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Oxford City Council,
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BY EMAIL ONLY: planningpolicy@oxford.gov.uk

05 January 2024

Dear Sir/Madam,

Our Ref: BMW094/RU

RE: RESPONSE TO THE COMMUNITY INFRASTRUCTURE LEVY (CIL) PARTIAL REVIEW DRAFT CHARGING SCHEDULE CONSULTATION

These representations are made by David Lock Associates ('DLA') on behalf of BMW Group UK ('BMW') and in response to the proposed Community Infrastructure Levy (CIL) Partial Review Draft Charging Schedule Consultation. For the avoidance of doubt, these representations should also be treated as a request to be heard by the Examiner through the CIL hearing process.

Context

BMW is a leading premium manufacturer of automobiles and motorcycles with over 30 production and assembly facilities worldwide. As an innovation leader, BMW sets trends in production technology and sustainability across the industry.

The BMW MINI Plant in Oxford ('MINI Plant') is the main assembly facility for the MINI range of cars, employing over 3,400 highly skilled employees and apprentices. The plant is pivotal to BMW's manufacturing activity and network in the UK and remains an important contributor to the local Oxford and wider UK economy.

The MINI Plant in Oxford is one part of BMW's MINI operations in the UK. While the Oxford plant focuses on assembly, BMW's plant in Swindon deals with sub-assembly and the manufacture of pressed parts, while its Hams Hall facility focuses on the production of engines. Together, these plants create a synergistic manufacturing process, facilitating the production of up to 1,000 MINIs a day - one every 67 seconds - at the MINI Plant in Oxford.

In September 2023, BMW announced an investment of more than £600 million into its Oxford and Swindon factories to facilitate the delivery of the new generation of electric MINI cars. This investment demonstrates BMW's continued commitment to Oxford.

BMW submitted representations in response to the Preliminary Draft Charging Schedule Consultation in October 2018. At the time, Oxford City Council ('OCC') proposed to increase the CIL rate for B2/B8 industrial development to £50 per sqm. BMW raised serious concerns regarding the robustness of the published economic viability assessment and the proposed rate increase. A nil CIL

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charge was later considered more appropriate by OCC, although not formally adopted before the Draft Schedule was shelved.

BMW acknowledges that updated evidence is now available and indeed welcomes the Council's preparation of a new viability assessment. However, BMW has significant concerns that the proposed CIL rate for B2/B8 development could undermine the delivery of the Local Plan's economic objectives and stifle investment at the Oxford MINI plant in the future. It is in this context that BMW **objects** to the Draft Charging Schedule.

Q1. THE PROPOSED RATES OF CIL CHARGES

The Council proposes to increase the CIL rate for B2/B8 development to £168.71 per sqm. This signifies an uplift that is more than eight times the adopted rate (£20 per sqm) and five times the 2023 indexed rate (£31.59 per sqm). BMW **objects** to this approach for the following reasons:

- The appropriate balance between additional investment to support development and the potential effect on the viability of development has not been struck as required by the Planning Practice Guidance.
- The viability assessment, which relies on assumptions that do not accurately reflect the conditions of the local market, is not robust;
- A significant amount of the Council's B2/B8 floorspace needs for the Local Plan 2040 have already been accounted for, so the proposed CIL rate will not generate the level of proceeds suggested;
- Other Charging Authorities in England where automotive manufacturing facilities are located do not impose a CIL charge on industrial development;
- Based on research undertaken by Planning Resource, the proposed CIL rate would be the highest B2/B8 CIL rate for any charging authority in England and Wales.
- The proposed CIL rate would place MINI Plant Oxford at a very serious competitive disadvantage compared with other car manufacturers in England and could stifle investment in the region.

Based on the above reasons, which are detailed further in the following sections of these representations, BMW requests that OCC introduces a nil CIL charge for industrial (B2/B8) land uses.

Q2. THE BACKGROUND EVIDENCE SUPPORTING THE DRAFT CHARGING SCHEDULE

Local Plan Viability Assessment (BNP, July 2023)

Section 4 of the Viability Assessment sets out the appraisal assumptions underpinning BNP Paribas ('BNP')'s viability modelling. The appraisal considers 30 development typologies, two of which are industrial (B2/B8) developments of 1,000sqm and 20,000sqm respectively. The appraisal then makes a set of assumptions for commercial rents, yields, costs and other relevant factors.

Commercial Rents

The Viability Assessment applies a rent of £175 per sqm for industrial and warehousing development based on '*lettings of similar floorspace in the City between November 2019 and November 2022*'. This is applied as a flat rate for all scales of industrial development across all parts of the city.

The Council's comparable evidence is provided in Appendix 3. This shows that the largest comparable considered is only 914sqm, significantly smaller than the 20,000sqm industrial typology assessed. BMW is concerned that this evidence base is not reflective of larger industrial developments and that subsequently, BNP's assumptions are not robust.

It is acknowledged that rental evidence for larger units is not as readily available given how infrequently these units come on the market. Therefore, DLA has obtained and considered comparable evidence for a longer time period (2018 - 2023) to establish rental values for

larger units. This evidence has been collated from the EG (formerly Estate Gazette) Radius dataset and is provided in Appendix 1.

The EG dataset includes a 7,630sqm unit that was leased in September 2018 for £94 per sqm. In addition to this, units between 2,500sqm – 3,000sqm achieved rental rates between £73 and £108 per sqm. Out of the largest units in the EG dataset, the most recent transaction was for a 1,200sqm unit in Nuffield Industrial Estate which secured £102 per sqm in May 2021.

The EG dataset only includes 6 transactions completed in 2023. These units are all relatively small in scale (up to 661sqm), but it is worth noting that the highest rent achieved was £161 per sqm.

In addition to EG, nearby lettings at the recently completed Verda Park scheme have also been reviewed (brochure included in Appendix 2). Recent transactions indicate that the average passing rent is £122.39 per sqm, while the most recent deal agreed is £150.70 per sqm. This provides a better indication of achievable prime rents in Oxford.

Overall, the evidence base in Appendices 1 and 2 indicate that the commercial rent assumptions made in the viability assessment are too high and an adjustment should be made to reflect local evidence. BMW suggests that commercial rents should be somewhere in the region of £122.39 per sqm to £150.70 per sqm.

Yield

The Viability Assessment applies an investment yield of 5% for industrial and warehousing uses. However, evidence from Knight Frank¹ indicates that prime industrial yields are currently between 5.25% - 5.50%. Savills² also reports prime equivalent yields at 5.25%.

Build Costs

The Viability Assessment applies an average BCIS base cost of £1,098 per sqm. While this approach is consistent with a high-level viability assessment, consideration should be given to specialist schemes (such as those in the automotive sector) where build costs are significantly higher than average BCIS costs. It is therefore suggested that upper quartile costs are applied, especially given the concentration of specialist industries in Oxford.

Benchmark Land Value

The Viability Assessment considers a notional 1-hectare site, and for land in industrial use, applies a low 25% plot ratio and rental yield of 5.5%. However, this approach is inconsistent with how industrial land is traded in reality. In general, industrial land is traded on a per acre basis, with an underlying industrial and value irrespective of any buildings on the site.

Section Conclusion

Overall, the commercial rental values, yields, build costs and industrial Benchmark Land Value adopted for the BNP viability assessment are not representative of the conditions of the local market. Therefore, the outcome of the assessment is neither reasonable nor defensible. Based on the above, the BNP appraisals should be re-run to reflect current market conditions and subsequently, the proposed increase in B2/B8 CIL rate should be revisited.

CIL Infrastructure Funding Gap Statement

The CIL Infrastructure Funding Gap (IFG) Statement aims to understand the infrastructure funding gap for the Local Plan 2040. To identify the funding gap, it takes into account estimated

¹ Knight Frank Prime Yield Guide (December 2023) Warehouse and industrial Prime Distribution / Warehousing (15 years, OMRRs) <https://content.knightfrank.com/research/522/documents/en/investment-yield-guide-december-2023-10818.pdf>

² Savills Market in Minutes: UK Commercial (October 2023) Industrial/Distribution (OMR) https://www.savills.co.uk/research_articles/229130/352429-0

costs from the Infrastructure Delivery Plan, confirmed funding from other sources, unspent CIL funding, and then estimated CIL funding from employment and residential development expected to come forward in the plan period.

For employment B2/B8 development, there is a projected employment floorspace need of 39,950sqm and 57,165sqm respectively (midpoint figures). These figures are derived from the HENA (although the IFG Statement incorrectly references the Lichfields ELNA). This would result in CIL receipts of £6.7m for B2 and £9.6m for B8 (£16.3m collectively). However, the estimated CIL projection and CIL receipts is based only on employment *need* and does not take into account available supply.

Background Paper 6a (Oxford's Economy) does however set out the Council's Local Plan supply position. Table A1 of the paper indicates a supply of 54,157sqm of industrial and warehousing floorspace collectively. This level of supply would only result in projected CIL receipts of £9.1m, not the £16.3m suggested in the IFG Statement.

Furthermore, BMW has obtained Resolution to Grant on its planning application for 26,350sqm of B2 floorspace. When this figure is deducted from the projected floorspace need of 39,950sqm, there is only a residual need of 13,600sqm of B2 floorspace need for the remainder of the plan period. There is no identified available supply for this residual need in the evidence base, and it is unclear whether this scale of B2 development is achievable on any other sites in Oxford. Given the low amount of B2 floorspace deliverable over the remainder of the plan period, the proposed increase in CIL rate is not justified.

Section Conclusion

The Infrastructure Funding Gap Statement applies employment floorspace needs of 39,950sqm and 57,165sqm for B2 and B8 development respectively. However, the Council's supply position indicates a supply of 54,157sqm of industrial and warehousing floorspace collectively. This level of supply would only result in projected CIL receipts of £9.1m, not the £16.3m suggested in the IFG Statement.

In addition, the Council's supply position indicates that there is only a residual need of 13,600sqm of B2 floorspace over the plan period. There is no identified available supply for this residual need, and it is unclear whether this scale of B2 development is achievable in Oxford. The Council's proposed approach of increasing the CIL rate for B2/B8 development, where minimal available development is anticipated to come forward, is therefore not justified.

It is also worth noting that the majority of the Council's employment floorspace need relates to Office and R&D falling within E(g)(i)(ii) uses. Therefore, the highest level of CIL is likely to be generated from these use classes.

Q3. ADDITIONAL COMMENTS

Comparison with other Local Authorities

BMW has undertaken a comparison of adopted and emerging CIL Charging Schedules across Local Planning Authorities (LPA) in England where automotive manufacturing facilities are located. The results are set out in Appendix 3, which demonstrates that out of the LPAs reviewed (i.e. those with automotive manufacturing facilities), Oxford City Council is currently the only charging authority which imposes a CIL Charge on industrial development.

Birmingham City Council (BCC) has commenced the process of reviewing its Charging Schedule, with a proposal to introduce a CIL charge of £50 per sqm for industrial development. BCC's evidence base suggests that there has been a significant increase in demand for industrial and warehouse floorspace, which has increased rents and yields. However, the Draft Schedule has not been through examination, and it is unclear whether the Council intends to proceed with the process as there has been no update since 2022.

In addition, BMW has reviewed some research undertaken by Planning Resource in October 2022³ which sets out CIL charges levied by all charging authorities across England and Wales. Based on this research, Oxford City Council's proposed CIL rate of £168.71 per sqm would be the highest B2/B8 CIL rate for any charging authority in England and Wales. Indeed, the research indicates that most charging authorities set relatively low (less than £35 per sqm) or nil CIL rates for industrial development.

Section Conclusion

The evidence above provides compelling evidence to demonstrate the significant viability challenges which are associated with delivering new industrial development in England, including development in the automotive sector. High input costs, rising competition from emerging countries, inflation and regulatory uncertainty (e.g., potential Brexit tariffs) are already creating challenging conditions for this sector. The proposed CIL charge would place MINI Plant Oxford at a very serious competitive disadvantage compared with other car manufacturers in England. This could also result in BMW making investment decisions that would be more favourable to its other MINI Plants at Swindon and Hams Hall, where there is no CIL charge levied against industrial development, and internationally.

Proportionality

Due to automation and other advances in the automotive and other similar sectors, an increase in employment space rarely results in the same level of increase in employee numbers. Therefore, impact on local infrastructure (e.g., from employee trips) is often not as significant as in previous decades.

This is particularly unique to industrial development – for example, impact from residential development is fairly consistent as household sizes are not impacted by automation and broadly rely on population and demographic trends. It is therefore important to consider wider technological and macroeconomic factors to ensure that any CIL rates do not have a disproportionate impact on certain sectors. As an example, BMW's current planning application for 29,900sqm of employment floorspace only necessitated minor access junction improvements.


Section Conclusion


Overall, it is imperative to ensure that the Council is proportionate in its approach to CIL. In relation to car manufacturing for example, an increase in employment space rarely results in the same level of increase in employee numbers / infrastructure impact, and this should be reflected in the Council's approach.

We trust that the comments set out above are helpful and reflect the importance of reviewing the proposed CIL rates for B2/B8 development in Oxford. We would be grateful to be kept informed of progress and any CIL Examination.

In the meantime, please do not hesitate to contact me should you have any queries on our response.

Yours Sincerely


RUKAIYA UMARU

Senior Development Surveyor / Planner


³ Planning Resource: CIL Watch: who's charging what? <https://www.planningresource.co.uk/article/1121218/cil-watch-whos-charging-what>