gross Ha RLV
1. Land South East of Woodstock	49 Ha	£441,373
2. Land East of A44	190 Ha	£847,099
3. Land West of Yarnton	82 Ha	£263,265
4. Land at Stratfield Farm	11 Ha	£487,960
5. Land South East of Kidlington	32 Ha	£350,937
6. Land West of the Oxford Road	62 Ha	£427,368
7. Land East of the Oxford Road	48 Ha	£629,008

The outputs for this sensitivity analysis are:

- Allowing for significantly enhanced affordable housing allocations, the results suggest that the sites can sustain this. Even if a much higher benchmark land value were assumed – say £250,000 per ha only one site - North Oxford Triangle – begins to show more marginal viability.

Overall, the results show the sites may have potential capacity to accommodate higher levels of affordable housing, whilst still factoring in the additional compensatory land.

Base plus Compensatory Land 45% AH	Gross Area	Gross Ha RLV
1. Land South East of Woodstock	49 Ha	£383,458
2. Land East of A44	190 Ha	£771,960
3. Land West of Yarnton	82 Ha	£227,120
4. Land at Stratfield Farm	11 Ha	£422,375
5. Land South East of Kidlington	32 Ha	£304,176
6. Land West of the Oxford Road	62 Ha	£372,272
7. Land East of the Oxford Road	48 Ha	£549,990

Base plus Compensatory Land 50% AH	Gross Area	Gross Ha RLV
1. Land South East of Woodstock	49 Ha	£325,542
2. Land East of A44	190 Ha	£696,821
3. Land West of Yarnton	82 Ha	£191,223
4. Land at Stratfield Farm	11 Ha	£356,790
5. Land South East of Kidlington	32 Ha	£257,671
6. Land West of the Oxford Road	62 Ha	£316,619
7. Land East of the Oxford Road	48 Ha	£470,344

5. VIABILITY TESTING

SENSITIVITY RESULTS: BASE POSITION PLUS COMPENSATORY LAND: S106 INCREASE

This sensitivity analysis examines the impact of an increase in S106 costs when examining the combination of the base position plus the compensatory land. The sensitivity testing is undertaken at £20,000, £30,000 and £40,000 per unit and compared to the base assumption of £15,000 per unit.

The outputs for this sensitivity analysis are:

- When S106 costs are increased to £40,000 all sites continue to show that they are viable.

Overall though the results suggest that higher S106 contributions could be sustained, even allowing for compensatory land to be included as part of the package.

S106 £15,000	Gross Area	Gross Ha RLV
1. Land South East of Woodstock	49 Ha	£496,129
2. Land East of A44	190 Ha	£922,238
3. Land West of Yarnton	82 Ha	£298,979
4. Land at Stratfield Farm	11 Ha	£553,545
5. Land South East of Kidlington	32 Ha	£397,699
6. Land West of the Oxford Road	62 Ha	£482,755
7. Land East of the Oxford Road	48 Ha	£708,347

S106 £30,000	Gross Area	Gross Ha RLV
1. Land South East of Woodstock	49 Ha	£380,702
2. Land East of A44	190 Ha	£797,018
3. Land West of Yarnton	82 Ha	£225,645
4. Land at Stratfield Farm	11 Ha	£418,437
5. Land South East of Kidlington	32 Ha	£302,503
6. Land West of the Oxford Road	62 Ha	£370,000
7. Land East of the Oxford Road	48 Ha	£546,955

S106 £20,000	Gross Area	Gross HA RLV
1. Land South East of Woodstock	49 Ha	£459,760
2. Land East of A44	190 Ha	£880,498
3. Land West of Yarnton	82 Ha	£274,822
4. Land at Stratfield Farm	11 Ha	£508,509
5. Land South East of Kidlington	32 Ha	£365,842
6. Land West of the Oxford Road	62 Ha	£445,120
7. Land East of the Oxford Road	48 Ha	£654,490

S106 £40,000	Gross Area	Gross Ha RLV
1. Land South East of Woodstock	49 Ha	£301,643
2. Land East of A44	190 Ha	£713,538
3. Land West of Yarnton	82 Ha	£176,556
4. Land at Stratfield Farm	11 Ha	£328,365
5. Land South East of Kidlington	32 Ha	£238,477
6. Land West of the Oxford Road	62 Ha	£294,545
7. Land East of the Oxford Road	48 Ha	£439,929

5. VIABILITY TESTING

STRATEGIC SITES VIABILITY: KEY COMMENTS

The adjacent table summarises the high level outcomes of the viability testing, together with more qualitative commentary on site matters such as access, ownership and current uses, so as to briefly explore wider issues of site deliverability.

Key comments arising from the viability testing and site overview are:

- All sites generate positive Residual Land Values.
- Crucially, all housing sites exceed the benchmark figures adopted for the core development sites.
- The modelling points toward the prospect that higher affordable housing allocations could be targeted and/or increased S106 contributions, though ultimately this would depend on site specific factors.
- Reduced build costs or increased sales values would make the sites considerably more viable. Also, even assuming a modest fall in house prices or increased build costs the schemes continue to exhibit positive viability.
- That there is scope to include the additional land for compensatory purposes without significantly adversely affecting scheme viability overall, and potentially for this land to have some degree of enhancement as part of a wider package. Even factoring in this land there would still be the opportunity to target higher affordable housing or S106 contributions.
- Almost all of the sites are presently in agricultural use (save for golf course and garden centre) and appear to be available with little obvious impediment to being assembled for development. It is understood that, in the main land ownership for the sites is relatively uncomplicated too.

<p>Land South East of Woodstock (49 ha gross)</p> <p>Proposed housing site to the south east of Woodstock. Currently in agricultural use. Whilst not green belt, compensatory land needed to address environmental issues. Access readily capable of being afforded off A44 and A4095.</p> <p>Site Uses: 410 homes by 2031</p> <p>Viability testing shows this site has the potential to be viable, even allowing for land value assumptions on required land mitigation measures.</p>
<p>Land East of the A44 (190 ha gross)</p> <p>Major urban extension to west of Kidlington. Sits with currently designated Green Belt. All agricultural land save for two current developments within the site – Begbroke Business Park (which would be unaffected) and Yarnton Nursery. Yarnton Nursery would be redeveloped for local centre. Site can readily connect to A44 in a number places, and potentially also into Kidlington village.</p> <p>Site Uses: Proposed to accommodate 1,950 homes with substantial land allocated for Green Belt compensatory measures. To include A1-A5 local centre uses and new education building / school.</p> <p>Viability testing shows this site has good potential to be viable, even allowing for land value assumptions on required land mitigation measures.</p>
<p>Land West of A44/Rutten Lance Yarnton (82 ha gross)</p> <p>Extension to village of Yarnton, to west. Site entirely used as agricultural land at present. Green Belt site. Good potential to connect into surrounding road network (A44).</p> <p>Site Uses: 530 residential units</p> <p>Viability testing shows this site has the potential to be viable.</p>

5. VIABILITY TESTING

STRATEGIC SITES' VIABILITY: KEY COMMENTS

NPPF sets out further guidance on the whether sites should be considered deliverable or not. It states:

“To be considered deliverable, sites should be available now, offer a suitable location for development now, and be achievable with a realistic prospect that housing will be delivered on the site within five years and in particular that development of the site is viable. Sites with planning permission should be considered deliverable until permission expires, unless there is clear evidence that schemes will not be implemented within five years, for example they will not be viable, there is no longer a demand for the type of units or sites have long term phasing plans

To be considered developable, sites should be in a suitable location for housing development and there should be a reasonable prospect that the site is available and could be viably developed at the point envisaged.”(NPPF footnote 11 & 12; p12).

Overall, there is little to suggest that these sites are not developable or indeed deliverable. From this analysis they appear capable of contributing to meeting housing delivery targets in the district – and especially to meeting unmet need from Oxford City. They are well located, are accessible, shown to have the potential to be viable – and can potentially cross fund increased affordable housing and S106 contributions as well as safeguard and possibly enhance other parts of the Green Belt.

<p>Land at Stratfield Farm, Kidlington (11 ha gross) Southern extension to Kidlington. Assumed to include only agricultural land within the Green Belt. Compensatory land may be used / designated for nature reserve.</p> <p>Site Uses: Allocated for 100 units</p> <p>Viability testing shows this site to have potential to be viable.</p>
<p>Land South East of Kidlington (32 ha gross) Site lies at south west edge of Kidlington. Within designated Green Belt. Currently used for agricultural purposes. Readily capable of being accessed from Bicester Road.</p> <p>Site Uses: Development of 230 units.</p> <p>Viability testing shows this site to have good potential to be viable</p>
<p>Land West of the Oxford Road (62 ha gross) North Oxford Golf Course lies within the Green Belt. Site is bounded to the west by rail line and the east by A4165. Possible relocation of the golf course might be required. Anticipated to be in single ownership.</p> <p>Site Uses: Development of 530 units.</p> <p>Viability testing shows this site to have good potential to be viable</p>
<p>Land East of the Oxford Road (48 ha gross) Agricultural land afforded Green Belt status at northern edge of Oxford City. Site can readily connect into Banbury Road, running along western flank.</p> <p>Site Uses: Allocated for 650 units</p> <p>Viability testing shows this site to have good potential to be viable.</p>

5. VIABILITY TESTING

OTHER RESIDENTIAL PRODUCTS

Although not explicitly tested within the viability modelling there are other forms of housing products which could make up part of the development schemes. These are briefly discussed in the adjacent table, with particular regard to their likely impact on scheme viability.

In the main these alternative forms of housing are likely to be fairly modest in terms of overall development activity in the District and the sites, and their viability and delivery is not considered critical LPPR implementation.

The views reflect our knowledge of the development market together with research into less mainstream and more innovative construction methods.

Use	Comment
Extra Care Homes (C2)	<p>Cherwell's Submission Local Plan requires development of strategic housing sites to provide for at least 45 extra care homes. Previous evidence specifically prepared for this type of use noted that it has no significant impact on viability (Analysis of Viability of Extra Care Homes in Cherwell 2011), and produced very similar results to residential uses. The assumptions used in the Extra Care Housing report are a 50/50 split for extra care homes between market and affordable. However, more recently the Council's CIL viability study (2015) suggest these uses may be less viable. Potentially though, a reduced affordable element would increase viability while remaining policy compliant – or indeed, a reduced affordable housing requirement overall if deemed an important policy driver.</p> <p>Perhaps most pertinently - given that the sites tested in this report are intended to meet unmet need for Oxford City – the SHMA notes there is a significantly lower level of projected need for specialist housing for older people in Oxford than in Cherwell, and there is no clear policy requirement in Oxford City to provide for this form of development as part of residential sites.</p>
Custom Build and Self Build	<p>Custom and self-build can add diversity to a site. In viability terms the provision of some limited number of serviced plots is likely to have a only a very small effect overall on scheme viability, given the large scale of these sites. It could have a positive impact on scheme viability as a development profit would not need to be taken from the build costs of the unit. It can also assist the cashflow by reducing debt and potentially brining receipts earlier into the appraisal through land sales via increased delivery rates. Commentary and research on this development approach points toward a balanced viability outcome where such products are included, with no substantial differences between the bottom lines of viability assessments for speculative market housing and private housebuilding (see http://customandselfbuildtoolkit.org.uk/briefing-notes/viability-considerations/#).</p>
Other possible approaches	<p>This might for example include more innovative building production and manufacturing ways. There is, for example, growing interest in modular housing in the UK, and this can reduce build costs considerably. Discussions with developers suggest the savings can be up to 20% of typical build costs. Large scale modular housing could create much more viable outcomes, as demonstrated by the build cost sensitivity testing of schemes.</p>

6. WIDER DELIVERY MATTERS

INFRASTRUCTURE

As noted in previous viability studies for the District, infrastructure is needed to support the delivery of the plan. The LP1 PR Proposed Submission contains two types of infrastructure:

1. Site Specific
2. Non Site specific

Site specific infrastructure is intended to be delivered by the development of a site. The infrastructure is only needed to support the development, such as a new school or health centre.

Non site specific infrastructure is needed to support a number of schemes, or is part of a renewal or improvement programme for existing infrastructure. This type of infrastructure is not solely related to one particular scheme. For example, the delivery of a new park and ride facility or train line.

Site Specific Infrastructure

The general expectation will be that the costs of delivering site specific infrastructure will be borne by the large residential sites they support. Typically, these costs would be secured through S106 contributions, with the potential for the delivery of education facilities to be built out in accordance with agreed trigger points, such as the completion of an agreed number of housing units. On some occasions, temporary facilities or extensions to existing schools are agreed to reduce delivery costs.

The high level strategic site appraisals allow for significant S106 contributions, contingency allowances and sums for additional site costs / abnormals. It would be expected that these monies would, in part, be earmarked toward paying for major infrastructure items such as education facilities. The viability modelling for Roundham Park, for example, assumes at total S106 pot of nearly £30m, with further site costs assumed for major site infrastructure items such as substantial highways improvements of over £20m, alongside a contingency in excess of £15m. This provides for a very substantial financial package for infrastructure needs.

Other infrastructure will be needed to support Cherwell's population – for example, waste facilities or recycling centres. In some cases some of this site specific infrastructure funding is likely to be secured through a range of avenues – developer contributions, Cherwell and Oxford Councils and other third sector parties.

Non Site Specific Infrastructure

As is typical for the development of an area, a number of non-site specific infrastructure elements form part of the delivery package. In the case of non-site specific infrastructure, most items are reliant on third party funding. Although some costs towards these work may be drawn from property development, the expectation would be that largely – if not in entirety - the costs would be borne externally.

Significant improvement to Cherwell's infrastructure has already taken place, including in the southern part of the District. This includes:

- A new train station at Oxford Parkway (Water Eaton)
- Enhancement to existing station at Islip – completed 2015
- M40 motorway capacity enhancements at J9 and J10 – again, completed in 2015
- Bus services between Oxford, Oxford Parkway, Kidlington and Woodstock

There are further pipeline infrastructure proposals which would generally be expected to contribute toward supporting growth in the area; for example:

- Exploring relocation of medical practices in Kidlington to ensure health infrastructure grows at same rate as communities.

7. CONCLUSIONS

The key focus of this study is to assess viability and deliverability of Cherwell District's emerging Local Plan Partial Review with reference to its site proposals and policies. The work reflects the requirements of the National Planning Policy Framework.

CHERWELL'S LOCAL PLAN PARTIAL REVIEW

Cherwell's Local Plan Part 1 was adopted in 2015. In light of unmet need arising from Oxford City however, the Council is now progressing with a partial review of this adopted plan.

The Oxfordshire local authorities - including the County Council - have identified the distribution of unmet housing needs across Oxfordshire. The distribution of this unmet housing need is shown below.

District	Apportionment No. of Homes (net)
Cherwell	4,400
Oxford	550
South Oxfordshire	4,950
Vale of the White Horse	2,200
West Oxfordshire	2,750
Total	14,850

With the sites identified to accommodate this housing all within Kidlington and rural areas, in accordance with Cherwell's Local Plan policy, all of the sites would be subject to a 35% affordable housing allocation. Cherwell's Local Plan also sets out that new residential development will be expected to provide a mix of homes to meet current and expected future requirements, and this points toward more moderately sized, affordable family homes.

The unmet need for new housing being considered in Cherwell's Local Plan Partial Review is though understood to be principally derived from neighbouring Oxford City. Oxford's Local Plan policy targets an affordable housing allocation of 50%. Given this differing policy position, the site specific viability testing examines viability of a baseline affordable housing position (35%), plus increments of affordable housing provided at levels of at 40%, 45% and 50%.

There are some other key differences in Oxford's planning policies compared with those of Cherwell's, with particular regard to housing and housing mix. Oxford City targets 80% of the affordable to be rent/social rented dwellings and 20% as other forms of intermediate affordable homes (in Cherwell the split is 70/30).

There is also an acknowledgement between Oxford City and Cherwell that development should meet current and expected future requirements in the interest of meeting housing need and creating socially mixed and inclusive communities. The mix of housing will be negotiated and agreed with Cherwell District and Oxford City Councils. The Councils have agreed to examine the opportunity for community self-build or self-finish housing.

DEVELOPMENT IN THE GREEN BELT

In February 2017 the Government issued a Housing White Paper. Considerable reference in the White Paper is made to the Green Belt. The White Paper reaffirms the intention to maintain existing strong protections for the Green Belt, and that Green Belt boundaries should be amended only in exceptional circumstances. Where land is removed from the Green Belt, local policies should require the impact to be offset by compensatory improvements to the environmental quality or accessibility of remaining Green Belt land. All (save one of the sites) which are the focus of this report are within the Green Belt.

CUMULATIVE IMPACT OF PLAN POLICIES

The cumulative impact of Local Plan policies has been examined. Scoping relevant Local Plan policies indicates that most with cost implications would be normally be expected to be managed through S106 Agreements, such as open space provision or matters relating to specific design requirements. There is however a case to be made for making a specific, explicit additional allowance for additional sustainability development costs not captured through S106 agreements. The potential for increased affordable housing targets for the sites – as discussed above – is also examined through sensitivity testing. The potential to offset development in the Green Belt by compensatory improvements is also examined financially.

7. CONCLUSIONS

PROPERTY MARKET OVERVIEW

At a national level, and despite some economic uncertainty surrounding Brexit, UK macroeconomic indicators continue to perform well. Unemployment and interest rates are at historic lows. Inflation, though rising is still relatively low and stable while house prices have continued to show increases – and above rates of inflation.

The Strategic Housing Market Assessment (SHMA) for Oxfordshire identifies substantial housing need over the next 15 years, including for Cherwell. Housing completions in the District have accelerated enormously in the last few years, from an average of 300-400 units per year to over 1,000. This underlines that there is clear demand for housing in the area.

Cherwell District Housing Completion (net) 2011 – 2016

	Total
2011/2012	356
2012/2013	340
2013/2014	410
2014/2015	946
2015/2016	1425
Totals	3477

The Council’s Housing Delivery Monitor (Cherwell AMR 2016) also illustrates a strong pipeline of projected completions to 2031 in the District. This points to a continuing positive delivery rate given sites are, in most cases, already identified and considered developable.

Healthy house price rises are evident over the last 12 months, supporting the case that collectively Cherwell is viewed as a good and healthy housing market. Local housing research identifies that Kidlington and rural locations – the location of the proposed sites which are feeding into the Local Plan Partial Review - are capable of achieving higher residential values than Banbury and Bicester.

For Kidlington and the southern rural parts of Cherwell, the close proximity of Oxford and attractiveness of the rural landscape has a significant positive impact on demand for homes and their values. Sales values of new homes in this area commonly in excess of £4,310 per sq m (£400 per sq ft). These high sales values will support viable development.

STRATEGIC SITES – VIABILITY TESTING

The viability testing is based on high level information on matters such as development scale and land take. The key outcomes of the viability testing for the core development sites confirms:

- That all of the sites examined appear to have a good prospect of being viable, even allowing for variations to build cost and sales values.
- That, generally, most housing development sites appear to remain viable when tested at higher S106 contribution levels.
- Likewise, the sites tested may have capacity to accommodate increased levels of affordable housing.

The sites are also considered in the context of including Green Belt land retained for compensatory purposes as part of wider development packages. Factoring in this land into the viability assessment - and allowing for a reasonable cost to enhance this land - the sites continue to show that:

- They have the ability to be viable
- Could still accommodate increased affordable housing allocations or S106 contributions – or possibly some increased combination of both.

Considering wider deliverability matters, it is noted that:

- They are principally being used for agricultural purposes
- They have the capacity to be accessible and connect to the surrounding road network.
- The sites tested are located in the south of the District and are therefore well located to address unmet need arising from Oxford City.

CONCLUSIONS

The viability analysis of the sites proposed for Cherwell’s Local Plan Partial Review demonstrates that they are viable, and have a reasonable prospect of being delivered. Including additional compensatory land still produces positive viability outcomes. There too are signs that increased affordable housing allocations and / or S106 contributions could be attained. Combined with strong market signals for Cherwell’s housing market demonstrates that Cherwell’s Local Plan Partial Review bears the hallmarks of being a deliverable proposition.

APPENDIX A: KEY APPRAISAL ASSUMPTIONS

Appraisal Assumptions

The viability testing adopts the Residual Land Value approach. The appraisals are based on today's costs / today's values.

Gross to Net Ratios

Use	Gross to Net Ratio
Unit retail	85%
Foodstore	100%
C3 Housing	100%
C3 Flats	85%

Construction Costs

Use	BCIS Cost, (Q2, 2017, Cherwell District)
Unit retail / foodstore	£1,227 psm
C3 Housing	£1,166 psm
C3 Flats	£1,389 psm

Other Costs

Sustainability allowance for Homes - 4% increase on unit build costs
Local Site Infrastructure: £450,000 per net developable hectare. Site infrastructure is assumed to encapsulate immediate residential unit requirements: parking, gardens, local roads
Major Site Infrastructure Abnormals: 10% of build cost
Improvement to Compensatory Land: £25,000 per hectare
Professional fees: 10% of build cost and site infrastructure
Contingency: 5%
Agent Sales Fee: 2.5% (inc marketing for residential)
Agent Letting Fee: 10% of 1st yrs rent
Legal Letting Fee: 5% of 1st yrs rent
S106: £15,000 per residential unit

Site Costs

Purchasers Costs 6.80%

Finance Costs

Finance Costs 7%

Profit

Developer's Profit: 20% Profit on Gross Development Value

Housing Mix and Sizes

Type	Area (sq m)	Mix
1B Flat	60 gross	15%
2B Flat	75 gross	15%
2B House	75	15%
3B House	100	40%
4B+ house	150	15%

All sites assume the above housing mix.

Residential Sales Values and Sales Rates

- All sites at sales value of £4,305 (£400 per sq ft)
- All sites assume sales rate of 80 units per annum, save for Roundham Park (120 units p.a.), Stratfield Farm, (40 units p.a.) and Land East of Kidlington (40 units p.a.)

APPENDIX A: KEY APPRAISAL ASSUMPTIONS

Affordable Housing: Policy Compliant Levels

Affordable housing split is 80% affordable / 20% intermediate.
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Blended affordable housing sales value of 50% of private sales market value. The affordable housing is based on the Affordable Rent model, with no grant assumed.

Commercial Revenue

Use	Rent Psm (psf)	Yield
A1 – A5 Unit Retail	£161 (£15)	8%
Foodstore	£161 (£15)	5%

Rent free period is applied at 3 months for foodstore and 12 months for unit retail.

The table below describes the main land uses, and site areas for the site viability testing. It also sets out the benchmark land values used for Scenario 2: Base Position Plus Compensatory Land

Site	Uses	Core Site Area	Compensatory Land	Combined Site Area	Scenario 2: Benchmark (per Ha)
1.Land South East of Woodstock	Resi - 410 units	19.4ha	29.3ha	48.7 ha	£210,729
2. Land East of the A44	Resi - 1,950 units Commercial – retail 1,000 sq m Commercial – foodstore 1,000 sq m	112.2ha	78.0ha	190.2 ha	£305,205
3. Land West of Yarnton	Resi – 530 units	17.3ha	82.0 ha	99.3ha	£106,244
4. Land at Stratfield Farm	Resi – 100 units	4.2ha	6.3ha	10.5ha	£215,000
5. Land South East of Kidlington	Resi – 230 units	10.7ha	21.5ha	32.2ha	£182,842
6. Land West of the Oxford Road	Resi – 530 units	31.6ha	29.9ha	61.5ha	£269,065
7. Land East of the Oxford Road	Resi – 650 units Commercial – retail 1,000 sq m Commercial – foodstore 1,000 sq m	31.7ha	16.1ha	47.8ha	£340,010