



Intelligent Plans
and examinations

**AN EXAMINATION UNDER SECTION 212
OF THE PLANNING ACT 2008 (AS AMENDED)**

**REPORT ON THE DRAFT OXFORD CITY COUNCIL
COMMUNITY INFRASTRUCTURE LEVY CHARGING SCHEDULE**

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Charging Schedule Submitted for Examination: 12 February 2025

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¹ Paragraph **35** of the current NPPF (December 2024).

Main Findings - Executive Summary

In this report I have concluded that the draft Oxford City Council Community Infrastructure Levy Charging Schedule provides an appropriate basis for the collection of the levy in the area.

The Council has provided sufficient evidence that shows the proposed rate would not threaten delivery of Office and Research & Development business in Oxford.

Introduction

1. I have been appointed by Oxford City Council, the charging authority, to examine the draft Oxford Community Infrastructure Levy (CIL) Charging Schedule. I am a chartered town planner with more than 25 years' experience inspecting and examining Development Plans and CIL Charging Schedules as a Government Planning Inspector.
2. This report contains my assessment of the Charging Schedule in terms of compliance with the requirements in Part 11 of the Planning Act 2008 as amended ('the Act') and the Community Infrastructure Regulations 2010 as amended ('the Regulations').² Section 212(4) of the Act terms these collectively as the "drafting requirements". I have also had regard to the National Planning Policy Framework (NPPF) and the CIL section of the Planning Practice Guidance (PPG).³
3. To comply with the relevant legislation, the submitted Charging Schedule must strike what appears to the charging authority to be an appropriate balance between helping to fund necessary new infrastructure and the potential effects on the economic viability of development across the district. The PPG states⁴ that the examiner should establish that:
 - the charging authority has complied with the legislative requirements set out in the Act and the Regulations;
 - the draft charging schedule is supported by background documents containing appropriate available evidence;

² The Regulations have been updated through numerous statutory instruments since 2010, most notably through the Community Infrastructure Levy (Amendment) (England)(No. 2) Regulations 2019.

³ The CIL section of the PPG was substantially updated on 1 September 2019, and most recently updated 26 April 2024. At the time of completion of the examination, no further updates have been made to the CIL section of the PPG following publication of the December 2024 NPPF. For example, in relation to Development contributions, the paragraph referenced in the current PPG as 34 is now paragraph **35** (albeit the text remains unchanged).

⁴ See PPG Reference ID: 25-040-20190901.

- the charging authority has undertaken an appropriate level of consultation;
 - the proposed rate or rates are informed by, and consistent with, the evidence on viability across the charging authority's area; and
 - evidence has been provided that shows the proposed rate or rates would not undermine the deliverability of the plan (see NPPF paragraph 34⁵).
4. The basis for the examination, on which a hearing session was held 31 March 2025, is the submitted schedule of 12 February 2025.⁶
 5. There is an existing CIL in place for Oxford, originally set in 2013.⁷ In late 2023 the Council consulted on a partial review to the existing CIL. The consultation noted that the main CIL conclusion reached in a viability assessment undertaken in relation to the emerging Local Plan was that most use classes would not be able to absorb an increased CIL in the light of the proposed Local Plan policies. For this reason, the review was a partial one with the modifications originally limited to changes proposed for three of the existing rates. The three were Class E (g) Office and R&D, Class B2 General industrial and Class B Storage or distribution. The proposed new rate for all three was £168.74 per square metre (sq.m) taking into account indexation of CIL rates in 2024.⁸ Taking indexation into account, the existing rate is £33.74 per sq.m. In 2024 further viability work was undertaken resulting in a change to the proposals. The current proposals are now to retain the existing rate for general industrial and storage or distribution at £33.74 per sq.m but to increase the rate for offices and R&D development to £168.74 per sq.m as per the 2023/2024 partial review consultation.
 6. As the only rates that are being proposed for revision in this partial review are those relating to office and R&D developments, this examination and report deals solely with the office and R&D CIL rate.
 7. Between 10 November 2023 and 5 January 2024 a consultation exercise was conducted on a partial review of the Oxford City CIL. This exercise produced 19 representations. As a consequence of the responses a Statement of Modifications was produced. The modification statement was published for consultation between 12 February 2025 and 12 March 2025. All parties who

⁵ Paragraph **35** of the current NPPF (December 2024).

⁶ Oxford City Council initially submitted the CIL Charging Schedule to the Planning Inspectorate on 27 June 2024. However, in the absence of the appointment of an Inspector, the same schedule and supporting documentation was submitted to independent examiner Keith Holland (of Intelligent Plans and examinations) on 12 February 2025.

⁷ View at: <https://www.oxford.gov.uk/community-infrastructure-levy/community-infrastructure-levy-oxford>

⁸ The rate will increase again with 2025 indexation when the CIL is adopted.

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responded to the November 2023 – January 2024 consultation were notified of the modification statement consultation; 1 response was received.⁹

Has the charging authority complied with the legislative requirements set out in the Act and the Regulations, including undertaking an appropriate level of consultation?

8. The Charging Schedule complies with the Act and the Regulations, including in respect of the statutory processes and public consultation, consistency with the adopted Local Plan and the Infrastructure Delivery Plan, and is supported by an adequate financial appraisal. I also consider it compliant with the national policy and guidance contained in the NPPF and PPG respectively.

Is the draft charging schedule supported by background documents containing appropriate available evidence?

Infrastructure Planning Evidence

9. The existing Oxford Local Plan 2016 – 2036 is scheduled to be updated. Evidence relating to infrastructure and the funding required was prepared for the updating of the Local Plan. The updated Local Plan was submitted to the Secretary of State for examination but has now been withdrawn for reasons relating to housing and the duty to co-operate. For the purposes of the updated Local Plan examination, as at October 2023, the Council estimated that there is an infrastructure funding gap of over £950,000,000. Assuming a CIL of £168.74 per sq.m for office and R&D development and based on information regarding anticipated developments as outlined in the emerging Local Plan, the Council expects office development to generate approaching £13,000,000 and R&D development to generate nearly £23,000,000. There is no challenge to the scale of the infrastructure gap or the clear need for a CIL in Oxford. The proposed increased charges are expected to make a limited but important contribution to filling the large infrastructure funding gap.

Economic Viability Evidence

10. The Council commissioned BNP Paribas to undertake a Local Plan viability assessment (VA). Included in this work was consideration of the need and scope for alternative CIL rates. BNP Paribas produced their VA in July 2023. In the light of concerns raised in the consultation process that the testing of office and R&D developments in the VA was not site-specific enough, further evidence was sought. In April 2024 BNP Paribas provided an Addendum Note (AN) dealing with the CIL rate options for office/R&D developments.

⁹ All relevant consultation, submission and examination documentation may be viewed at: <https://www.oxford.gov.uk/community-infrastructure-levy/cil-partial-review-examination-library>

The further testing involved 18 sites some in the City Centre and others outside the centre. Most of the sites tested had been subject to planning applications, ten of which had been approved. Part of the justification of the AN was that rents had changed, particularly for R&D schemes. The material changes from the 2023 VA were an increase in office rents per sq.m from £340 - £565 to £540 - £590, an investment yield of 5.75% city wide (as opposed to 6.00% outside the City Centre) and increased construction costs from £3,123 to £3,279 per sq.m.

11. The VA followed the conventional approach of examining the viability of development typologies. For the purposes of the VA, the typologies relevant to this partial review involved floorspace of 2,500 and 5,000 square metres. The rents assumed were based on lettings of similar floorspace in the City between November 2019 and November 2022. For both typologies a rent-free period of 12 months was assumed.
12. For base build costs Building Cost Information Service (BCIS) figures were used with upper quartile figures applied in the City Centre to take account of the nature of the City Centre environment. An additional 10% allowance was provided for external works including car parking spaces. Additional costs relating to zero carbon and BREEAM were also taken into account. A comprehensive range of other development costs such as s106 contributions, development finance and professional fees were added to the base costs. The assumptions made in relation to these costs follow well established practice. For commercial development, the VA assumes a profit level of 15% of Gross Development Value (GDV). This level of profit is frequently assumed in viability work.
13. For benchmark land values BNP Paribas point out that existing use values are relevant. For the land to come forward for development, viability studies logically assume a premium above existing use value. The range of benchmark figures identified by BNP Paribas in Oxford is extremely wide, ranging from £370,000 to £7,630,000 per gross hectare. The lower benchmark relates to large, predominantly greenfield or vacant urban land while the higher figures are based on secondary office/retail buildings that are reaching the end of their economic life. The VA provides full details of how land in office/retail and industrial use has been valued using relevant rents, yields and assumptions. For cleared sites, undeveloped land and agricultural land the VA uses a multiple of fifteen times agricultural value. The resulting benchmarks per gross hectare are £7.63 million for secondary office land; £4.21 million for secondary retail land; £1.61 million for secondary industrial land; and £0.37 million for greenfield/open land.
14. The draft Charging Schedule is supported by detailed evidence of community infrastructure needs. On this basis, the evidence which has been used to inform the Charging Schedule is robust, proportionate and appropriate.

Are the proposed rates informed by and consistent with the evidence on viability across the charging authority's area?

Commercial Rate

15. The AN produced by BNP Paribas provides a much more comprehensive and up-to date view of potential CIL rates for office/R&D development than did the VA. The AN records recent evidence of office/R&D rents. The up-dated evidence shows that rents outside the City Centre are closely comparable to rents in the City Centre. January 2024 evidence from Bidwells shows rising rents for office and office/laboratory space with levels for prime fitted R&D space over £75 per square foot (sq.ft) and prime office space at £60per sq.ft. There are similar figures from August 2023 from Savills.
16. Potential CIL headroom for offices and R&D development is calculated by BNP Paribas in the AN based on rents of £55per sq.ft and £50 per sq.ft. Eighteen sites of various sorts in varied locations with a wide range of benchmark land values are included. All of the sites, bar one, show that there is a considerable amount of headroom. In a high proportion of cases with rents at £55per sq.ft the headroom either exceeds or is close to £2000per sq.m. With the lower rent of £50per sq.ft the majority of the sites show headroom of around £1500per sq.m or more.
17. BNP Paribas has also tested office development using secondary office market rent levels of about £45per sq.ft. This is broadly the rent level for new secondary offices. At this rent level most of the tested schemes could readily accommodate a CIL of £168.74 per sq.m. The viability of office development does not become challenging until rental levels fall to just over £31 per sq.ft. This level of rent is likely to be relevant to existing office rather than new office development.
18. It is important to note that the headroom identified needs to fund both CIL and any Cowley Branch Line contributions that may be sought. A viability buffer will also need to be provided. Although the proposed CIL rate of £168.74 per sq.m is considerably higher than the current indexed rate £33.74 per sq.m the evidence is that across all sites tested at both rental levels the average surplus is over £1100 per sq.m. The Cowley Branch Line is an aspiration that I understand is built into relevant s106 agreements at a rate of £36 per sq.m.

Has evidence been provided that shows the proposed rate or rates would not undermine the deliverability of the plan (see National Planning Policy Framework paragraph 34¹⁰)?

19. The Council's decision to is based on a comprehensive set of assumptions about development values and likely costs.

¹⁰ Paragraph 35 of the current NPPF (December 2024).

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20. The existing agricultural use value and the premium multiplier have been challenged as have the assumptions about development costs, developers profit, infrastructure costs and the allowance for external works. There have also been challenges to the transparency of the VA evidence and the timing of the introduction of a revised CIL rate. The scale of the increase in the proposed CIL rate is raised by several as an issue of major concern.
21. The contentions about transparency and timing are not accepted. In relation to transparency the national Planning Policy Guidance requires a broad area-based approach using appropriate available evidence. BNP Paribas in the VA sets out a comprehensive range of assumptions used in the assessment. Rents and yields used are dealt with. In terms of costs build the base costs are explained and a range of additional costs including zero carbon and BREEAM, accessibility standards, biodiversity net gain and s106 costs are detailed. The way exceptional costs are dealt with is set out as are the assumptions about developers profit. BNP Paribas use an approach to explain how they have reached their viability conclusions that has been tried and found acceptable in a number of CIL examinations. A lack of transparency criticism could be directed at the initial VA as it only tested two offices/R&D typologies and did not undertake any site-specific testing. The AN corrects this by testing 19 sites.
22. As regards the timing of the partial review, no point would be served in delaying the partial review until the emerging Local Plan has been adopted. The emerging Local Plan was withdrawn from examination because of a concern from the examining Inspectors about the delivery of housing and the duty to co-operate. In relation to non-residential development, the broad thrust of the emerging Local Plan is unlikely to be radically revised, not least because the Council is anxious to have an up-to-date Local Plan in place as soon as possible. Given this situation and the current evidence about rental levels for offices and R&D development, it is sensible for the Council to review the CIL rate for these types of development at this stage in the interests of getting an appropriate level of funding for much needed infrastructure.
23. A comparison is drawn in one representation to other rates in the South East, notably those in the Oxford Cambridge Arc. The comparison with Cambridge is, in practice, pointless as Cambridge does not operate a CIL policy and makes arrangements for the delivery of infrastructure on an entirely different basis. The comparison drawn with a number of other authorities in the Oxford Cambridge Arc that do operate a CIL is also unhelpful. There is no point in quoting local authorities that have completely different economic characteristics and drivers compared to Oxford.
24. As regards benchmark land values, it is appropriate for the viability testing to be based on broad evidence rather than on evidence from a limited number of property transactions. This is because the aspirations and requirements of both buyers and sellers can be very varied. A transaction may for example reflect an urgent need on the part of the purchaser to acquire land. On the other hand, it could reflect a need for the vendor to raise capital. These

considerations are relevant to the premium applied to establish benchmark values. This is why it is sensible to apply a mid-point premium to broad agricultural land values when considering benchmark values on greenfield sites.

25. On developers profit, the figure used in the VA reflects a standard approach. There is no convincing evidence of additional risk factors in Oxford that might justify a higher profit margin. The Council regards the market for office/R&D in the City as healthy and this view is supported by the number of large proposals that are under way, have planning permission or are currently subject to planning applications.
26. Some challenge the finance cost assumption and say that, in the current market, the figure should be between 8 and 10%. I accept BNP Paribas's point that small developers, particularly residential developers, may sometimes have to pay 8% or more but that developers who are likely to build substantial office/R&D schemes can usually obtain finance at or close to a long-term figure of 6.5%.
27. Regarding build costs, BNP Paribas use higher quartile BCIS figures. The use of this source of information is common in viability work and in line with the advice in the PPG. In viability work, it is not unusual to see lower quartile figures used on the grounds that larger developments can achieve economies of scale. Using higher quartile figures reflects the expected quality of office/R&D proposals in Oxford. There is a challenge by Savills to the build cost figures on the basis of a laboratory/life sciences development that had a build cost, at £427 per sq.ft., which is much higher than the BCIS figure. This argument is countered by BNP Paribas who point out that a 2024 Carter Jonas "Life Sciences Research Report" quotes rental levels of over £100 per sq.ft whereas the BNP Paribas work is based on a cautious £50 - £55 per sq.ft. BNP Paribas have re-run their appraisals for seven of the schemes tested using Savills Lab-enable Space costs of £427 with rents at £78.50 per square foot and a yield of 4.75%. The yield figure is based on Bidwells Databook – Oxford Offices and Labs February 2025. The results show that the proposed CIL rate would amount to less than 10% of the identified CIL headroom in the worst case. BNP Paribas dispute several of the assumptions used by Savills, in particular sustainability costs and the lettable area figures. As BNP Paribas point out, even if Savills' assumptions are accepted, in six out of seven cases the surpluses generated far exceed the proposed CIL rate.
28. In relation to the increase in the rate, the argument advanced is that the 500% increase represents too great a jump and is therefore a threat to the delivery of the Council's policies. The fact that the proposed rate is significantly higher than the existing rate is not in itself a reason for rejecting the proposed CIL. The critical considerations are current values and the viability of development at the present time.
29. I do not believe that there is any convincing evidence that the proposed rate would threaten the delivery of office/R&D development in the City. Even based on conservative rent figures the BNP Paribas evidence shows that the

surplus available to fund CIL and the Cowley Branch Line is very substantial. A very large viability buffer would be available at the proposed CIL rate. Furthermore Oxford operate an exceptional circumstances relief policy that can be used in circumstances where viability evidence provides a justification for not applying the standard CIL rate.

30. The proposed CIL rate represents at most 2.6% of development costs and it is unreasonable to argue that this level of increase is likely to be a decisive consideration in an area such as Oxford where the office/R&D market is strong.
31. There are representations that challenge the Charitable CIL relief. Charitable relief is mandatory and not a matter for consideration in this report.
32. In setting the CIL charging rate the Council has had regard to detailed evidence on infrastructure planning and the economic viability evidence of the development market in Oxford. The Council has set a commendable simple rate that is realistic in terms of achieving a reasonable level of income to address an acknowledged gap in infrastructure funding, while ensuring that office/R&D development remains viable across the City.
33. I consider the viability assessment to be robust and conclude that the rate proposed would not threaten delivery of office/R&D development in Oxford. The proposed rates are justified, therefore.

Overall Conclusion

34. I conclude that the partial review of the draft Oxford City Community Infrastructure Levy Charging Schedule, satisfies the drafting requirements and I therefore recommend that the draft Charging Schedule be approved.

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