

MATTER 8

Submitted 5 September 2022

Matter 8: Viability and First Homes

Issue: Do the Plans take a justified and effective approach to the viability and deliverability of sites and policies?

8.1 Is the Council's approach to viability consistent with national policy, the PPG, and RICS guidance?

Lancaster City Council Response

Yes, the approach taken in the viability evidence base: Viability Assessment – Main Report [P_20.1], Viability Assessment – Appendix 1 [P_20.2], Viability Assessment – Appendix 2 [P_20.3] and the Viability Assessment – Addendum [P_20.4] follows national policy, guidance published in Planning Practice Guidance and has regard to the separate guidance in Viability Testing Local Plans (Local Housing Delivery group chaired by Sir John Harman).

The viability studies provide an update to the approach taken in the adopted Local Plan Viability Assessment (Stage One) April 2018, which formed part of the evidence base for the adopted Local Plan examination in public and was found sound.

The findings of the Viability Assessment [P_20.1, P_20.2, P_20.3, P_20.4] are based upon:

- Testing a set of generic typologies and a sample of allocated sites representative of the development proposed in the Local Plan (PPG 10-003-20180724). The residential typologies and the non-residential typologies are set out in Section 4 [P_20.1].
- The inclusion of the costs of complying with the development policies in the Local Plan and national requirements are set out in Section 5 [P_20.1]. The policy review is in Appendix C [P_20.3] and the costs are in table 5.9 and 5.10 of [P_20.1].
- Approach to costs follows PPG para 10-012-20180724
- The inclusions of values (GDV and land) based on guidance in PPG paragraph 10-011-20180724 and paragraph 10-013-20190509 – 10-016-20190509

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CP Viability, the council's consultant dealing with viability appraisals in respect of applications, uses a similar approach to land value to that used in the Viability Assessment [P_20.1] based upon the guidance in the PPG. This approach has recently been endorsed at appeal – Land East of Forest Heights, Forge Weir View, Halton (Appeal Ref: APP/A2335/W/21/3285794).¹ The Inspector concludes that land values should be based existing use value plus a premium reflecting the implications of site-specific infrastructure costs (this will include policy requirements). The land values within the Local Plan Viability Assessment (April 2018) (the Viability Assessment undertaken for the adopted Local Plan) referred to in representations, were determined prior to the changes to the NPPF in 2019 and the PPG.

8.2 Does the Council's viability work adequately reflect local circumstances? Were appraisal inputs appropriate?

Lancaster City Council Response

Yes, the viability work is informed by evidence that reflects the local circumstances. This includes use of the local planning policies to inform assumptions and the use of value and costs data specific to Lancaster:

- House price data from Land Registry for the 7 value zones in Lancaster, tables 5.4 & 5.5 [P_20.1] with the supporting data at Appendix F P_20.3 and sense check with local advertised prices from Right Move. table 5.6 [P_20.1]
- Transfer values for affordable housing in Lancaster based on capitalised net rent estimates and discussion with registered provider, table 5.8 [P_20.1]
- Non-residential development values for Lancaster (table 7.1 P_20.1).
- Build costs data for residential and non-residential development in Lancaster from BCIS, tables 5.9 and 7.2 [P_20.1] and Appendix G [P_20.3].

¹ Appeal Ref: APP/A2335/W/21/3285794

<https://acp.planninginspectorate.gov.uk/ViewCase.aspx?caseid=3285794>

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- Typical s106 costs based on a review of recent developer contributions agreed by the council as well as discussion with council officers, table 5.10, page 35 [P_20.1].
- A review of recent site-specific viability assessments used to inform s106 negotiations, paragraph 5.29 [P_20.1].

8.3 Has there been meaningful engagement with stakeholders on viability assumptions?

Lancaster City Council Response

Yes, even though there remain significant areas of dispute, nonetheless, the council and Three Dragons have engaged extensively with the development industry in relation to help consider assumptions throughout the evidence base preparation. Initially assumptions were drawn from work that had already been considered through a local plan consultation process, which involved much engagement. These were then further considered at two development industry workshops/presentations [P_20.3] – Appendix B, where comments and engagement were invited both on the day and subsequently. Some of the development industry provided comments and these were responded to in the Viability Assessment Addendum [P_20.4]. Further individual engagement was carried out with the development industry following the workshop, for example with registered providers to help establish affordable housing assumptions, 5.17 [P_20.1] as well as with agents to check land values [P_20.3], Appendix I para 1.10. The council also conducted formal consultation through Regulation 18 which provided further opportunities to engage, with responses to that set out in Regulation 18 Statement of Consultation [P_07]. The resultant body of work has emerged from this iterative process and has been informed by the extensive engagement which has taken place. This process is considered to have been one which was both reasonable and proportionate as a response and conformed to the PPG (paragraph 10-001-20190509).

8.4 Taking account of the Council's viability work, would the requirements of the Plans' policies put the viability of the implementation of the Plans at serious risk? Have all of the Plans' policy requirements,

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including requirements of Policies CC1, T2, T4, SC4, SP8, DM29, DM30a, DM30b, DM30c, DM33, DM34, DM45, DM59, and DM62 been factored in?

Lancaster City Council Response

No, the viability of the implement of the Plans is not put at risk by this approach.

Yes, all the requirements within the policies which incur a specific cost have been taken into account within development costs, S106 allowances and land budgets. Where, specific allowances have not been separately made, there is sufficient headroom to encompassed then to allow for the policies. On a site-specific basis, where costs may be different from those allowances made, it is expected that the land value will adjust as noted in the PPG which states that benchmark land value should take account of "the implications of abnormal costs; site-specific infrastructure costs; and professional site fees" (Paragraph 10-014-20190509). The requirements within the policies will therefore not place the implementation of the plan at risk.

The following paragraphs explain how each policy has been accounted for within the viability assessments.

Policy CC1 provides a strategic response to climate change setting the direction of policies within the local plan. It does not itself add requirements therefore has no implications for viability.

Policy T2 does not add additional requirements to the existing local plan policy. Such existing requirements are accounted for within the allowances for S106s used within the viability assessment work, table 5.10, page 35 [**P_20.1**].

Policy T4 seeks contributions to public transport where there are deficiencies. Such contributions are already sought under policy DM58: Infrastructure Funding and DM60: enhancing Accessibility and Transport Linkages. These contributions have been accounted for within the allowances for S106s used within the viability assessment work.

Policies SC4 and SP8 require developments to protect, improve and enhance green and blue corridors and chains. Such improvements and enhancements will primarily be within development sites, they will provide multifunctional benefits, including SuDS and biodiversity enhancement. The viability work accounts for this

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within the land budget for sites, footnote page 20 [P_20.1] and Appendix D [P_20.3] and includes an allowance for biodiversity net gain, table 5.10 and paragraph 5.26 [P_20.1].

Policy DM29 can be achieved through attention to the design and layout of sites, multifunctional use of land and has cross overs with other policies referred to in the question. Requirements are accounted for within land budgets and S106 contribution allowances made for other policies which set out requirements.

The costs associated with the sustainable design and construction requirements in policy DM30a have been accounted for within the viability assessments, paragraph 5.38 page 38 [P_20.1] with further explanation in Addendum Chapter 2 [P_20.4].

The costs associated with the implementation of the optional water efficiency standards within policy DM30b are negligible. [P_22], Water Efficiency in New Homes (page 5, first paragraph of the section on Impact on Viability) notes that, "The cost of installing water-efficient fittings to target a per capita consumption of 110l/d has been estimated as a one-off cost of £9 for a four bedroom house".² Whilst the data dates from 2014, uplift will not be significant, and the viability results include sufficient headroom for inclusion.

Policy DM30c sustainable design and construction – materials waste and construction does not add significant cost to development. Reusing materials has the potential to reduce costs in sourcing materials, waste management forms an integral element of development accounted for within the base costs, the use of local suppliers etc. is to be considered where possible and blue and green roofs would provide multifunctional benefits where they are incorporated within a scheme.

Policies DM33 and DM34 require the provision of SuDS in accordance with existing national guidance. The emphasis on above ground SuDS will not add to costs, careful use of SuDS to provide multifunctional benefits results in land addressing a number of policy requirements thereby minimising impact on costs. Open space used for multifunctional purposes has been included within land budgets for sites

² Housing Standards Review Cost Impacts, Department for Communities and Local Government, September 2014

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and allowances (plot and site development costs) are included within the testing, table 5.10 [P_20.1].

The requirements for the protection of trees, hedgerows and woodland within policy DM45 can be achieved through attention to the layout of a site and the provision of multifunctional green spaces. Allowances are included for plot and site development costs, table 5.10, page 35 [P_20.1].

The revisions to telecoms and broadband policy DM59 do not add additional costs in excess of the existing policy. The site development costs, table 5.10, page 35 [P_20.1], include an allowance for standard plot and site development costs.

The requirement for EV charging points within policy DM62 has been accounted for within the development costs used in the viability assessments, para 5.27 and table 5.10, page 35 [P_20.1]. The viability results include sufficient headroom for the additional infrastructure required for all communal spaces (the ducting and cabling required for spaces not provided with a direct charging point).

8.5 Has development other than housing development been assessed as part of the viability assessment work?

Lancaster City Council Response

Yes, policy DM30a requires non-residential development to meet BREAAAM Standard Excellent. The impact of this has been tested through the viability work for non-residential typologies listed at Table 7.1 of the Viability Assessment – Main Report (P20.1). The assumptions and results are included within Chapter 7 Non-Residential Assumptions and Results. The results show that policy DM30a has no significant impact on the viability results, paragraph 9.14 [P_20.1].

8.6 Is there scope for any requirements to be relaxed in instances where development would not be viable? Is the appropriate mechanism for this within Policy DM58 or should it be included in other policies throughout the Plans?

Lancaster City Council Response

The plan should be read as whole and where viability issues do arise, the onus will be on an applicant to evidence the need to reduce contributions or not meet policy

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requirements. The impact of such reductions and lack of policy compliance will be considered on a case-by-case basis considering the development plan as a whole, sustainable development and national policy. Where flexibility is warranted due to viability reasons, this will be applied across policy and infrastructure contributions in accordance with the necessity and priorities in each case. Specific reference in each policy to a flexibility is therefore not considered necessary.

8.7 Was consideration given in the Council's viability work to the phasing of strategic sites and any consequential effects on viability?

Lancaster City Council Response

Yes, the council's viability work does consider phasing across all types of development, including strategic sites and this is reflected in the development period used to set out cashflow for any development, including the impact of finance. **[P_20.1]** includes two typologies representative of strategic sites (Res8 700 dwellings and Res9 930 dwellings) and **[P_20.4]** includes testing representative of the South Lancaster Broad Location for Growth (Res10 100 dwellings, Res11 500 dwellings and Res12 1,000 dwellings – see table 6.1). Paragraphs 5.40 to 5.45 **[P_20.1]** set out the broad approach to phasing of development for the various typologies. The impact of the phasing is demonstrated in Addendum Chapter 4 **[P_20.4]** whereby cash flow and phasing is set out for each typology including Res8 and Res9.

8.8 Should there be any transitional arrangements for the introduction of additional policy requirements for viability reasons?

Lancaster City Council Response

No, from a viability perspective, there is no need for transitional arrangements. The Viability Assessment shows that the approach is viable from the outset.

Many of the housebuilders are already transitioning towards net zero and therefore the policy is moving in tandem with the industry. This demonstrates that they will already be taking measures to address supply chains and the upskilling of workforce and will consider adjusting land values to accommodate these ambitions where necessary. Housebuilders are exploring various options to reach net zero. The most cost-effective means of reaching net zero is a fabric first approach which

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policy DM30a focuses upon. Please see Appendix A – 'Housebuilders commitment to net zero' for the way that the top twenty UK housebuilders by turnover are addressing net zero.

In reality this examination provides extensive notice to the industry of a forthcoming approach in policy terms and it is expected that account would be taken of the prospect of emerging policies in land deals and planning applications which have not yet been made. Adding a further transitional period will unnecessarily delay the introduction of a beneficial revision to policy. If contrary to that view the Inspector considers that a transitional period was appropriate, then it should be short with a period of no more than 6 months from adoption.

Issue: Is the approach to First Homes consistent with national policy?

8.9 Is Policy DM3 justified or consistent with national policy and the PPG's advice?

Yes, policy DM3 is justified and consistent with national policy and PPG advice. The [Written Ministerial Statement – Affordable Housing Update - 24 May 2021](#) (WMS) sets out that 25% of developer S106 affordable homes should be delivered as First Homes. The PPG states that new plans should take account of the First Home requirements from 28th June 2021 (paragraph 70-018-20210524). The PPG also states that policies should reflect the requirement that a minimum of 25% of all affordable housing units secured through developer contributions should be First Homes (paragraph 70-013-20210524).

Whilst outside the Climate Emergency remit for the review of the Local Plan, policy DM3 has been amended to ensure compliance with the WMS and the PPG. First Homes were included as a sensitivity test within the viability testing [**P_20.1**] at paragraph 4.13.

8.10 Are Policy DM3 and the supporting text consistent in how First Homes are dealt with?

Yes, the policy sets out the requirements for affordable sale and affordable rented homes. Within this, 25% of the affordable sale units are to be provided as First Homes in accordance with the WMS and the PPG. The tenure mix is set out in the supporting text.

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If the Inspector were to decide First Homes should be referred to within the policy, to define the tenure mix between First Homes and other intermediate tenures, the council would be supportive of introducing a Main Modification to address this.

Appendix A – Housebuilders commitment to net zero: Answer to Mat8er Q8.8 it would be better.

Top 20 Builders	Latest information	Target	Commentary
Barratt	Annual Report and Accounts 2021 (pg19) Trading update July 2022 (pg3)	All new houses to be zero carbon from 2030	Launched a zero carbon prototype homes 'Z house' at Salford University (125% carbon reduction). Completions on Delamere Park with ASHP in 82 homes
Persimmon	Sustainability Report 2020 (pg12 &19) Sustainability Report 2021 (pg8, pg11 &pg20)	To deliver net zero carbon homes in use by 2030 through a combination of fabric energy efficiency, electrification and sourcing of renewable energy. 50% of homes using off site manufacturing by 2025.	Persimmon have three off-site manufacturing facilities. Low carbon demonstration project underway in York to understand how to build low carbon homes cost effectively at scale.
Taylor Wimpey	Sustainability Report 2020 (pg6) Taylor Wimpey Sustainability Supplement and ESG Addendum 2021 F (pg4)	Reduce carbon emissions from new homes by 24% by 2030 from a 2019 baseline. (strategic objective). Reduce emissions from customer homes by 75% by 2030 and reduce embodied carbon per home by 21% by 2030 (supporting target)	TW not very clear in any of their reports about what they are trying to achieve but have stated that detailed work is underway to develop a net zero carbon plan ahead of launch in 2023
Bellway	Better with Bellway Carbon Reduction Report March 2022 Trading Update August 2022 (pg4)	From 2025, our homes will produce 75 – 80% less carbon emissions than those delivered under current	Working on a variety of technologies to help reduce carbon emissions from our homes. This includes working with Salford University on the Energy House 2.0 project.

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		<p>regulations. Ambitious target to reduce emissions over and above Future Homes Standard – target to be set end of 2022.</p>	
Vistry	<p>Sustainability update September 2021 (pg2) Sustainability Report (pg90)</p>	<p>Zero carbon ready by 2025 – this will be FHS of 75-80% reduction in carbon emission (from 2013 Part L baseline) Net zero carbon homes by 2030 – the designed carbon emission is 'zero' for regulated energy with grid decarbonisation for unregulated energy</p>	<p>Vistry have just completed the first 54 homes achieving net zero regulated carbon emissions at Europa Way Triangle, Leamington (homes have improved insulation, air source heat pumps, solar PV, ventilation with heat recovery – timber frame used instead of masonry. VG state that the cost of meeting (FHS building) regulations is being priced into appraisal of land acquisitions, with their ability to bring down the costs of meeting these new regulations providing a competitive edge in the purchase of land that will require plots being built to these new standards.</p>
Berkeley	<p>Annual Report 2021 Climate Action Brochure 2022</p>	<p>Targets unclear but seems to be all homes low carbon by 2030 (40% reduction on 2019 levels)</p>	<p>Modular factory in Kent capable of 1,000 units pa</p>
Redrow	<p>Annual Report 2021 pg159</p>	<p>Improve airtightness by 50% above current standards (now). Improve thermal performance (bridging) Commitment to net zero within the decade Broader commitment for whole business to be</p>	<p>Have a 'green' academy to improve skills. Trialling technology at Scissett, Yorkshire. Offer EV points to all customers – 24% of customers opting in at the moment. Trialling ASHP at Great Milton Park and low carb smart home at Langley Grange</p>

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		net zero carbon by 2050 (all forms)	
Bloor	Privately owned	Currently achieving 60% reduction in CO2. Supportive of Future Homes Standard by 2025.	
Countryside	Pathfinder Marking out the route to net zero (pg9 for targets) Sustainability Report 2021	Net Zero by 2030 75% less CO2 through fabric efficiency, renewable heat and energy by 2025 20k homes being constructed in factories by 2025	Suggest reading Pathfinder document – it is simple to understand and sets a clear design way forward. Are delivering (by 2023) 80 net zero ready homes at Beaulieu, Chelmsford with HE. Their own MMC factory at Barden is itself meeting high standards.
L&Q	Sustainability Finance Framework 2021	SAP targets of 72 or above by 2024, 74.5 or above by 2030 and 92 or above by 2050	Whole business intends to be net zero by 2050 but unclear how the SAP targets relate back to net zero for new building
Cala	Sustainability Strategy March 2022	Target of new homes operationally net zero from 2030 Aiming to eliminate gas ahead of UK government targets and be net zero greenhouse emissions by 2045 for the whole business (ahead of the UK 2050 target).	Cala are looking at a range of solutions to achieve net zero, including using MMC for fabric and a range of technologies for heat, power and comfort, also low tech like outdoor clothes airers. Note Cala now part of L&G
Crest Nicholson	Annual Report (Feb 22)	Suggests that they are mirroring government targets in terms of 2021 Part L and 2025 Future Homes Standards	Use of science based targets for greenhouse gas emissions including business operation and houses built, for all the business to meet 2050 targets.
Miller Homes		No public commitments yet. Intention to produce sustainability strategy and targets.	Recently acquired by an American company

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Hill Group	ESG Report 2021	Pledged to reach net zero carbon for both the business operations and new homes by 2030 (in advance of UK 2050 target)	Have been testing zero carbon homes (Virido) performance.
Avant	ESG Statement 2021/22	Commitment to energy efficient homes but no specific targets.	
Lovell	Morgan Sindall 2021 Annual Report	Wider group ambition for net zero carbon by 2030.	Business acknowledges importance of net zero but this doesn't seem to flow into the housebuilding – but wider group is currently building Passivhaus school buildings. Note Lovell are part of Morgan Sindall
Keepmoat Homes	Sustainability Strategy 2020-2022 Keepmoat.com	No clear targets but currently designing homes to meet Future Homes 2025.	Have trialled innovative materials and technologies in 2021 and are developing targets, although none published yet.
Galliard Homes	Privately owned	No public commitments	
Fairview	Privately owned	No public commitments	
London Square	Sustainability Vision and Approach 2022	Net zero housing by 2030	