
**ST HELENS LOCAL PLAN
ECONOMIC VIABILITY ASSESSMENT
UPDATE NOTE**

AUGUST | 2021

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1.0 INTRODUCTION

- 1.1 The St Helens Local Plan Economic Viability Assessment (LPEVA) was published in December 2018. The evidence base for the Assessment was prepared during the Spring and Summer of 2018. The Matter 10 Hearing Statement submitted by Grasscroft Development Solutions (GDS) on behalf of Taylor Wimpey referred to changes that had taken place to sales prices and development costs over the period since the publication of the LPEVA including new national requirements in relation to Future Homes Standards and Biodiversity Net Gain.
- 1.2 In advance of the Matter 10 hearing session we prepared an update to the LPEVA testing to account for any changes in sales prices and development costs including in relation Future Homes Standards and Biodiversity Net Gain. The results of this update were presented verbally at the hearing session and broadly demonstrated an improved viability position.
- 1.3 An action point arising from the hearing session is *"to provide an update note on the Economic Viability Assessment to take into account what has changed as well as consideration of the format of the Tables in section 6, as presented verbally by Ms. Adie. Within this note, also pick up the need to update the open space threshold testing to include affordable housing requirements"*.
- 1.4 The purpose of this update note is to address this action point and provide in written form the update to the LPEVA presented at the hearing. The update note addresses the following matters:
- Section 2 - Residential Sales Prices;
 - Section 3 - General Development Costs;
 - Section 4 - Future Homes Standards, and;
 - Section 5 - Biodiversity Net Gain
- 1.5 Section 6 of this note contains the updated viability testing results, and includes commentary on the viability position including the results based on a threshold of 10 dwellings for the provision of open space and affordable housing. At Section 7 we have included scenario testing dealing with zero carbon costs.

2.0 RESIDENTIAL SALES PRICES

2.1 The net sales prices adopted in the LPEVA were based on evidence of new build sales during early 2018. We have reproduced below table 5.3 from the LPEVA which summarises the sales prices that were adopted for the viability testing.

Affordable Housing Zone	Areas include	Net Sales Price (per sq.m)	Net Sales Price (per sq.ft)
1	Parr, Town Centre	£1,830	£170
2	Blackbrook, Billinge and Seneley Green, Clockface, Earlestown, Sutton, Sutton Manor, Wargrave, Bold, Haydock, Moss Bank, Newton, Thatto Heath, Windle, West Park	£2,099	£195
3	Eccleston, Rainford, Rainhill	£2,422	£225

LPEVA Table 5.3: Net Sales Prices adopted for Viability Testing

2.2 The GDS hearing statement noted that typical residential market values in the St Helens area had increased since the study was completed. Based on market research they suggested that the net sales prices across the three affordable housing zones should be increased. Table 2.1 contains a summary of the net sales prices that GDS recommended for the purpose of updated viability testing. GDS state that the net sale prices assume a cautious approach, reflecting an average position.

Affordable Housing Zone	Areas include	Net Sales Price (per sq.m)	Net Sales Price (per sq.ft)
1	Parr, Town Centre	£1,938	£180
2	Blackbrook, Billinge and Seneley Green, Clockface, Earlestown, Sutton, Sutton Manor, Wargrave, Bold, Haydock, Moss Bank, Newton, Thatto Heath, Windle, West Park	£2,314	£215
3	Eccleston, Rainford, Rainhill	£2,637	£245

Table 2.1: GDS Recommended Net Sales Prices

2.3 Land Registry sales data shows that over period from March 2018 when the evidence base for the LPEVA was compiled until February 2021 (the most recent complete data set) the average price of a house in St Helens rose from £127,418 to £146,290. An increase of **14.81%**. Over the same period Land Registry sales data shows that the average price of a new house increased from £191,670 to £220,488. An increase of **15.04%**.

2.4 Applying a 15.04% increase to the prices adopted in the LPEVA would result in the revised net sales prices summarised in table 2.2.

Zone	EVA Net Price per sq.ft (per sq.m)	Feb 2021 Net Price per sq.ft (per sq.m)	Increase per sq.ft (per sq.m)
1	£170 (£1,830)	£196 (£2,105)	£26 (£275)
2	£195 (£2,099)	£224 (£2,415)	£29 (£316)
3	£215 (£2,422)	£247 (£2,786)	£32 (£364)

Table 2.2: Increase in Net Sales Price based on Land Registry Sales Data

2.5 As noted in the GDS hearing statement there has been limited new build development in zones 1 and 3 with the majority of new developments in zone 2. The Land Registry average sales price data, demonstrates that there is justification for an increase in the net sales prices above those recommended by GDS. However we also adopted a reasonably conservative position and for the purpose of the updated viability testing adopted net sales prices constant with those recommended by GDS as summarised in table 2.1.

2.6 We have also considered prospects for future house price growth in the Borough. The Savills House Price Forecast is probably the best regarded in the industry. The last Savills forecast was published in March 2021, and this identifies 5 year house price growth in the northwest from the beginning of 2021 to the end of 2025 of 28.8%. Figure 2.1 is reproduced from the Savills House Price Forecast.

Mainstream residential capital value forecasts 2021-2025

	2021	2022	2023	2024	2025	5-year growth	Av value* Dec 2020	Forecast value end 2025
UK average	4.0%	5.0%	4.0%	3.5%	3.0%	21.1%	£230,920	£279,644
North West	4.5%	6.0%	5.5%	5.5%	4.5%	28.8%	£176,925	£227,879

Figure 2.1: Savills House Price Forecast (March 2021)

2.7 This most recent house price forecast shows that house prices will continue to grow over the next 5 years. The forecast to beginning of 2025 coinciding with timetable for new homes to be zero carbon ready would be a **21.5%** increase in house prices.

3.0 GENERAL DEVELOPMENT COSTS

- 3.1 The GDS hearing statement suggests that based on BCIS median construction costs, there has been a small increase of just £10 per sq.m over the 2 year period since they submitted their consultation response to the LPEVA. The LPEVA was prepared during the spring and summer of 2018. Over the period from April 2018 (when the QS cost data was prepared) until June 2021, there has actually been a reduction of £19 per sq.m (£205 per sq.ft) in the respective BCIS figures referred to by GDS.
- 3.2 Paragraph 012 of the PPG states that "*Assessment of costs should be based on evidence which is reflective of local market conditions*". The new RICS Guidance Assessing viability in planning under the National Planning Policy Framework 2019 for England makes it very clear that wherever possible cost estimates should be based on local market evidence from similar developments. It suggests that although BCIS and other indices are 'appropriate', they are not always reflective of local market conditions. As a result supporting evidence of costs and duration in the local market should be used were available.
- 3.3 The QS cost assessments in the LPEVA are therefore based on local market evidence. This is derived from a data base of housing schemes in region. This includes data from the main house builders and RPs and also for sites in St Helens and neighbouring Boroughs. This local build cost data is derived from viability assessments, development agreement verifications and land price negotiations and has been used by us to inform many LPVAs that have been found sound.
- 3.4 A full report regarding the construction costs is contained at Appendix 5 of LPEVA. In response to the consultation that took place a construction cost briefing note was prepared and forms part of **SD004 appendix 21 and 22**. This document contains a detailed analysis of the data base and construction cost assessments. This demonstrates that the construction cost assessments prepared for the LPEVA are consistent with local market evidence. They are also in line with more recent financial viability assessments (FVAs) that have been submitted to us for review. It should also be noted that the cost data is taken from the FVA as submitted to us by the applicant rather than the eventual agreed position which may be lower.

- 3.5 In addition to the construction costs stated in the summaries provided in the QS Construction Cost Report at Appendix 5 of the LPEVA, the financial appraisals for the brownfield generic typologies contain a further cost allowance for abnormals. This additional amount equates to 5% of the total construction cost. In total therefore, the financial appraisals for these typologies include an allowance for abnormal costs ranging from £144,500 to £207,200 per net developable acre. The financial appraisals for the generic greenfield typologies are inclusive of additional amounts for site opening up costs as detailed in table 5.4 of the LPEVA.
- 3.6 Our experience is that construction costs have remained largely stable over the period since the LPEVA was prepared in 2018. This is demonstrated by the tender price index which has risen 2 points (0.06%) from 2Q 2018 to 1Q 2021.
- 3.7 For the purpose of the update no adjustment was made to the construction cost assessments, as it is considered that those in the LPEVA remain appropriate for the typologies tested.

4.0 FUTURE HOMES STANDARD

- 4.1 MHCLG has published its response to the consultation that has taken place regarding the Future Homes Standard and specifically changes to Parts L and F of the Building Regulations for new dwellings. There is now a set timetable by which all new homes will need to be constructed to these standards to ensure that they are zero carbon ready by 2025. An interim uplift will come into effect from June 2022 that will require all new homes to achieve a 31% reduction in CO2 compared to current standards. These requirements postdate the publication of the LPEVA, and therefore the update to the LPEVA considers the impact on viability of the costs associated with these matters.
- 4.2 The Impact Assessment published by MHCLG alongside the original consultation contained details of the costs associated with achieving a 31% reduction in CO2. Details of these costs are contained in table 4.1.

House Type	Cost (per dwelling)
Detached	£6,520
Semi	£4,850
Terrace	£4,740
Flats	£2,260
Typical mix	£4,620

Table 4.1: Costs to achieve 31% reduction in CO2 (MHCLG 2019 Consultation Part L)

- 4.3 A housing mix comprising a 60/40 split between semi-detached/terraced and detached houses is in line with the LPEVA typologies. Adopting this mix would give an average cost per dwelling of approximately £5,500. The majority of housing typologies in the LPEVA have average dwelling sizes of between 84 and 88 sq.m. A cost per dwelling of £5,500 would equate to between £65.48 per sq.m and £62.50 per sq.m (£6.08 to £5.81 per sq.ft). This compares to an allowance of £4-5 per sq.ft suggested by GDS in their hearing statement.
- 4.4 In preparing the update to the LPEVA testing we have adopted an allowance of £5,500 per dwelling to achieve the interim requirements of a 31% reduction in CO2.

4.5 In considering the costs associated with achieving zero carbon by 2025 we have had regard to the document prepared by Currie and Brown and AECOM, '*Cost of Carbon Reduction in New Buildings*' dated 31 October 2018. Adopting a scenario with an air source heat pump our QS has extracted the associated costs which are summarised in table 4.2.

House Type	Cost (per dwelling)
Detached	£14,700
Semi	£11,800
Terrace	£11,000

Table 4.2: Costs to achieve Zero Carbon (Currie and Brown and AECOM)

4.6 Again adopting a 60/40 split between semi-detached/terraced and detached houses this would give an average cost per dwelling of approximately £12,960. Based on the average dwelling sizes in the LPEVA typologies this would equate to £154.29 to £147.27 per sq.m (£14.33 to £13.68 per sq.ft). This is consistent with the expected additional cost in the GDS hearing statement of £13 to £15 per sq.ft.

4.7 To understand the impact of achieving zero carbon standards in 2025 the update note includes some scenario testing inclusive of these costs.

5.0 BIODIVERISTY NET GAIN

- 5.1 Mandatory biodiversity net gain as set out in the Environment Bill applies in England only by amending the Town & Country Planning Act (TCPA) and is likely to become law in 2023. A minimum 10% gain is required. Again these requirements postdate the publication of the LPEVA.
- 5.2 Elsewhere in preparing viability testing based on the requirement for 10% biodiversity net gain, we have adopted a cost of £49,060 per ha of gross site area. This is based on Defra's Impact Assessment on biodiversity net gain which suggests at paragraph 6.2.5 that "*where a developer is required to offset through the market for biodiversity units, the indicative price for a biodiversity unit is assumed to be £11,000*", with an estimation that a developer would pay £49,060 per ha from an average 1 ha development. Applying this to the testing typologies for St Helens would result in a cost per dwelling ranging from £1,400 to £1,870 per dwelling. GDS in their hearing statement suggest costs ranging from £1,500 to £2,000 per dwelling. For the purpose of the update we have taken a robust position to assessing the impact of biodiversity net gain and have adopted a cost of £2,000 per dwelling.

6.0 UPDATED RESULTS

- 6.1 As explained at the hearing session relating to matter 10, we have prepared updated viability testing to model the impact of the changes outlined in Sections 2-5. The updated viability testing is based on the typologies at 35 dwellings per hectare as these are considered to be the most typical and representative of development likely to take place in the Borough over the plan period. We have also updated the viability testing for the proposed allocations based on these changes.
- 6.2 With reference to the LPEVA, the results tables that have been updated are as follows:
- Zone 1 – Tables 6.2 and 6.5
 - Zone 2 – Tables 6.8 and 6.11
 - Zone 3 – Tables 6.13 and 6.15
 - Allocations – 6.19
- 6.3 The updated results presented verbally at the hearing were those inclusive of requirements for open space and affordable housing, ie. the base position before requirements for S106 contributions, M4(2) and M4(3a) and education contributions were added. For record purposes, and to provide an understanding of the impact of the changes on the viability position reported in the LPEVA, we have in the first instance prepared updated tables that compare the respective base results from the original LPEVA tables with those from the updated testing. The impact on the surplus per sq.m would then need to be deducted for the particular policy requirements as per the right hand columns of the respective tables in the LPEVA.
- 6.4 In accordance with the further action point, we have then presented the results from the updated testing to show the surplus (or deficit) per sq.m inclusive of all potential plan policy requirements ie the net surplus once all cumulative policies are taken into consideration.
- 6.5 For the avoidance of doubt, the updated results for the 10 dwelling typology are now inclusive of requirements for public open space and affordable housing as required by the modified affordable housing policy.

Comparison of LPEVA Base Results with Updated Base Results

Zone 1

Affordable Housing Requirement - 0%

Scheme	No. Dwellings	Surplus (per sq.m)		Difference
		LPEVA	UPDATE	
1	5	-£138	-£131	+£7
2	10	-£118	-£124	-£6
3	25	-£128	-£133	-£5
4	50	-£105	-£110	-£5
5	75	-£70	-£74	-£4
6	100	-£48	-£54	-£6
7	200	-£20	-£23	-£3

Table 6.2: Zone 1 – Base Results Update 35 dwellings per hectare (Brownfield)

Affordable Housing Requirement - 0%

Scheme	No. Dwellings	Surplus (per sq.m)		Difference
		LPEVA	UPDATE	
1	5	£3	£10	+£7
2	10	£20	£14	-£6
3	25	-£26	-£30	-£4
4	50	-£24	-£28	-£4
5	75	£7	£4	-£3
6	100	£14	£11	-£3
7	200	£16	£13	-£3

Table 6.5: Zone 1 – Base Results Update 35 dwellings per hectare (Greenfield)

Zone 2

Affordable Housing Requirement - 0%

Scheme	No. Dwellings	Surplus (per sq.m)		Difference
		LPEVA	UPDATE	
1	5	-£8	£79	+£87
2	10	£4	£76	+£72
3	25	-£23	£45	+£68
4	50	-£6	£61	+£67
5	75	£24	£91	+£67
6	100	£42	£108	+£66
7	200	£71	£136	+£65

Table 6.8: Zone 2 – Base Results Update 35 dwellings per hectare (Brownfield)

Affordable Housing Requirement - 30%

Scheme	No. Dwellings	Surplus (per sq.m)		Difference
		LPEVA	UPDATE	
1	5	£205	£291	+£86
2	10	£187	£74	-£113
3	25	-£29	£20	+£49
4	50	£18	£66	+£48
5	75	£7	£55	+£48
6	100	£14	£62	+£48
7	200	£15	£62	+£47

Table 6.11: Zone 2 – Base Results Update 35 dwellings per hectare (Greenfield)

Zone 3

Affordable Housing Requirement - 10%

Scheme	No. Dwellings	Surplus (per sq.m)		Difference
		LPEVA	UPDATE	
1	5	£160	£246	+£86
2	10	£143	£133	-£10
3	25	£63	£126	+£63
4	50	£125	£188	+£63
5	75	£101	£163	+£62
6	100	£126	£187	+£61
7	200	£152	£212	+£60

Table 6.13: Zone 3 – Base Results Update 35 dwellings per hectare (Brownfield)

Affordable Housing Requirement - 30%

Scheme	No. Dwellings	Surplus (per sq.m)		Difference
		LPEVA	UPDATE	
1	5	£369	£453	+£84
2	10	£334	£200	-£134
3	25	£80	£129	+£49
4	50	£124	£172	+£48
5	75	£110	£158	+£48
6	100	£115	£162	+£47
7	200	£113	£160	+£47

Table 6.15: Zone 3 – Base Results Update 35 dwellings per hectare (Greenfield)

Allocations

Ref	No. Dwellings	Affordable	Surplus (per sq.m)		Difference
			LPEVA	UPDATE	
1HA	216	30%	£51	£95	+£44
2HA	522	30%	-£5	£44	+£49
4HA	2,988	30%	£33	£81	+£48
5HA	569	30%	£9	£57	+£48
6HA	816	0%	£31	£98	+£67
7HA	181	30%	£35	£79	+£44
8HA	259	30%	£5	£48	+£43
9HA	350	0%	£28	£88	+£60
10HA	802	0%	£67	£133	+£66

Table 6.19: Base Results Update Housing Allocations

- 6.6 The updated base results for zone 1 are generally similar to those in the LPEVA, with only minor changes to the viability outcome.
- 6.7 For zone 2 the updated base results generally demonstrate an improvement in the viability position. All brownfield sites are now viable on this basis with the level of surplus typically increasing by £65 - £68 per sq.m. Similarly all greenfield sites are now viable on this basis even accounting for 30% affordable housing provision and open space contributions for the 10 dwelling scheme. The level of surplus typically increases by £47 - £49 per sq.m.
- 6.8 Similarly these changes lead to an improvement in the base viability position in zone 3. It is only the results for the 10 dwelling scheme that show a reduction in the level of surplus. This arises due to the additional costs now included for affordable housing and open space.
- 6.9 Finally the updated base results for the housing allocations show that all are viable. The increase in the level of surplus is £43-£49 per sq.m for greenfield sites and £60-£67 per sq.m for the brownfield allocations.

Cumulative Plan Policy Results

- 6.10 To address the further action point, the updated results at 35 dwellings per hectare and for the allocations, have been re-presented to show the surplus (or deficit) per sq.m based on the cumulative plan policies. Previously to enable an understanding of the impact of policies on an individual basis, the tables in the LPEVA were structured to show the impact per sq.m of these requirements individually. The matters tested on this basis were S106 and education contributions together with requirements for M4 (2) and M4 (3a).

- 6.11 Not all typologies are subject to this full suite of requirements. For all typologies in the update S106 contributions at £1,000 per dwelling and education contributions based on the Councils standard formula are included. Requirements for M4 (2) and (3a) however are only now included for those typologies of 25 dwellings or above on greenfield sites.
- 6.12 For consistency with the table numbers in the LPEVA, the same number references have been adopted, but the new cumulative policy results table have the reference (a) added ie table 6.2 becomes table 6.2(a). The surplus (or deficit) shown in the table is the residual sum that is left once all plan policy requirements have been taken into consideration. To understand the impact on viability of the individual policy requirements then regard to should be had to the "Impact on Surplus (per sq.m)" columns contained in the respective results tables in the LPEVA.

Zone 1

Affordable Housing Requirement - 0%

Scheme	No. Dwellings	Dwelling Ave (sq.m)	Surplus (per sq.m)
1	5	98	-£148
2	10	92	-£143
3	25	87	-£152
4	50	86	-£128
5	75	87	-£92
6	100	87	-£71
7	200	87	-£40

Table 6.2 (a): Zone 1 – Cumulative Results 35 dwellings per hectare (Brownfield)

Affordable Housing Requirement - 0%

Scheme	No. Dwellings	Dwelling Ave (sq.m)	Surplus (per sq.m)
1	5	98	-£7
2	10	92	-£4
3	25	87	-£52
4	50	86	-£50
5	75	87	-£17
6	100	87	-£10
7	200	87	-£8

Table 6.5 (a): Zone 1 – Cumulative Results 35 dwellings per hectare (Greenfield)

Zone 2

Affordable Housing Requirement - 0%

Scheme	No. Dwellings	Dwelling Ave (sq.m)	Surplus (per sq.m)
1	5	98	£63
2	10	92	£58
3	25	87	£28
4	50	86	£43
5	75	87	£74
6	100	87	£91
7	200	87	£119

Table 6.8 (a): Zone 2 – Cumulative Results 35 dwellings per hectare (Brownfield)

Affordable Housing Requirement - 30%

Scheme	No. Dwellings	Dwelling Ave (sq.m)	30% Surplus (per sq.m)	20% Surplus (per sq.m)
1	5	98	£274	£274
2	10	85	£55	£132
3	25	84	-£2	£86
4	50	84	£43	£114
5	75	84	£33	£106
6	100	84	£40	£111
7	200	84	£40	£107

Table 6.11 (a): Zone 2 – Cumulative Results 35 dwellings per hectare (Greenfield)

Zone 3

Affordable Housing Requirement - 10%

Scheme	No. Dwellings	Dwelling Ave (sq.m)	Surplus (per sq.m)
1	5	98	£229
2	10	88	£115
3	25	87	£108
4	50	86	£171
5	75	86	£146
6	100	86	£171
7	200	86	£196

Table 6.13 (a): Zone 3 – Cumulative Results 35 dwellings per hectare (Brownfield)

Affordable Housing Requirement - 30%

Scheme	No. Dwellings	Dwelling Ave (sq.m)	Surplus (per sq.m)
1	5	98	£437
2	10	85	£181
3	25	84	£106
4	50	84	£149
5	75	84	£136
6	100	84	£140
7	200	84	£138

Table 6.15 (a): Zone 3 – Cumulative Results 35 dwellings per hectare (Greenfield)

Allocations

Ref	No. Dwellings	Affordable	Dwelling Ave (sq.m)	Surplus (per sq.m)
1HA	216	30%	84	£74
2HA	522	30%	84	£22
4HA	2,988	30%	84	£59
5HA	569	30%	84	£35
6HA	816	0%	87	£81
7HA	181	30%	84	£58
8HA	259	30%	84	£28
9HA	350	0%	87	£79
10HA	802	0%	87	£123

Table 6.19 (a): Cumulative Results Housing Allocations

- 6.13 The updated results for zone 1 show that based on the cumulative plan policy position development is generally not viable. This largely mirrors the results of the viability testing in the LPEVA, save for the slight reduction in viability to the greenfield sites. The testing indicates that for the sites in zone 1 flexibility will be required in relation to plan policy requirements to ensure that viability and hence the delivery of development in these locations is not undermined.
- 6.14 In zone 2 the results in table 6.8 (a) show that based on the cumulative policy position brownfield sites are viable. Table 6.11 (a) shows that greenfield sites are also viable based on the cumulative position inclusive of 30% affordable housing. There is one result (for 25 dwellings) that shows a nominal deficit of -£2 per sq.m.
- 6.15 For completeness the testing for zone 2 inclusive of 20% affordable housing has also been updated and based on the cumulative policy position this is all viable.
- 6.16 Table 6.13 (a) shows that in zone 3 brownfield sites are viable based on the cumulative plan policies including 10% affordable housing. The greenfield sites are also viable (table 6.15 (a)) based on the cumulative policy requirements including 30% affordable housing.
- 6.17 Finally the updated testing results for the allocations in table 6.19 (a) demonstrates that the allocations are all viable based on the cumulative plan policies inclusive of affordable housing provision at the percentages stated in the table.

- 6.18 The updated viability testing generally demonstrates an improvement in viability since the LPEVA. All of the typologies tested in zones 2 and 3 including the allocations are viable based on cumulative plan policies. There is one exception namely the 25 dwelling greenfield typology in zone 2 with a very nominal deficit of only -£2 per sq.m based on 30% affordable housing. The viability testing for the 10 dwelling scheme is inclusive of requirements for public open space and affordable housing based on the proportions appropriate to zones 2 and 3.
- 6.19 In zone 1 the updated results are broadly similar to those in the LPEVA, with viability in these locations limited, and flexibility in plan policies required to ensure delivery of development.
- 6.20 As noted in para 6.65 of the LPEVA the cost of electrical vehicle charging points is in the region of £220 per dwelling. Since publication of the LPEVA we have reviewed a number of Viability Assessments submitted by locally by housebuilders and the costs per dwelling quoted ranged from £150 to £220, save for one scheme at £250. Adding these costs into the viability assessments would mean that based on the average dwelling sizes this would lead to a reduction in the level of surplus in the range of £2 to £3 per sq.m. The cost of electric vehicle charging points alone is minimal and will have a very limited impact on overall viability.

7.0 SCENARIO TESTING – ZERO CARBON

- 7.1 It is intended that all new dwellings will be zero carbon ready from June 2025. As explained at the Examination Hearing scenario testing has been prepared to model the impact of these requirements. This scenario testing adopts the costs per dwelling contained in table 4.2.
- 7.2 Over the period until the beginning of 2025 the Savills house price forecast predicts that house prices in the Northwest will rise by 21.5%. The tender price index over the period from Q2 2018 when the construction cost assessments were prepared until May 2025 shows a forecast increase from 326 (Q2 2018) to 384 (Q2 2025), equivalent to a 17.79% increase in construction costs. The impacts of value and general construction cost change will therefore be a significant factor in the market over the period leading up to the introduction of zero carbon. In accordance with current RICS Guidance we have therefore undertaken scenario testing of zero carbon impacts based on these projections as to values and construction costs over the period until 2025.
- 7.3 Adopting the forecasted increases for sales prices and build costs, the scenario testing has been prepared using the zone 2 greenfield typologies and also the allocations. Tables 7.1 and 7.2 contain the results for this scenario testing which were verbally presented to the hearing. The results are inclusive of requirements for open space and affordable housing, ie the base position in the LPEVA, before requirements for S106, education contributions and M4(2) and M4(3a) are added. For comparison with the previous results on this basis, tables 7.1 and 7.2 contain details of the respective base surplus in the LPEVA, the updated testing and finally the base surplus from the scenario testing inclusive of costs to achieve zero carbon.

Zone 2

Affordable Housing Requirement - 30%

Scheme	No. Dwellings	Surplus (per sq.m)		
		LPEVA	UPDATE	Zero Carbon
1	5	£205	£291	£474
2	10	£187	£74	£98
3	25	-£29	£20	£38
4	50	£18	£66	£96
5	75	£7	£55	£83
6	100	£14	£62	£93
7	200	£15	£62	£98

Table 7.1: Scenario Testing Zero Carbon - Zone 2 35 dwellings per hectare (Greenfield)

Allocations

Ref	No. Dwellings	Affordable	Surplus (per sq.m)		
			LPEVA	UPDATE	Zero Carbon
1HA	216	30%	£51	£95	£163
2HA	522	30%	-£5	£44	£82
4HA	2,988	30%	£33	£81	£124
5HA	569	30%	£9	£57	£97
6HA	816	0%	£31	£98	£176
7HA	181	30%	£35	£79	£148
8HA	259	30%	£5	£48	£112
9HA	350	0%	£28	£88	£161
10HA	802	0%	£67	£133	£212

Table 7.2: Scenario Testing Zero Carbon Housing Allocations

- 7.4 The results of the scenario testing show that the forecast house price increases are more than sufficient to offset any build cost inflation together with the costs of achieving zero carbon. As a result based on forecast changes to 2025, the level of surplus across all the typologies increases notwithstanding the increased costs associated with achieving zero carbon.
- 7.5 Over the period to 2025 it is expected that as technology evolves there will be savings in the costs of achieving zero carbon. In addition, reflecting the savings in running costs it is expected that the values of homes constructed to these standards will increase in comparison with those built to current building regulation standards. The scenario testing does not reflect any costs savings or value increases arising from these factors.

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