Land South West Maidenhead Supplementary Planning Document

Additional Viability Assessment – October 2022

Scope and Introduction

1.1 Royal Borough of Windsor and Maidenhead Council (RBWM) are preparing a Supplementary Planning Document (SPD) for the South West Maidenhead Development Framework. The SPD provides a planning, design and infrastructure framework to inform forthcoming planning applications for residential and employment development in the South West Maidenhead area that make up the AL13 housing allocation.

1.2 The delivery of the South West Maidenhead site was considered in the *Borough Local Plan 2017, Local Plan Viability Update* (HDH, April 2017) and *Borough Local Plan, Viability Update Note* (HDH, October 2019). In the 2017 study it was referred to as Strategic 2,000 (Site 1) and modelled under two alternative sets of assumptions (Sites 24 and 25). In the 2019 study it was referred to as Desborough (Strategic Site 1).

1.3 The *Borough Local Plan 2017, Local Plan Viability Update* (HDH, April 2017) and *Borough Local Plan, Viability Update Note* (HDH, October 2019) were carried out to meet the requirements of the NPPF and in accordance with the PPG and RICS Guidance.

1.4 Since 2017 / 2019, the costs and the values, being the main inputs into a viability assessment, have changed and several changes have been made to national policy. The Council has not proposed new policies that will add to the costs of development, over and above the costs set out in the 2019 Viability Update Note.

1.5 This brief additional assessment considers how these changes may impact on viability and the delivery of this site. Specifically, HDH Planning & Development Ltd has now been appointed to update the viability assessment in relation to the AL13 housing allocation that is now referred to as South West Maidenhead:

a. To take into account the changes in values and costs due to changes in the wider development environment.

b. To reflect the updated information from the developing masterplan, including to test an alternative housing mix.

c. To take into account changes in national policy and requirements that may impact on the site.

Changes in Residential Value

2.1 The value assumptions in the 2019 Viability Update Note were based in August 2019. Since then, there has been a considerable change in the housing market. There are a range of data sources that can be referenced, however the Land Registry is the most complete.

Table 2.1 Change in Average House Prices			
	Windsor & Maidenhead	South East	England & Wales
2019-08	£470,898	£322,720	£244,678
2022-07	£557,450	£398,781	£306,610
Change	£86,552	£76,061	£61,932
	18.4%	23.6%	25.3%

Source: Land Registry (October 2022). Contains HM Land Registry data © Crown copyright. This data is licensed under the Open Government Licence v3.0

2.2 This data shows that average prices have increased by about 18% in RBWM, which is somewhat less than in the wider South East. This data can be disaggregated and newbuild sales separated out.

Table 2.2 Change in Average Newbuild House Prices – RBWM		
	Newbuild	Existing
2019-08	£441,470	£474,068
2022-05	£531,024	£550,560
	£89,554	£76,492
	20.3%	16.1%

Source: Land Registry (October 2022) Contains HM Land Registry data © Crown copyright. This data is licensed under the Open Government Licence v3.0

2.3 According to the Land Registry, the average newbuild sale price has increased by just over 20% over the last 3 or so years in the Council area. This is more than the average increase of existing homes.

2.4 The 2019 Viability Update Note was completed before the COVID-19 pandemic. A range of views as to the impact on house prices of the pandemic and Brexit were expressed which covered nearly the whole spectrum of possibilities, but the general consensus was that there would be a fall in house prices. As can be seen from the above, prices actually increased substantially. The pandemic, Brexit and more recently Russia's invasion of Ukraine, as well as the impact on house prices (through increased mortgage rates) following the September 2022 mini-budget, all add uncertainty. It is not possible for us to predict the impact of these, however HM Treasury brings together some of the forecasts in its regular *Forecasts for the UK economy: a comparison of independent forecasts* report.

Table 2.3 Consolidated House Price Forecasts

Table 2 - 2022: Growth in prices and monetary indicators (% change)

Forecasters and dates of forecasts			CPI (Q4 on Q4 year ago, %)		RPI (Q4 on Q4 year ago, %)	Average earnings	Sterling index (Jan 2005=100)	Official Bank rate (level in Q4, %)	Oil price (Brent, $/bbl)	Nominal GDP	House price inflation (Q4 on Q4 year ago, %)	
City forecasters												
Bank of America - Merrill Lynch	Oct		3.1		3.9	-	-	0.25	-	-	-	
Barclays Capital	Sep	*	9.4		12.7	-	-	2.50	103.0	-	-	
Bloomberg Economics	Feb		5.0		-	-	-	1.00	-	-	-	
Capital Economics	Jun		10.4		11.9	7.4	81.2	2.25	100.0	-	8.0	
Citigroup	Feb		5.0		5.8	4.4	-	1.00	-	-	5.6	
Credit Suisse	Jul		9.5		-	-	-	2.25	-	-	-	
Daiwa Capital Markets	Feb		4.6		-	4.0	85.0	1.25	85.0	-	5.0	
Deutsche Bank	Aug		12.4		15.4	-	-	2.50	-	-	-	
Goldman Sachs	Mar		8.3		-	-	-	1.75	125.7	6.9	-	
HSBC	Jun		9.3		11.5	4.5	-	1.50	-	-	-	
JP Morgan	Jul		8.6		-	-	-	2.25	-	-	-	
Morgan Stanley	Dec		2.7		3.9	-	-	0.75	-	-	-	
Natwest Markets	Sep	*	10.4		13.1	6.3	-	3.25	99.0	8.6	-	
Nomura	Aug		12.4		-	-	-	2.50	-	-	-	
Pantheon	Aug		12.6		15.3	5.0	-	2.25	-	-	4.2	
Schroders Investment Management	Dec		1.6		3.5	3.5	-	0.50	-	9.2	2.2	x
Societe Generale	Aug		10.8		13.8	6.0	-	2.50	-	11.8	-	
UBS	Jun		8.6		10.5	6.0	-	1.50	-	6.9	-	
Non-City forecasters												
British Chambers of Commerce	Sep	*	14.0		-	5.2	-	2.00	-	-	-	
Beacon Economic Forecasting	Sep	*	10.2		11.5	6.1	78.2	2.75	102.0	10.8	12.0	
CBI	Aug		8.3		8.7	5.5	83.6	1.75	100.8	9.1	9.2	
CEBR	Sep	*	11.0		11.3	5.2	78.0	2.67	-	-	0.8	
Economic Perspectives	Aug		10.5		11.5	6.5	78.0	2.25	106.0	8.5	5.3	x
Experian Economics	May		9.0		11.0	5.0	87.8	1.25	108.0	3.1	2.2	
EIU	Jul		7.8		-	-	-	2.00	-	-	-	
Heteronomics	Sep	*	10.2		13.0	7.5	79.9	2.75	108.0	-	7.2	
ICAEW	Jul		10.5		-	-	-	2.25	-	-	-	
ITEM Club	Aug		10.1		13.1	4.1	-	1.92	-	-	5.5	±
Kern Consulting	Sep	*	10.5		-	6.0	-	2.75	94.0	-	-	
Liverpool Macro Research	Sep	*	8.6		-	7.3	78.6	2.00	-	-	-	k
NIESR	Aug		10.8		17.7	6.1	-	2.36	-	-	6.2	
Oxford Economics	Sep	*	10.3		13.1	5.7	78.4	3.00	103.8	9.0	6.6	k
OECD	Aug		8.8	h	-	-	-	-	-	-	-	
IMF	Aug		7.4	h	-	-	-	-	-	-	-	
Average of forecasts made in the last 3 months (excludes OBR forecasts)												
Independent			10.2		13.1	5.9	79.2	2.4	102.1	9.6	6.3	
New (marked *)			10.5		12.4	6.2	78.6	2.6	101.6	9.5	6.6	
City			10.8		14.1	5.8		2.5	101.0	10.2	4.2	
Range of forecasts made in the last 3 months (excludes OBR forecasts)												
Highest			14.0		17.7	7.5	83.6	3.3	108.0	11.8	12.0	
Lowest			7.4		8.7	4.1	78.0	1.8	94.0	8.5	0.8	
Median			10.3		13.1	6.0	78.4	2.4	102.5	9.1	6.2	
OBR	Mar		8.7		11.0	5.3	82.5	1.1	94.0	6.7	4.3	

Source: Forecasts for the UK economy: a comparison of independent forecasts No 422 (HM Treasury, September 2022.

2.5 The uncertainty in the housing market is reported by the RICS. The August 2022 RICS UK Residential Market Survey said:

Buyer enquiries and sales continue to fall but prices remain underpinned at this stage

- *Downward trend in new buyer enquires and sales appears to gather momentum*
- *New instructions still falling, with supply on the market remaining restricted*
- *House prices continue to edge higher for now although the pace of growth is easing noticeably across the country*

The August 2022 RICS UK Residential Survey results point to the recent downward trend in market activity becoming further entrenched, with enquires, sales and new instructions all falling at a faster pace (in net balance terms) than last month. Respondents continue to attribute this to the deteriorating macro-economic backdrop, amid the cost-of-living crisis, alongside higher borrowing costs.

Starting with demand, the aggregate net balance for new buyer enquiries slipped to a reading of -39% in August. This is down relatively sharply from a figure of -26% beforehand and represents the weakest return for the survey's demand metric since April 2020. Moreover, most regions/countries of the UK are seeing buyer demand fall back to some extent. That said, enquiries were somewhat more resilient in London over the month, holding broadly steady.

Meanwhile, the flow of new instructions to sell remains very much in decline, evidenced by a net balance of -15% respondents nationally citing a decline in fresh listings during August (compared to -6% previously). As a result, average inventory levels on estate agent's books sunk to a fresh all-time low of just 34 homes over the latest survey period. Looking ahead, contributors continue to note that the current level of market appraisals being undertaken is similar to that seen twelve months ago, suggesting the tight supply backdrop is unlikely to change dramatically in the near future.

With respect to agreed sales, a net balance reading of -22% was posted in August, representing a further softening from a figure of -13% seen in each of the previous two reports. As such, sales have now fallen for five consecutive months, with the latest feedback implying this downward trend is gathering pace. Going forward, near-term sales expectations remain stuck in negative territory, at -26%. Over the next twelve-months, a national net balance of -45% of respondents foresee sales slipping, marking the poorest return for this series since its formation in 2012.

Despite the weakening sales backdrop, a headline net balance of +53% of survey participants continued to report an increase in house prices over August. Even so, price growth (in net balance terms) has now moderated to some degree in four successive months, following a recent high of +78% recorded back in April this year. Nevertheless, the latest feedback remains consistent with a still reasonably solid degree of upward movement in house prices for the time being. When disaggregated, respondents across Northern Ireland, the North West, London and East Anglia in particular all continue to highlight relatively firm house price growth at this stage.

As to the future, price expectations for the next twelve months returned a net balance of just +3% in August, down from a reading of +30% last time. Consequently, this is now indicative of a more or less flat projection for national house prices over the twelve-month time horizon. Indeed, this corroborates with members' point estimate twelve-month forecast, which suggests house prices will rise by just a 0.2% over the year to come.

2.6 Property agents Savills are forecasting the following changes in house prices.

Table 2.4 Savills Residential Price Forecasts

	2022	2023	2024	2025	2026	5 Year
Mainstream UK	7.5%	-1.0%	3.0%	3.5%	3.5%	17.4%
South East	6.0%	-0.5%	2.5%	3.0%	3.0%	13.5%
Outer Prime London	5.0%	3.0%	1.0%	2.0%	2.0%	13.6%

Source: Savills Mainstream House Price Forecasts (July 2022)[1] and Savills Spotlight: Prime Residential Property Forecasts[2]

[1] UK-Mainstream-House-Price-Forecasts.pdf (savills.com)

[2] Savills UK | Spotlight: Prime Residential Property Forecasts – August 2022

2.7 In this context it is relevant to note that the Nationwide Building Society reported in September 2022:

Annual house price growth slows to single digits in September

- *Modest slowing in annual UK house price growth to 9.5% in September, from 10% in August*
- *10 of the UK's 13 regions recorded slower annual price growth in the third quarter of the year*
- *South West was the strongest performing region once again, while London remained weakest*

Headlines	Sept-22	Aug-22
Monthly Index*	542.7	542.7
Monthly Change*	0.0%	0.7%
Annual Change	9.5%	10.0%
Average Price (not seasonally adjusted)	£272,259	£273,751

** Seasonally adjusted figure (note that monthly % changes are revised when seasonal adjustment factors are re-estimated)*

2.8 Similarly, the Halifax Building Society reported in August 2022:

Average house price edges higher – but rate of annual growth slows again

- *House prices increased by +0.4% in August (vs -0.1% in July)*
- *Annual rate of growth eased to +11.5% (from +11.8%)*
- *A typical UK property now costs a record £294,260*
- *Wales still showing the strongest annual growth in the UK • London records highest annual house price inflation in six years*

2.9 There is clearly uncertainty in the market, and the substantial growth reported over the last few years seems unlikely to continue. The delivery of this site is likely to take place across several economic cycles, during which there will be falls as well as rises in property values. The assumptions used in this note are cautious in nature.

2.10 Looking at local prices in more detail, as presented in the 2019 Viability Update, the Land Registry publishes data of all homes sold. Each property sold requires an Energy Performance Certificate (EPC). The EPC contains the floor area (the Gross Internal Area – GIA) as well as a wide range of other information about the construction and energy performance of the building. The price paid data from the Land Registry was married with the homes' floor area from the EPC Register.

2.11 This data has been refreshed:

Table 2.5 Land Registry Price Paid Data and EPC Data - From January 2020 to October 2022

	Detached	Flat	Semi-detached	Terraced	All
MAIDENHEAD					
Count - Sales	3	165	10	0	178
£/dwelling	£726,667	£305,691	£783,200	£0	£339,613
Count - m^2	3	165	10	0	178
£/m^2	£5,046	£5,136	£5,177	£0	£5,137
RBWM					
Count - Sales	8	193	14	4	219
£/dwelling	£697,500	£371,532	£713,786	£733,750	£411,935
Count - m^2	8	193	14	4	219
£/m^2	£5,297	£5,412	£5,022	£6,096	£5,395

Source: Land Registry and EPC Register (October 2022) Contains HM Land Registry data © Crown copyright. This data is licensed under the Open Government Licence v3.0

2.12 This data suggests that house prices are in the region of £5,400/m^2, however it is important to note that there is limited data within the Land Registry Price Paid Data for either 2021 or 2022, with the majority (70%) of the sales being recorded in 2020, since when house prices have increased further.

Table 2.6 Land Registry Price Paid Data - From January 2020 to October 2022 – RBWM Sample Size

	Detached	Flat	Semi-detached	Terraced	**All**
2020	5	140	8	3	**156**
2021	3	53	5	1	**62**
2022			1		**1**
All	**8**	**193**	**14**	**4**	**219**

Source: Land Registry and EPC Register (October 2022) Contains HM Land Registry data © Crown copyright. This data is licensed under the Open Government Licence v3.0

2.13 As well as reviewing the sales recorded by the Land Registry, newbuild asking prices from Maidenhead have been reviewed. There were 64 newbuild homes being advertised for sale, with an average asking price of about £450,000 or just under £6,000/m². This is a notable increase from the asking prices researched in 2017 and 2019.

Table 2.7 Newbuild Asking Prices – October 2022

	Detached			Flats			Semi Detached			All		
	Count	Asking Price £	Asking Price	Count	Asking Price £	Asking Price	Count	Asking Price £	Asking Price	**Count**	**Asking Price £**	**Asking Price**
Anglers Place	0			1	£325,000	£4,643	0			**1**	**£325,000**	**£4,643**
Belmont Park	0			9	£339,722	£5,916	0			**9**	**£339,722**	**£5,916**
Courtwood	6	£781,650		0			1	£650,000	£6,019	**7**	**£762,843**	**£6,019**
Elgar Place	0			6	£457,500	£7,129	0			**6**	**£457,500**	**£7,129**
Ellington Court	0			5	£315,500		0			**5**	**£315,500**	
Elmwood Gate	0			1	£399,950	£4,705	0			**1**	**£399,950**	**£4,705**
Maiden House	0			4	£223,750	£5,102	0			**4**	**£223,750**	**£5,102**
Monaco House	0			4	£357,500	£5,117	0			**4**	**£357,500**	**£5,117**
Odyssey Place	0			6	£301,667	£6,367	0			**6**	**£301,667**	**£6,367**
Rize Court	0			3	£243,333	£6,459	0			**3**	**£243,333**	**£6,459**
The Poppies	0			0			1	£525,000	£5,833	**1**	**£525,000**	**£5,833**
Valley Walk	1	£280,000	£6,829	0			0			**1**	**£280,000**	**£6,829**
Watermark	0			5	£386,000	£5,999	0			**5**	**£386,000**	**£5,999**
Waterside Quarter	0			5	£403,000	£6,207	0			**5**	**£403,000**	**£6,207**
Other	3	£1,300,000	£5,789	2	£432,500	£5,686	1	£900,000	£4,865	**6**	**£944,167**	**£5,583**
ALL	**10**	**£886,990**	**£6,049**	**51**	**£348,626**	**£6,014**	**3**	**£691,667**	**£5,572**	**64**	**£448,826**	**£5,991**

Source: Market Survey (October 2022)

2.14 This data suggests that newbuild prices have risen somewhat. An assumption of £5,650/m^2 is now used. This is a little below the mid-point between the average from the Price Paid Data and the average asking price. It is a little more than 5% below the average asking price and represents a 16.5% increase on the assumption used in the 2019 Viability Update. This is a cautious, but appropriate, approach.

Changes in Development Costs

3.1 In the 2019 Viability Update Note, the build costs were derived from the BCIS data. The report said:

> *Build costs are the major cost input into the development appraisals. The costs in the 2017 Local Plan Viability Update were based on the March 2017 BCIS Costs. Since then the price for Estate Housing Generally has increased from £1,269/m^2 to £1,456/m^2, being just under 15%. This is a significant increase.*

3.2 The cost figure for Windsor and Maidenhead for 'Estate Housing – Generally' is now £1,578/m^2 (24th September 2022). This is an increase of 8.3%.

Table 3.1 BCIS Costs

£/m^2 study. **Description:** Rate per m^2 gross internal floor area for the building Cost including prelims. **Last updated:** 24-Sep-2022 05:54. **£/m² gross internal floor area**

New build	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest
810.1 Estate housing						
Generally (15)	1,641	790	1,399	1,578	1,795	5,710
2-storey (15)	1,583	790	1,373	1,537	1,730	3,437
3-storey (15)	1,710	1,021	1,375	1,622	1,943	3,369
4-storey or above (15)	3,460	1,675	2,771	3,094	4,606	5,153
810.11 Estate housing detached (15)	2,119	1,218	1,672	1,847	2,213	5,710
810.12 Estate housing semi detached						
Generally (15)	1,640	966	1,402	1,609	1,796	3,008
2-storey (15)	1,592	966	1,400	1,554	1,739	2,836
3-storey (15)	1,590	1,207	1,273	1,561	1,805	2,344
810.13 Estate housing terraced						
Generally (15)	1,691	1,021	1,371	1,580	1,858	5,153
2-storey (15)	1,621	1,036	1,359	1,543	1,777	3,437
3-storey (15)	1,743	1,021	1,378	1,600	1,969	3,369
816. Flats (apartments)						
Generally (15)	1,932	951	1,604	1,830	2,181	6,626
1-2 storey (15)	1,826	1,130	1,551	1,734	2,053	3,335
3-5 storey (15)	1,905	951	1,600	1,818	2,165	4,037
6 storey or above (15)	2,296	1,409	1,875	2,161	2,467	6,626

Source: BCIS (October 2022)

3.3 The build costs figures are updated to the figures set out above. As per the 2019 Viability Update Note, to be consistent, the modelling is based on the median costs, with the exception of the tall buildings (6 storeys and taller) which are modelled on the BCIS Lower Quartile cost. If undertaking the 2019 Viability now, we would use the Lower Quartile costs across all types of development in a site of this scale. The Lower Quartile cost is about 11% less than the median. The approach taken is appropriate and cautious, bearing in mind the uncertainty described earlier.

3.4 There has been much coverage in the national press around increased inflation. The BCIS is predicting that the General Build Cost Index will increase by about 4% over the next year (October 2022:444.9 – October 2023:462.4) and by about 11% over the next three years. (October 2022:444.9 – October 2025:492.0).

Changes in National Policy

4.1 There have been a number of changes at a national level since the 2019 Viability Update Note was undertaken.

First Homes

4.2 In February 2020, the Government launched a consultation on First Homes. The outcome of this was announced in May 2021.

> *<u>What is a First Home?</u>*
>
> *First Homes are a specific kind of discounted market sale housing and should be considered to meet the definition of 'affordable housing' for planning purposes. Specifically, First Homes are discounted market sale units which:*
>
> *a. must be discounted by a minimum of 30% against the market value;*
>
> *b. are sold to a person or persons meeting the First Homes eligibility criteria (see below);*
>
> *c. on their first sale, will have a restriction registered on the title at HM Land Registry to ensure this discount (as a percentage of current market value) and certain other restrictions are passed on at each subsequent title transfer; and,*
>
> *d. after the discount has been applied, the first sale must be at a price no higher than £250,000 (or £420,000 in Greater London).*
>
> *First Homes are the government's preferred discounted market tenure and should account for at least 25% of all affordable housing units delivered by developers through planning obligations.*
>
> *PPG: 70-001-21210524*

4.3 We understand that the Council is subject to the transitional provisions, so First Homes do not apply.

Environmental Standards

4.4 At the time of the 2019 Viability Update the Council was not specifically seeking standards that were over and above those set out in National Building Regulations. It was assumed that development was carried out to the then extant Building Regulation standards. In this additional assessment, it is assumed that development is to the expected 2025 changes to

Part L of Building Regulations. The effect of Net Zero Carbon (regulated and unregulated) is tested. The draft South West Maidenhead SPD refers to the Council's Policy Statement on Sustainability and Energy Efficient Design (March 2021) which seeks net zero regulated and as such goes slightly beyond the Part L 2025 standards.

4.5 Early in October 2019, the Government launched a consultation on 'The Future Homes Standard'[3]. This is linked to achieving 'net zero' greenhouse gas emissions by 2050. The outcome of the consultation was announced during January[4] 2021.

4.6 The Department of Levelling up, Communities and Housing, has now published the latest revision to Conservation of Fuel and Power, Approved Document L of the Building Regulations as a 'stepping stone' on the pathway to Zero Carbon homes. Part L of Building Regulations have been updated to align with Option 2 of the Future Homes Standard Option 2. It sets the target of an interim 31% reduction in CO_2 emissions over 2013 standards for dwellings. The changes apply to new homes that submit plans after June 2022 or have not begun construction before June 2023.

4.7 The costs will depend on the specific changes made and are considered in Chapter 3 of the 2019 Government Consultation[5]. This suggests that the costs, having been indexed, would add about 3%[6] to the base cost of construction.

4.8 The revisions to Part L are a step towards the introduction of the Future Homes Standard in 2025. While precise details of the Future Homes Standard are yet to be published, the 2019 Government Consultation anticipated that it would achieve a 75% to 80% improvement reduction in CO_2 emissions over 2013 standards for dwellings, and will be introduced in 2025.

4.9 *A report for the Committee on Climate Change The costs and benefits of tighter standards for new buildings, Final report 2019* (Currie & Brown, February 2019) did set out the costs of a range of standards, but these are not comparable on a like for like basis. Additionally, the Government consultation was informed by the *Centre for Sustainable Energy Cost of carbon reduction in new buildings* (Currie & Brown, December 2018). This report suggested:

4.10 The costs of reducing emissions by 10% on-site with no requirement for energy efficiency beyond the Part L 2013 (assuming gas heating), to be less than 1% of the build costs with a 20% reduction to add about 2% to the costs of construction[7].

a. The cumulative costs over Part L 2013 for certified Passivhaus is about:

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[3] https://www.gov.uk/government/consultations/the-future-homes-standard-changes-to-part-l-and-part-f-of-the-building-regulations-for-new-dwellings?utm_source=7711646e-e9bf-4b38-ab4f-9ef9a8133f14&utm_medium=email&utm_campaign=govuk-notifications&utm_content=immediate

[4] [The Future Buildings Standard - GOV.UK (www.gov.uk)]

[5] The Future Homes Standard 2019 Consultation on changes to Part L (conservation of fuel and power) and Part F (ventilation) of the Building Regulations for new dwellings (MHCLG, October 2019).

[6] BCIS March 2022 409.0 from BCIS Oct 2018 354.2 = 15.5%. £3,134x15.5%+£3,620. £3,620/85m² = £42.60/m². £42.60/m² / BCIS Estate Housing £1,324 = 3.2%

[7] Figure 4.10.

i. £12,000 per detached house (based on 117m^2, £103/m^2 or an additional 7.6% in costs).

ii. £7,100 per terraced house (based on 84m^2, £85/m^2 or an additional 5.8% in costs).

iii. £2,750 per low rise flat (based on 70m^2, £39/m^2 or an additional 2.9% in costs).

b. The cost of Zero Regulated Carbon[8] and Zero Regulated and Un-Regulated Carbon[9] is set out as follows:

Table 4.1 Cost of On-Site Carbon Reduction

	Carbon Saving	Zero Regulated Carbon			Zero Regulated and Un-Regulated Carbon		
		% Uplift	£/m^2	£/home	% Uplift	£/m^2	£/home
							Gas Heated
Detached	79%	6.2%	£84	£9,900	9.2%	£124	£14,500
Semi Detached	56%	5.6%	£84	£6,800	8.7%	£126	£10,600
Terraced	59%	6.0%	£82	£6,900	9.4%	£126	£10,600
Low Rise Flat	34%	6.7%	£91	£6,400	10.2%	£137	£9,600
Medium Rise Flat	24%	3.5%	£87	£4,400	5.4%	£136	£6,800
Air Sourced Heat Pump Heated							
Detached	95%	6.4%	£86	£10,100	9.3%	£126	£14,700
Semi Detached	69%	6.8%	£99	£8,300	9.9%	£144	£12,100
Terraced	72%	7.4%	£100	£8,400	10.7%	£144	£12,100
Low Rise Flat	48%	6.9%	£93	£6,500	10.3%	£139	£9,800
Medium Rise Flat	32%	3.8%	£96	£4,800	5.8%	£144	£7,200

Source: Table 4.1 Centre for Sustainable Energy Cost of carbon reduction in new buildings (Currie & Brown, December 2018)

4.11 The above data is a little dated. The more recent *Building the Case for Net Zero: A feasibility study into the design, delivery and cost of new net zero carbon buildings* (UK GBC, Advancing Net Zero, September 2020) suggests the cost of increasing to the 2025 standards (from 2013's) would be 3.5% with the stretch target being 5.3% - the latter relating to regulated and unregulated zero carbon factoring in whole life carbon costs.

[8] Regulated energy use is regulated by Part L of Building Regulations. This includes energy used for space heating, hot water and lighting together with directly associated pumps (for circulating water) and fans (eg for ventilation).

[9] Unregulated energy use is not controlled by Part L of Building Regulations. In homes this includes energy use for cooking, white goods and small power (eg, TVs, kettles, toasters, IT, etc). The quantity of unregulated energy in a home is estimated in SAP2012 using information on the building area. In non-domestic buildings unregulated energy also includes that used for vertical transportation (lifts and escalators) and process loads such as industrial activities or server rooms.

4.12 On this basis, considering the various sources of information above, it is estimated that the 2025 Future Homes Standard would add about 4% to the cost of development and is assumed in the base appraisals.

4.13 It is timely to note that building to higher standards that result in lower running costs does result in higher values[10] of about 1.7%[11], whilst this is less than the additional costs, it is significant. There is relatively little research in this regard so we recommend that this is kept under review.

4.14 In summary the following assumptions are made:

a. The 2022 changes to Part L of Building Regulations (31% CO_2 saving) will add 3% to the BCIS base costs.

b. The anticipated 2025 changes to Part L of Building Regulations (+/- 75% CO_2 saving) are expected to add 4% to the BCIS base costs.

c. The cost of moving to Net Zero Carbon (regulated and unregulated) are expected to add about 10% to the BCIS base costs.

4.15 In this additional assessment, it is assumed that development is to the expected 2025 changes to Part L of Building Regulations. The effect of Net Zero Carbon (regulated and unregulated) is tested. The draft South West Maidenhead SPD refers to the Council's Policy Statement on Sustainability and Energy Efficient Design (March 2021) which seeks net zero regulated and as such goes slightly beyond the Part L 2025 standards.

Electric Vehicle Charging Points

4.16 EV Charging facilities are now a requirement (from 25th June 2022) of Building Regulations (Approved Document S). No allowance was made for EV Charging in the 2019 Viability Update Note. Typically, we expect these to cost about £800/unit (having fallen somewhat over the last year or so).

4.17 The cost of this is included in the appraisals and applied to all houses. For flatted development an allowance of £5,000 per 50 units is made for a shared charger.

Biodiversity

4.18 The Environment Act received Royal Assent in November 2021 and mandates that new developments must deliver an overall increase in biodiversity – Biodiversity Net Gain (BNG). The requirement is that developers ensure habitats for wildlife are enhanced and left in a measurably better state than they were pre-development. They must assess the type of habitat and its condition before submitting plans, and then demonstrate how they are

[10] See *EPCs & Mortgages, Demonstrating the link between fuel affordability and mortgage lending* as prepared for Constructing Excellence in Wales and Grwp Carbon Isel / Digarbon Cymru (funded by the Welsh Government) and completed by BRE and *An investigation of the effect of EPC ratings on house prices* for Department of Energy & Climate Change (June 2013.)

[11] Nationwide Special Report (August 2021).

improving biodiversity – such as through the creation of green corridors, planting more trees, or forming local nature spaces. Green improvements on-site would be preferred (and expected), but in the rare circumstances where they are not possible, developers will need to pay a levy for habitat creation or improvement elsewhere.

4.19 This requirement was considered as an option in the 2019 Viability Update, but the costs were not included in the base appraisals.

4.20 The costs of this type of intervention are modest and will be achieved through the use of more mixed planting plans, that use more locally appropriate native plants. More thought and care will however go into the planning of the landscaping. There will be an additional cost of establishing the baseline 'pre-development' situation, as a survey will need to be carried out.

4.21 The Government's impact assessment[12] suggests an average cost of scenarios including where all the 10% net gain provision is on-site and where all is off-site.

Table 4.2 Cost of Biodiversity Net Gain – South East

2017 based costs

	Scenario A 100% on-site	**Scenario C** 100% off-site
Cost per ha of residential development	£3,456/ha	£63,841/ha
Cost per ha of non-residential development	£3,150/ha	£47,885/ha
Cost per greenfield housing unit	£162/unit	£3,305/unit
Cost per brownfield housing unit	£56/unit	£660/unit
Residential greenfield delivery costs as proportion of build costs	0.1%	2.4%
Residential brownfield delivery costs as proportion of build costs	<0.1%	0.5%
% of industrial land values	0.2%	3.0%
% of commercial land values (office edge of city centre)	0.2%	2.3%
% of commercial land values (office out of town - business park)	0.2%	2.6%

Source: Tables 14 to 23: Biodiversity net gain and local nature recovery strategies – Impact Assessment

4.22 In this additional assessment, it is assumed that the 10% BNG is provided off-site, adding 2.4% to the cost of development.

[12] Table 14 and 15 Biodiversity net gain and local nature recovery strategies: impact Assessment. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/839610/net-gain-ia.pdf

Accessible and Adaptable Standards

4.23 In July 2022, the Government announced the outcome of the 2020 consultation on raising accessibility standards of new homes[13] saying:

> *73. Government proposes that the most appropriate way forward is to mandate the current M4(2) (Category 2: Accessible and adaptable dwellings) requirement in Building Regulations as a minimum standard for all new homes – option 2 in the consultation. M4(1) will apply by exception only, where M4(2) is impractical and unachievable (as detailed below). Subject to a further consultation on the draft technical details, we will implement this change in due course with a change to building regulations.*

4.24 The Government will now consult further on the technical changes to the Building Regulations to mandate the higher M4(2) accessibility standard. No timescale has been announced.

4.25 In the 2019 Viability Update it was assumed, in line with the Council's then draft policy, that 5% of new homes would be to the M4(2) standard, as per the Council's then draft policy. In this additional assessment, it is assumed that all new homes are to this standard.

4.26 The cost of Category 2 is taken to be £521[14]. These costs have been indexed[15] by 35% to £730/dwelling.

White Paper: Planning for the Future (MHCLG, August 2020)

4.27 The Government has consulted on *White Paper: Planning for the Future* (MHCLG, August 2020) and various supporting documents. In terms of viability the two key paragraphs are:

> ***Assessments of housing need, viability and environmental impacts are too complex and opaque****: Land supply decisions are based on projections of household and business 'need' typically over 15- or 20-year periods. These figures are highly contested and do not provide a clear basis for the scale of development to be planned for. Assessments of environmental impacts and viability add complexity and bureaucracy but do not necessarily lead to environ improvements nor ensure sites are brought forward and delivered;*
>
> ***Local Plans should be subject to a single statutory "sustainable development" test****, and unnecessary assessments and requirements that cause delay and challenge in the current system should be abolished. This would mean replacing the existing tests of soundness, updating requirements for assessments (including on the environment and viability) and abolishing the Duty to Cooperate.*

4.28 Pillar Three of the White Paper then goes on to set out options around the requirements for infrastructure and how these may be funded. The key proposals are:

> *Proposal 19: The Community Infrastructure Levy should be reformed to be charged as a fixed proportion of the development value above a threshold, with a mandatory nationally- set rate or rates and the current system of planning obligations abolished.*
>
> *Proposal 21: The reformed Infrastructure Levy should deliver affordable housing provision*

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[13] Raising accessibility standards for new homes: summary of consultation responses and government response - GOV.UK (www.gov.uk)

[14] Paragraph 157 *Housing Standards Review – Final Implementation Impact Assessment* (DCLG, March 2015).

[15] BCIS Index March 2014 316.3, October 2022 444.9.

4.29 The above suggests a downgrading of viability in the planning system, however, as it stands, the proposals in the White Paper are options which may or may not come to be adopted so, at the time of this report (October 2022) a viability assessment is a requirement.

Queen's Speech 2021 and 2022

4.30 A range of planning reforms were outlined in the papers supporting the 2021 Queen's Speech. For the purpose of this additional assessment, the key points are as follows:

> *Planning Bill "Laws to modernise the planning system, so that more homes can be built, will be brought forward…"*
>
> *The purpose of the Bill is to:*
>
> - *Create a simpler, faster and more modern planning system to replace the current one ...*
> - *Help deliver vital infrastructure whilst helping to protect and enhance the environment by introducing quicker, simpler frameworks for funding infrastructure and assessing environmental impacts and opportunities.*
>
> *The main benefits of the Bill would be:*
>
> - *Simpler, faster procedures for producing local development plans, approving major schemes, assessing environmental impacts and negotiating affordable housing and infrastructure contributions from development. ...*
>
> *The main elements of the Bill are: ... Replacing the existing systems for funding affordable housing and infrastructure from development with a new more predictable and more transparent levy.*

4.31 In the late summer of 2021, the Ministry of Housing Communities and Local Government was renamed as the Department for Levelling Up, Housing and Communities (DLUHC). Various ministers have commented about revisiting some of the subjects that had been consulted on, however, beyond statements that Housebuilding remains a priority, no further firm details have been released.

4.32 The Government's further thinking was set out in the 2022 Queen's Speech which included the following:

> *"A bill will be brought forward to drive local growth, empowering local leaders to regenerate their areas, and ensuring everyone can share in the United Kingdom's success. The planning system will be reformed to give residents more involvement in local development."*
>
> *The main benefits of the Bill would be:*
>
> - *Laying the foundations for all of England to have the opportunity to benefit from a devolution deal by 2030 – giving local leaders the powers they need to drive real improvement in their communities.*
> - *Improving outcomes for our natural environment by introducing a new approach to environmental assessment in our planning system. This benefit of Brexit will mean the environment is further prioritised in planning decisions.*
> - *Capturing more of the financial value created by development with a locally set, non-negotiable levy to deliver the infrastructure that communities need, such as housing, schools, GPs and new roads.*
> - *Simplifying and standardising the process for local plans so that they are produced more quickly and are easier for communities to influence.*

Levelling-up and Regeneration Bill

4.33 In May 2022, the Government published the *Levelling-up and Regeneration Bill*. This includes reference to a new national Infrastructure Levy. The Bill suggests that the Infrastructure Levy would be set having regard to viability and makes reference to the *Infrastructure Levy Regulations*. *Infrastructure Levy Regulations* have yet to be published.

4.34 It will be necessary for the Council to monitor the progress of the Bill and to review this additional assessment, as and when the Levy Regulations are published.

Updated Modelling

Site Capacity and Housing Mix

5.1 In the 2019 Viability Update Note, the modelling for the Desborough site was based on the following housing mix. A total site capacity of 2,600 units was assumed and a total site area was taken to be 89.93ha.

Table 5.1 2019 Unit Mix For Desborough Site

	Bedrooms	Mix		Size	
Market		%	Number	m^2	Circulation
Flat	1	5.0%	91	51.5	10%
	2	10.0%	182	63.0	10%
	3	5.0%	91	76.5	10%
Flat 6+	1	11.0%	200	72.0	10%
	2	18.0%	328	76.2	10%
	3	5.0%	91	109.0	10%
House	2	2.0%	36	95.5	
	3	24.0%	437	118.0	
Detached	4	15.0%	273	104.5	
	5	5.0%	91	127.0	
Affordable					
Flat	1	25.0%	195	51.5	10%
	2	25.0%	195	63.0	10%
	3	6.0%	47	76.5	10%
Flat 6+	1	10.0%	78	72.0	10%
	2	10.0%	78	76.2	10%
	3	5.0%	39	109.0	10%
House	2			95.5	
	3	11.0%	86	118.0	
Detached	4	8.0%	62	104.5	
	5			127.0	

Source: Borough Local Plan, Viability Update Note (HDH, October 2019)

5.2 The Affordable Housing mix was assumed to be 20% Affordable Home Ownership (Shared Ownership), 35% Affordable Rent and 45% Social Rent.

5.3 The above modelling forms the initial scenario in this additional assessment, however the modelling is then updated to be consistent with the indicative mix in Draft SPD:

Table 5.2 2022 SPD Unit Mix – 2,610 Units								
	Market Housing		Social Rented		Affordable Rented		Shared Ownership	
1 bedroom flat	348	19.0%	44	12.5%	34	12.4%	39	24.8%
2 bedroom flat	637	34.9%	44	12.5%	34	12.4%	78	49.7%
2 bedroom house	0	0.0%	88	25.0%	69	25.2%	39	24.8%
3 bedroom flat	67	3.7%	0	0.0%	0	0.0%	0	0.0%
3 bedroom house	469	25.7%	132	37.5%	103	37.6%	0	0.0%
4 bedroom house +	306	16.7%	44	12.5%	34	12.4%	0	0.0%
Total	1,827		352		274		157	
	70.0%		13.5%		10.5%		6.0%	

Source: RBWM (September 2022)

5.4 Under the SPD, the site capacity is marginally increased to 2,610 units, consistent with other modelling work undertaken for the SPD. It is assumed for viability assessment purposes that the scheme would include 1 block of flats of 8 storeys to comprise 64 flats. It is assumed the remaining flats will be in blocks of less than 6 storeys.

Strategic Infrastructure and Mitigation Costs

5.5 In the 2019 Viability Update, the cost of strategic infrastructure and mitigation, for this site, was assumed to be £32,064,000 (£12,300/unit). This was modelled in addition to CIL calculated at the then extant rate of £282.67/m^2, totalling about £47,350,000. The combined total of developer contributions was therefore assumed to be £79,414,000 (£30,550/unit).

5.6 We now understand from the Draft SPD that the cost of strategic infrastructure and mitigation is now estimated to be £110,000,000. It is anticipated that about £41,000,000 will be funded through CIL and about £28,000,000 from other sources. This leaves a balance of about £29,700,000 (£11,400/unit) to be funded through additional developer contributions from this site, when the £11,300,000 anticipated funding from the 'Triangle' site is taken into account.

5.7 In this additional assessment, it is assumed that the project comes forward as a single scheme under a single planning application. One consequence of this is that all the CIL is paid over the first 4 years of the project. It is likely that the scheme will come forward under multiple phases and under numerous planning applications, so CIL would be paid over the life of the project rather than in the first few years.

5.8 In this additional assessment, the base appraisals assume £11,400/unit in developer contributions, in addition to CIL. As there is some uncertainty around this amount, sensitivity testing is carried out.

Updated Appraisals

6.1 As in the *Borough Local Plan 2017, Local Plan Viability Update* (HDH, April 2017) and *Borough Local Plan, Viability Update Note* (HDH, October 2019) appraisals have been run. The assumptions are carried forward from those reports, with the following changes:

a. The values used are increased to £5,650/m^2. This is a little below the mid-point between the average from the Price Paid Data and the average asking price. It is over 5% below the average asking prices and represents a 16.5% increase on the assumption used in the 2019 Viability Update.

b. The latest BCIS based construction costs are used.

c. The appraisals assume the expected 2025 increase to Part L of Building Regulations, EV Charging, 10% Biodiversity Net Gain, and that all homes are to Accessible and Adaptable M4(2) standard.

d. Developer contributions of £11,400/unit in addition to CIL. It is assumed that the s106 contributions are paid over the first 9 years of the project.

e. CIL is indexed to £295.11/m^2.

   i. In the 2019 mix this totals £51,573,000.

   ii. In the 2022 mix this totals £45,687,000.

f. Interest has been increased to 7.5% (as an 'all-in' cost).

6.2 In addition to the base appraisals, the following sensitivity testing is carried out:

a. Changes in costs and values.

b. The impact of further steps towards Zero Carbon.

c. Varied developer contributions (in addition to CIL).

d. Consideration of self and custom build.

Base Appraisals

6.3 For each of the modelling scenarios appraisals have been run on three bases:

a. s106 paid over first 9 years of project

b. s106 paid up front (all in Year 1)

c. s106 paid pro rata over the life of the project relative to the delivery of the new homes.

Table 6.1 Base Appraisals

			Existing Use Value	Benchmark Land Value	Residual Value
A	2019 based	s106 over first 9 years	100,000	520,000	602,692
B	2019 based	s106 up front	100,000	520,000	547,904
C	2019 based	s106 pro rata	100,000	520,000	666,063
A	2022 based	s106 over first 9 years	100,000	520,000	558,595
B	2022 based	s106 up front	100,000	520,000	503,597
C	2022 based	s106 pro rata	100,000	520,000	622,726

Source: HDH (2022)

6.4 Across the scenarios the Residual Value is positive and well above the EUV. Under the 2022 based mix, as set out in the draft SDP, the Residual Value is about £44,000/ha less than under the modelling used in 2019.

6.5 The timing of when the contributions towards strategic infrastructure and mitigation are made makes a material difference to the results. The Residual Value is about £120,000/ha lower where the funding is required up front and paid for in the first year of development, rather than being sought throughout the life of the project, pro rata to the delivery of the development. This indicates that considering the timing of development is likely to be an important factor to be taken into consideration at the development management stage.

6.6 This analysis is based on a BLV of £520,000/ha, being an assumption that has been carried forward from the 2019 Viability Update. It is important to note that a large proportion of the site is controlled by the Council. We understand that the Council is committed to making the site available for development.

6.7 The above analysis assumes that development is carried out to the expected 2025 Part L Building Regulation standard and the announced requirement that all new homes should be built to the Accessible and Adaptable M4(2) standard. Whilst these two increases in standards have been announced by the Government, no firm timetable for their introduction has been set out. They should therefore be seen to be a worst case scenario.

Impact of further steps towards Zero Carbon

6.8 The Council is encouraging developers though its Position Statement on Sustainability and Energy Efficient Design to be more ambitious in taking steps towards zero carbon.

Table 6.2 Towards Zero Carbon					
			Existing Use Value	Benchmark Land Value	Residual Value
A	2019 based	Part L 2025	100,000	520,000	602,692
A	2019 based	Towards Zero CO_2	100,000	520,000	452,987
A	2022 based	Part L 2025	100,000	520,000	558,595
A	2022 based	Towards Zero CO_2	100,000	520,000	432,904

Source: HDH (2022)

6.9 This analysis suggests that, moving to standards that are over the announced 2025 increase in construction standards (i.e. full zero carbon), is likely to cause a fall in the Residual Value of about £125,000/ha. Bearing in mind that viability is constrained, the Council will need to keep this under review the implications for costs and values in the future.

Varied Developer Contributions

6.10 A key variable in the development of this site is the level of developer contributions required. The above analysis assumes CIL at the adopted rate and s106 contributions of £11,400/unit. This comes to about £75,000,000 in the 2022 modelling, as per the draft SPD. This is about £41,000 per market unit (£29,000 per market and affordable unit). CIL at the current rate averages about £25,000 per market unit (£17,500 per market and affordable unit).

6.11 Further appraisals have been run with s106 developer contributions of up to £40,000/unit in addition to CIL. These are based on the scenario where the s106 developer contributions are paid over the first 9 years of the project.

Table 6.3 Varied Developer Contributions

			Existing Use Value	Benchmark Land Value	Residual Value
A	2019 based	CIL + £0/unit	100,000	520,000	860,544
A	2019 based	CIL + £5,000/unit	100,000	520,000	775,404
A	2019 based	CIL + £10,000/unit	100,000	520,000	690,264
A	2019 based	CIL + £15,000/unit	100,000	520,000	603,460
A	2019 based	CIL + £20,000/unit	100,000	520,000	516,512
A	2019 based	CIL + £25,000/unit	100,000	520,000	429,564
A	2019 based	CIL + £30,000/unit	100,000	520,000	342,616
A	2019 based	CIL + £35,000/unit	100,000	520,000	253,752
A	2019 based	CIL + £40,000/unit	100,000	520,000	164,595
A	2022 based	CIL + £0/unit	100,000	520,000	817,440
A	2022 based	CIL + £5,000/unit	100,000	520,000	732,039
A	2022 based	CIL + £10,000/unit	100,000	520,000	646,638
A	2022 based	CIL + £15,000/unit	100,000	520,000	560,213
A	2022 based	CIL + £20,000/unit	100,000	520,000	472,988
A	2022 based	CIL + £25,000/unit	100,000	520,000	385,762
A	2022 based	CIL + £30,000/unit	100,000	520,000	298,537
A	2022 based	CIL + £35,000/unit	100,000	520,000	209,160
A	2022 based	CIL + £40,000/unit	100,000	520,000	119,707

Source: HDH (2022)

6.12 Under this analysis the Residual Value falls below the BLV where the developer contributions exceed somewhere between £15,000/unit and £20,000/unit.

Custom and Self Build

6.13 At the time of the 2017 Viability Update, the Council had not developed a policy in this regard, however consideration was given to a policy seeking at least 5% of dwelling plots for sale to self and custom builders. It was concluded that, if the Council were to pursue this policy, it is unlikely that the requirements for self-build plots would adversely impact on viability.

6.14 If a developer is to sell a plot as a serviced self-build plot, they would not receive the profit from building the unit, they would however receive the price for the plot. If they were to provide the plot as a custom build plot, they would still receive a payment for the land and the price paid could incorporate the developers' profit. The impact on viability is therefore the balance between the profit foregone and the receipt for the serviced plot.

6.15 The developer's return is calculated as 17.5% of GDV. This varies from site to site, but is typically around £80,000 per unit sold.

6.16 We have undertaken a review of small and single plots currently on the market within 3 miles of Maidenhead. The least expensive plot, with planning, is being marketed at £320,000, with most being substantially more than this. On this basis, a safe assumption would be that a self-build plot would be worth well in excess of the £80,000 per plot profit foregone, and would provide a substantial margin to provide the services and infrastructure required for a self-build plot.

6.17 It is unlikely that the requirements for self-build plots will adversely impact on viability. It is important to note that the self-build plots will be exempt from CIL under the amended CIL Regulations, so when it comes to considering whether or not CIL puts the Plan at serious risk, the answer will be no.

Impact of Changes in Costs and Values

6.18 In this report, the analysis is based on the build costs produced by BCIS. These costs are adjusted for the development to be for the carried out to the expected 2025 Part L Building Regulation standard and the announced requirement that all new homes should be built to the Accessible and Adaptable M4(2), as well as wider policy requirements (such as BNG). As set out in the earlier viability work, it is important that, whatever policies are adopted, the Plan is not unduly sensitive to future changes in prices and costs. A range of increases and decreases in value have been tested, as has an increase in build costs.

6.19 As well as producing estimates of build costs, BCIS also produces various indices and forecasts to track and predict how build costs may change over time. The BCIS forecasts an increase in prices of 3.9% over the next year and 10.6% over the next 3 years. We have tested scenarios with an increase in build costs up to 20%, being about twice the anticipated increase in costs.

6.20 As set out in Chapter 4, we are in a current period of uncertainty in the property market. It is not the purpose of this report to predict the future of the market. We have tested four price change scenarios, minus 10% and 5%, and plus 10% and 5%.

6.21 In this analysis, we have assumed all other matters in the base appraisals, where the s106 developer contributions are paid over the first 9 years of the project, remain unchanged. It is important to note that, in the following table, only the costs of construction and the value of the market housing are altered.

Table 6.4 Impact of Changes in Value

			Existing Use Value	Benchmark Land Value	Residual Value
A	2019 based	Value -10%	100,000	520,000	187,294
A	2019 based	Value -5%	100,000	520,000	427,474
A	2019 based	Value +0%	100,000	520,000	666,063
A	2019 based	Value +5%	100,000	520,000	901,220
A	2019 based	Value +10%	100,000	520,000	1,136,015
A	2022 based	Value -10%	100,000	520,000	200,844
A	2022 based	Value -5%	100,000	520,000	412,247
A	2022 based	Value +0%	100,000	520,000	622,726
A	2022 based	Value +5%	100,000	520,000	830,110
A	2022 based	Value +10%	100,000	520,000	1,037,494

Source: HDH (2022)

Table 6.5 Impact of Changes in Build Costs

			Existing Use Value	Benchmark Land Value	Residual Value
A	2019 based	BCIS +0%	100,000	520,000	666,063
A	2019 based	BCIS +5%	100,000	520,000	421,786
A	2019 based	BCIS +10%	100,000	520,000	237,120
A	2019 based	BCIS +15%	100,000	520,000	51,927
A	2019 based	BCIS +20%	100,000	520,000	-144,316
A	2022 based	BCIS +0%	100,000	520,000	622,726
A	2022 based	BCIS +5%	100,000	520,000	397,279
A	2022 based	BCIS +10%	100,000	520,000	233,519
A	2022 based	BCIS +15%	100,000	520,000	68,756
A	2022 based	BCIS +20%	100,000	520,000	-104,408

Source: HDH (2022)

6.22 In considering the above, as mentioned earlier, it is important to note that building to increased standards is likely to result in increased values.

6.23 Very much like in the earlier viability work, the analysis demonstrates that viability is sensitive to price and cost change. The above results indicate that whilst the appraisals are sensitive to changes in costs and values, a change of over 10% is necessary to make a material impact to the delivery of the emerging Plan.

Review

6.24 In this regard it is timely to highlight paragraph 10-009-20180724 of the PPG.

> *<u>How should viability be reviewed during the lifetime of a project?</u>*
>
> *Plans should set out circumstances where review mechanisms may be appropriate, as well as clear process and terms of engagement regarding how and when viability will be reassessed over the lifetime of the development to ensure policy compliance and optimal public benefits through economic cycles.*
>
> *Where contributions are reduced below the requirements set out in policies to provide flexibility in the early stages of a development, there should be a clear agreement of how policy compliance can be achieved over time. As the potential risk to developers is already accounted for in the assumptions for developer return in viability assessment, realisation of risk does not in itself necessitate further viability assessment or trigger a review mechanism. Review mechanisms are not a tool to protect a return to the developer, but to strengthen local authorities' ability to seek compliance with relevant policies over the lifetime of the project.*
>
> *PPG 10-009-20180724*

6.25 Should the Council agree to flex its policy requirements, be that to alter the overall requirement, or to alter the timing of delivery of requirements, through the development management process, it is recommended that consideration is given to including a review mechanism.

Summary and Conclusions

7.1 RBWM Council is preparing a Supplementary Planning Document (SPD) for the South West Maidenhead Development Framework. The delivery of this site was considered in the *Borough Local Plan 2017, Local Plan Viability Update* (HDH, April 2017) and *Borough Local Plan, Viability Update Note* (HDH, October 2019). Since 2017 / 2019, the costs and the values, being the main inputs into a viability assessment, have changed and several changes have been made to national policy. The Council has not proposed new policies that will add to the costs of development, over and above the costs set out in the 2019 Viability Update Note.

7.2 This brief additional assessment considers how these changes may impact on viability and the delivery of this site. Specifically, HDH Planning & Development Ltd has now been appointed to update the viability assessment in relation to the AL13 housing allocation that is now referred to as South West Maidenhead.

Changes in Residential Value

7.3 The value assumptions in the 2019 Viability Update Note based in August 2019. Since then, there has been a considerable change in the housing market.

7.4 Average prices have increased by about 18% in RBWM, which is somewhat less than in the wider South East. According to the Land Registry, the average newbuild sale price has increased by just over 20% over the last 3 or so years in the Council area. This is more than the average increase of existing homes.

7.5 There is uncertainty in the market due to factors attributed to the COVID 19 pandemic, Brexit and more recently Russia's invasion of Ukraine, as well as the impact on house prices (through increased mortgage rates) following the September 2022 mini-budget, and the substantial growth reported over the last few years seems unlikely to continue.

7.6 The range of available data suggests that newbuild prices have risen. An assumption of £5,650/m^2 is now used. This is a little below the mid-point between the average from the Price Paid Data and the average asking prices. It is a little more than 5% below the average asking prices and represents a 16.5% increase on the assumption used in the 2019 Viability Update.

Changes in Development Costs

7.7 In the 2019 Viability Update the build costs were derived from the BCIS data. The cost figure for Windsor and Maidenhead for 'Estate Housing – Generally' is now £1,578/m^2 (24th September 2022). This is an increase of 8.3%.

7.8 The build costs figures are updated to the current figures. As per the 2019 Viability Update, to be consistent, the modelling is based on the median costs, with the exception of the tall buildings (6 storeys and taller) which are modelled on the BCIS Lower Quartile cost

Changes in National Policy

7.9 There have been a number of changes at a national level since the 2019 Viability Assessment was undertaken.

<u>First Homes</u>

7.10 In February 2020, the Government launched a consultation on First Homes. The outcome of this was announced in May 2021. We understand that the Council is subject to the transitional provisions so First Homes do not apply.

<u>Environmental Standards</u>

7.11 At the time of the 2019 Viability Update Note, the Council was not specifically seeking standards that were over and above those set out in National Building Regulations. It was assumed that development was carried out to the then extant Building Regulation standards.

7.12 The Department of Levelling up, Communities and Housing, has now published the latest revision to Conservation of Fuel and Power, Approved Document L of the Building Regulations as a 'stepping stone' on the pathway to Zero Carbon homes. Part L of Building Regulations have been updated to align with Option 2 of the Future Homes Standard Option 2. It sets the target of an interim 31% reduction in CO_2 emissions over 2013 standards for dwellings. The changes apply to new homes that submit plans after June 2022 or have not begun construction before June 2023.

7.13 The revisions to Part L are a step towards the introduction of the Future Homes Standard in 2025. While precise details of the Future Homes Standard are yet to be published, the 2019

Government consultation anticipated that it would achieve a 75% to 80% improvement reduction in CO_2 emissions over 2013 standards for dwellings, and will be introduced in 2025.

7.14 The following assumptions are made:

a. The 2022 changes to Part L of Building Regulations (31% CO_2 saving) are expected to add 3% to the BCIS base costs.

b. The anticipated 2025 changes to Part L of Building Regulations (+/- 75% CO_2 saving) are expected to add 4% to the BCIS base costs.

c. The cost of moving to Net Zero Carbon are expected to add 10% to the BCIS base costs.

7.15 In this additional assessment, it is assumed that development is to the expected 2025 changes to Part L of Building Regulations. The effect of Net Zero Carbon is tested.

<u>Electric Vehicle Charging Points</u>

7.16 EV Charging facilities are now a requirement (from 25th June 2022) of Building Regulations (Approved Document S). No allowance was made for EV Charging in the 2019 Viability Update Note, an allowance for EV is now made in this additional assessment.

<u>Biodiversity</u>

7.17 The Environment Act received Royal Assent in November 2021 and mandates that new developments must deliver an overall increase in biodiversity. In this additional assessment, it is assumed that the 10% BNG is provided off-site, adding 2.4% to the cost of development.

<u>Accessible and Adaptable Standards</u>

7.18 In July 2022, the Government announced the outcome of the 2020 consultation on raising accessibility standards of new homes. It will now consult further on the technical changes to the Building Regulations to mandate the higher M4(2) accessibility standard. No timescale has been announced.

7.19 In the 2019 Viability Update Note it was assumed, in line with the Council's then draft policy, that 5% of new homes would be to the M4(2) standard, as per the Council's then draft policy. In this additional assessment, it is assumed that all new homes are to this standard.

<u>White Paper: Planning for the Future (MHCLG, August 2020)</u>

7.20 The Government has consulted on *White Paper: Planning for the Future* (MHCLG, August 2020) and various supporting documents. This suggests a downgrading of viability in the planning system, however, as it stands, the proposals in the White Paper are options which may or may not come to be adopted so, at the time of this report (October 2022) a viability assessment is a requirement.

Queen's Speech 2021 and 2022 and the Levelling-up and Regeneration Bill

7.21 A range of planning reforms were outlined in the papers supporting the 2021 Queen's Speech. The Government's further thinking was set out in the 2022 Queen's Speech

7.22 In May 2022, the Government published the *Levelling-up and Regeneration Bill*. This includes reference to a new national Infrastructure Levy. The Bill suggests that the Infrastructure Levy would be set having regard to viability and makes reference to the *Infrastructure Levy Regulations*. *Infrastructure Levy Regulations* has yet to be published.

7.23 It will be necessary for the Council to monitor the progress of the Bill and to review this additional assessment, as and when the Levy Regulations are published.

Updated Modelling

7.24 In the 2019 Viability Update Note, the modelling was based on a housing mix informed by the SHMA. A total site capacity of 2,600 units was assumed and the total site area was taken to be 89.93ha. The Affordable Housing mix was assumed to be 20% Affordable Home Ownership (Shared Ownership), 35% Affordable Rent and 45% Social Rent. This forms the initial scenario in this additional assessment, however the modelling is then updated to be consistent with the mix in the Draft SPD.

Strategic Infrastructure and Mitigation Costs

7.25 In the 2019 Viability Update Note, the cost of strategic infrastructure and mitigation, for this site, was assumed to be £32,064,000 (£12,300/unit). This was modelled in addition to CIL calculated at the then extant rate of £282.67/m^2, totalling about £47,350,000. The combined total of developer contributions was therefore assumed to be £79,414,000 (£30,550/unit).

7.26 We now understand that the cost of strategic infrastructure and mitigation is now estimated to be £110,000,000. It is anticipated that about £41,000,000 will be funded through CIL and about £28,000,000 from other sources. This leaves a balance of about £29,700,000 (£11,400/unit) to be funded through additional developer contributions from this site, when the £11,300,000 anticipated funding from the 'Triangle' site is taken into account.

7.27 In this additional assessment, the base appraisals assume £11,400/unit in developer contributions, in addition to CIL. As there is some uncertainty around this amount, sensitivity testing is carried out.

Updated Appraisals

7.28 As in the *Borough Local Plan 2017, Local Plan Viability Update* (HDH, April 2017) and *Borough Local Plan, Viability Update Note* (HDH, October 2019), appraisals have been run. The assumptions are carried forward from those reports, with the following changes:

a. The values used are increased to £5,650/m^2. This is a little below the mid-point between the average from the Price Paid Data and the average asking price. It is over

5% below the average asking price and represents a 16.5% increase on the assumption used in the 2019 Viability Update.

b. The latest BCIS based construction costs are used.

c. The appraisals assume the expected 2025 increased to Part L of Building Regulations, EV Charging, 10% Biodiversity Net Gain, and that all homes are to Accessible and Adaptable M4(2) standard.

d. Developer contributions of £11,400/unit in addition to CIL. It is assumed that the s106 contributions are paid over the first 9 years of the project.

e. CIL is indexed to £295.11/m^2.

f. Interest has been increased to 7.5% (as an 'all-in' cost).

<u>Base Appraisals</u>

7.29 For each of the modelling scenarios appraisals have been run on three bases:

a. s106 paid over first 9 years of project

b. s106 paid up front (all in Year 1)

c. s106 paid pro rata over the life of the project relative to the delivery of the new homes.

Table 7.1 Base Appraisals

			Existing Use Value	Benchmark Land Value	Residual Value
A	2019 based	s106 over first 9 years	100,000	520,000	602,692
B	2019 based	s106 up front	100,000	520,000	547,904
C	2019 based	s106 pro rata	100,000	520,000	666,063
A	2022 based	s106 over first 9 years	100,000	520,000	558,595
B	2022 based	s106 up front	100,000	520,000	503,597
C	2022 based	s106 pro rata	100,000	520,000	622,726

Source: HDH (2022)

7.30 Across the scenarios the Residual Value is positive and well above the EUV. Under the 2022 based mix, as set out in the draft SDP, the Residual Value is about £44,000/ha less than under the modelling used in 2019.

7.31 The timing of when the contributions towards strategic infrastructure and mitigation are made makes a material difference to the results. The Residual Value is about £120,000/ha lower where the funding is required up front and paid in the first year of development, rather than being sought throughout the life of the project, pro rata to the delivery of the development. This indicates that considering the timing of development is likely to be an important factor to be taken into consideration at the development management stage.

7.32 This analysis is based on a BLV of £520,000/ha, being an assumption that has been carried forward from the 2019 Viability Update. It is important to note that this site is largely controlled by the Council. We understand that the Council is committed to making the site available for development.

7.33 The above analysis assumes that development is carried out to the expected 2025 Part L Building Regulation standard and the announced requirement that all new homes should be built to the Accessible and Adaptable M4(2) standard. Whilst these two increases in standards have been announced by the Government, no firm timetable for their introduction has been set out. They should therefore be seen to be a worst case scenario.

Impact of further steps towards Zero Carbon

7.34 The Council is not planning to introduce standards over and above national standards, as set out in Building Regulations. Moving to standards that are over the announced 2025 increase in construction standards is likely to cause a fall in the Residual Value of about £125,000/ha. Bearing in mind that viability is constrained, the Council will need to keep this under review the implications for costs and values in the future.

Varied Developer Contributions

7.35 A key variable in the development of this site is the level of developer contributions required. The above analysis assumes CIL at the adopted rate and s106 contributions of £11,400/unit. This comes to about £75,000,000 in the 2022 modelling, as per the draft SPD. This is about £41,000 per market unit (£29,000 per market and affordable unit). CIL at the current rate averages about £25,000 per market unit (£17,500 per market and affordable unit).

7.36 Further appraisals have been run with s106 developer contributions of up to £40,000/unit in addition to CIL. These are based on the scenario where the s106 developer contributions are paid over the first 9 years of the project.

7.37 Under this analysis, the Residual Value falls below the BLV where the developer contributions exceed somewhere between £15,000/unit and £20,000/unit.

Impact of Changes in Costs and Values

7.38 In this report, the analysis is based on the build costs produced by BCIS, adjusted to allow the development to be carried out to the expected 2025 Part L Building Regulation standard and the announced requirement that all new homes should be built to the Accessible and Adaptable M4(2), as well as wider policy requirements (such as BNG). As set out in the earlier viability work, it is important that, whatever policies are adopted, the Plan is not unduly sensitive to future changes in prices and costs. A range of increases and decreases in value have been tested, as has an increase in build costs.

7.39 As well as producing estimates of build costs, BCIS also produces various indices and forecasts to track and predict how build costs may change over time. The BCIS forecasts an increase in prices of 3.9% over the next year and 10.6% over the next 3 years. We have tested scenarios with an increase in build costs up to 20%, being about twice the anticipated increase in costs.

7.40 As set out in Chapter 4, we are in a current period of uncertainty in the property market. It is not the purpose of this report to predict the future of the market. We have tested four price change scenarios, minus 10% and 5%, and plus 10% and 5%.

7.41 In this analysis, we have assumed all other matters in the base appraisals, where the s106 developer contributions are paid over the first 9 years of the project, remain unchanged.

7.42 Very much like in the earlier viability work, the analysis demonstrates that viability is sensitive to price and cost change. The results indicate that whilst the appraisals are sensitive to changes in costs and values, a change of over 10% is necessary to make a material impact to the delivery of the emerging Plan.

7.43 In this regard it is timely to highlight paragraph 10-009-20180724 of the PPG. Should the Council agree to flex its policy requirements, be that to alter the overall requirement or to alter the timing of delivery of requirements, through the development management process, it is recommended that consideration is given to including a review mechanism.

Conclusion

8.1 The analysis in this additional assessment shows that the site that makes up the South West Maidenhead area (the AL13 housing allocation) is likely to be able to bear the current policy requirements as set out in the adopted Local Plan and draft SPD, as well as the anticipated strategic infrastructure and mitigation costs. The Council can therefore be confident that the site will be forthcoming and be delivered.

8.2 Having said this, the delivery of any large site is challenging, we recommend that that the Council continues to engage with the site promoters.

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HDH Planning & Development Ltd
20th October 2022