

# North Yorkshire Council's Response to Inspector's Matters, Issues and Questions

## Matter 9 – Delivery and Monitoring

### Issue 1 – Delivery and Phasing

**Q1. Are the assumptions regarding infrastructure projects, delivery mechanisms and funding sources outlined in the table within Chapter 11 of the DPD still broadly accurate taking into account the latest version of the IDP (Supporting Document ref. SDNS03)?**

The assumptions regarding infrastructure projects, delivery mechanisms and funding sources outlined in the table within section 11 of the DPD have been updated following the consultation on the Pre-Submission Draft Plan which concluded in November 2022.

The Infrastructure Delivery table was included at section 11 of the Pre-Submission Draft Plan in order to aid clarity and transparency around infrastructure requirements and costs. Following a review of responses to the Regulation 19 consultation, where questions were asked about the detailed content of the table and whether the costs were up-to-date, it is proposed to make a modification to the Draft Plan. The proposed modification suggests removing the infrastructure table from section 11 of the DPD document and presenting it within a separate standalone Infrastructure Delivery Plan document, with additional supporting text and explanation provided to aid clarity and allow for updates over time.

In preparing a standalone IDP, the Council has worked with infrastructure providers and the lead promoter of the site to further understand what the infrastructure requirements are and the anticipated costs. Whilst the list of projects within the standalone IDP document remain broadly the same as the table in section 11 of the Regulation 19 Pre-Submission Draft Plan, the additional update work has resulted in some changes to the figures included in the table in the IDP.

The IDP has informed the preparation of the Viability Assessment ([SDNS04](#)) which concludes that, taking account of the costs of strategic infrastructure and mitigation, the new settlement is deliverable.

**Q2. What implications, if any, does the latest evidence in the IDP have on the viability of development and the ability to deliver it?**

There are several mentions of viability through the MIQs under the various headings. These are responded to together here as they are all, to a greater or lesser extent related and impact on the delivery of the scheme.

HDH Planning produced *New Settlement – Viability Note* (December 2022) ([SDNS04](#)). As discussed below, a number of the main inputs into the viability assessment have changed over time.

**Changes in Residential Value and Build Costs**

The December 2022 Viability Note presented the change in newbuild house prices in Harrogate Borough from April 2018, as reported by the Land Registry. Following the creation of North Yorkshire Council, the data for the now defunct Harrogate area is no longer available. The most recent data for the new North Yorkshire Council area is presented below.

**Table A: Change in Average House Prices – North Yorkshire Council**

	<b>Newbuild</b>	<b>Existing</b>
2018-04	£254,643	£214,301
2024-03	£350,220	£268,530
Change	£95,577 37.53%	£54,229 25.31%

Source: Land Registry (August 2024)

According to the Land Registry, the average newbuild sale price has increased by about 37.5% since the 2018 Local Plan and CIL Viability Assessment was undertaken.

In the 2018 Viability Update, the build costs were derived from the BCIS data. The cost figure for Harrogate for 'Estate Housing – Generally' is now £1,401 per sqm (7<sup>th</sup> August 2024). This is an increase of 26.6%, from the equivalent, April 2018, figure of £1,107 per sqm.

As was reported in the December 2022 Viability Note, the values of newbuild homes have increase by more than the costs of construction. The Land Registry now suggests newbuild values have increased by about 37.5% and the BCIS suggests that build costs have increased by about 26.6%. Values have increased more than costs, again suggesting viability has improved.

A scheme such as Maltkiln will be built out over many years and across development cycles. It is useful to consider how values and costs may change in the future.

Property agents Savills are forecasting the following changes in house prices, suggesting a return to growth:

**Table B: Savills Property Price Forecasts**

	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>5 Year</b>
Mainstream UK	2.5%	3.5%	4.5%	5.0%	4.5%	21.6%
Yorkshire and The Humber	3.5%	4.5%	5.5%	6.5%	5.5%	28.2%
Prime Midlands / North	-1.0%	4.0%	5.5%	7.0%	4.5%	21.5%
Mainstream UK Rents	6.0%	3.5%	3.0%	2.5%	2.0%	18.1%

Source: Savills Mainstream House Price Forecasts (November 2023) and Savills Prime Residential Property Forecasts<sup>1 2</sup>

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 2.7% over the next year (August 2024: 466.6 – August 2025: 479.2) and by about 8.7% over the next three years (August 2024: 466.6 – August 2025: 507.2).

This data suggest that house prices are likely to continue to increase more quickly that build costs, providing comfort.

### **Policy Costs**

The anticipated changes in national policy were considered in the December 2022 Viability Note. The proposed changes to the NPPF, published for consultation during July 2024 are not material to considering the viability of the Maltkiln site. Since 2022, the main change has been with regard to moving towards zero carbon, where further clarifications in national policy have been made.

Conservation of Fuel and Power, Approved Document L of the Building Regulations was updated in 2021 as a 'stepping stone' on the pathway to Zero Carbon homes that sets the target of an interim 31% reduction in CO<sub>2</sub> emissions over 2013 standards for dwellings that apply to new homes that submit plans after June 2022 or have not begun construction before June 2023. This now applies to all new homes.

The costs of higher requirements will depend on the specific changes made and are considered in Chapter 3 of the 2019 Government consultation<sup>3</sup>. This suggests that the costs, having been indexed, would add about 2.8%<sup>4</sup> to the base cost of construction, however these have now been in place for a while, and whilst they are not fully reflected in the BCIS costs (the BCIS costs are based on past schemes), they are in part. It would now be prudent to assume the base cost of construction is 2% higher than the current BCIS cost to reflect the higher costs of construction associated with the current Approved Document L.

<sup>1</sup> [Savills UK | Revised Mainstream House Price Forecasts: 2024–2028](#)

<sup>2</sup> [Savills UK | Residential Property Market Forecasts](#)

<sup>3</sup> 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).

<sup>4</sup> BCIS July 2024 467.6, BCIS Oct 2018 354.2 = 32%. £3,134+32%=£4,137. £7,137/90 sqm = £46/sqm. £46/sqm / BCIS Estate Housing £1,614 = 2.8%

The revisions to Approved Document L are a step towards the introduction of the Future Homes Standard. In December 2023, a further consultation on the details of the implementation of the Future Homes Standard was published.

Paragraph 6.10 of *The Future Homes Standard 2023 consultation on the energy efficiency requirements of the Building Regulations affecting new and existing dwellings. Consultation-Stage Impact Assessment* sets out the following costs of moving to higher standards:

6.6 *A summary of the impacts considered under this Impact assessment (IA) is provided below in Table 3, relative to the counterfactual – the counterfactual is the 2021 notional building specification, which has a gas boiler, lower efficiency solar panels and wastewater heat recovery, or a heat pump (see Routes to Compliance (para 5.23 - 5.25) section). This is with the exception of mid-high rise, which is an ASHP and gas boiler hybrid communal heat network. Broadly, Option 1 is a home with a heat pump and more efficient solar panels. Option 2 meets our public commitments through the use of heat pumps only. All figures are Net Present Values (NPV) over 10 years of policy and a subsequent 60-year life of the buildings. Negative NPVs are given in parenthesis and represent costs. The figures represent the aggregate impact across the building mix...*

6.10. *... In 2022 prices, on a per-home basis (3-bed semi-detached), Option 1 leads to a ~£6,200 (4%) increase in upfront capital costs, whereas Option 2 only leads to a ~£1,000 (1%) increase....*

#### *Additional Capital Costs*

6.16. *The increase in capital costs from the proposed 2025 standards, compared with the continuation of existing 2021 standards (gas boiler and solar pv home), are shown in Table 5. Further breakdown of the costs of the different elements is provided in Appendix C.*

*Table 5: Additional Capital Costs\* relative to 2021 Gas Boiler and Solar PV Counterfactual (£)*

	<b>Option 1</b>	<b>Option 2</b>
Detached house	£6,390	£-200**
Semi-detached house	£6,170	£950
Mid-Terraced house	£5,960	£740
Low Rise Flats (<11m)	£4,460	£2,760
Mid Rise Flats (>11m) (same for both option)	£190	£190
Weighted Average (based on assumed build mix)	£4,360	£640
*Gross Undiscounted Costs in 2022 prices, excluding gas asset value cost in counterfactual. If included this would lead to the costs presented in table 5 falling. ** a minus equals a cost saving.		

6.17. *Over the longer-term, Currie & Brown estimate that the costs associated with both heat pumps and solar PV will fall, as supply chains mature and become more integrated, and learning rates take effect. By the end of the policy appraisal period (10 years), it is assumed that the cost*

of a heat pump will be around 70% of the initial cost, whilst for Solar PV they will be around 60% of the initial cost.

Separately, the *Future Homes Hub, Ready for Zero, Evidence to inform the 2025 Future Homes Standard – Task Group Report* (February 2023) was published before the Government consultation, so is testing a wider set of options than are being considered at a national level.. The following additional costs are estimated:

**Table C: Additional Costs for Options Towards Zero Carbon**

		Arcadis Cost uplift compared with Ref 2021	Arcadis Cost uplift compared with Ref 2025	Energy bills variance from Ref 2021 (£700/yr)*
<b>CS1</b>	to be consistent with the expectation that the FHS home should reduce carbon emissions by a minimum of 75% from 2013	2%	-3%	Circa 190/yr more
<b>CS2</b>	to align closely with the current Part L 2021 but electrify the heating	7%	2%	Circa £260/yr less
<b>CS2a</b>	As for CS2a but with Batteries on PV and Infra-red heating	10%	5%	Circa £50/yr less (Significant under-estimate)**
<b>CS3</b>	to be mainstream recognised low energy techniques and technologies for a very low energy specification, whilst allowing design flexibility	15%	9%	Circa £360/yr less
<b>CS4</b>	to minimise space and water heating, drawing on UK and European low energy building best practice	19%	13%	Circa £450/yr less
<b>CS5</b>	to improve the fabric efficiency to the level that a comfortable temperature is maintained without a heating system	17%	11%	Circa £410/yr less

Source: Future Homes Hub, Ready for Zero, Evidence to inform the 2025 Future Homes Standard – Task Group Report (February 2023)

These costs are somewhat greater than those in the more recent national consultation, however they predate the national consultation and are not directly comparable.

The current changing policy situation, and associated costs, can be summarised as follows.

**Table D: Overview of the two options currently in the Future Homes Standard consultation**

	<b>Existing Part L 2021</b>	<b>FHS Option 1</b>	<b>FHS Option 2</b>	<b>Zero Carbon</b>
Fabric	Baseline: Improved insulation & glazing than Part L 2013.	Further improvement from Part L 2021 (improvement to airtightness). No change to insulation or glazing.	No improvement from Part L 2021.	Significant improvements from Part L 2021. Mild improvement on FHS Option 1.
Heating	Gas boiler	Heat pump	Heat pump	Heat pump
PV	40% of ground floor area	40% of ground floor area. Greater efficiency than in Part L 2021.	None – removed.	To match 100% of energy demand – typically ~50-70% of ground floor area
Ventilation	Natural	Mechanical	Natural	Mechanical with heat recovery
Wastewater heat recovery?	Yes	Yes	No	No
Cost uplift from Part L 2021	N/A – baseline	4%	1%	4 – 7% depending on home type

Source: HDH (July 2024)

The additional costs, over and above the current BCIS costs are summarised as follows:

- a) The 2021 changes to Part L of Building Regulations (31% CO2 saving) to add 2% to the BCIS base costs.
- b) The Future Home Standard Option 2 is expected to add 3% (i.e. 2%+1%) to the current BCIS base costs.

- c) The Future Home Standard Option 1 is expected to add 6% (i.e. 2%+4%) to the current BCIS base costs.
- d) The cost of Zero Carbon would add 8% to the costs of construction.

In the 2022 Viability Note, based on the various sources of information then available, it was estimated that the 2025 Future Homes Standard would add about 4% to the cost of development – however it is important to note that was referring the 2019 Government consultation and not the 2023 consultation.

Now (August 2024) it would be prudent to assume that Future Home Standard Option 1, as per the December 2023 consultation would add 6% (to include the cost of EV charging). Having said this, the new Government has not given any indication that it is going to continue to raise construction standards.

The Council has modified NS4 to read:

*Proposals should **are required to** demonstrate how Maltkiln supports delivery of net zero carbon by 2038 across all development phases through preparation of detailed strategies that accord with the climate change policies in this DPD. The net zero ambition includes targeting operational emissions from buildings, transport, infrastructure and business uses as well as embodied emissions throughout their life-cycle.*

The detailed requirements to achieve this in terms of energy supply and built fabric standards are set out in NS7. The approach aims to achieve development that is net zero carbon by 2038 through the delivery of zero-carbon ready development, in-line with the FHS, and decarbonisation of the electricity grid, currently expected by the mid 2030s.

Whilst this goes beyond requirements of the adopted Local Plan it would not add the additional costs associated with zero carbon development identified above as these relate to development that would be zero-carbon from first occupation and not dependant on further decarbonisation of the electricity grid.

Under the approach a planning application that meets the standards set out in FHS Option 1 of the 2023 consultation, would be approved, but if FHS Option 1 of the 2023 consultation is not implemented nationally, then an application would need to show an energy saving of 20% over and above current Part L of Building Regulations.

In terms of performance, as 20% energy saving is less onerous (and therefore less costly) than the FHS Option 1 set out in the 2023 consultation.

Based on the cost information set out above, it should be assumed that moving to FHS Option 1 of the 2023 consultation would add 6% to the costs of construction over Building Regulations.

As set out earlier the Land Registry now suggests newbuild values have increased by about 37.5% and the BCIS suggests that build costs have increased by about 26.6%. Values have increased more than costs, suggesting viability has improved. All other things being equal, even if the additional costs of zero carbo were added to build costs, then there would still be some leeway with values increasing more than costs.

In the 2022 Viability Note it was noted that building to higher standards that result in lower running costs does result in higher values<sup>5</sup>. This situation has been reinforced by some more recent research by Savills<sup>6</sup>. The study and the above comments do not add a premium to the value of housing to reflect the higher standards, so the values may well be understated.

### Costs of Strategic Infrastructure and Mitigation

The IDP costs are one of the main policy costs associated with this scheme. In the 2018 Viability Update, the cost of strategic infrastructure and mitigation, for this site, was assumed to be £45,000,000 (£15,000/unit).

In the 2022 Viability Note this was updated, with the cost of strategic infrastructure and mitigation is being estimated to be about £83,000,000 (£27,600/unit).

**Table E: 2022 Strategic Infrastructure and Mitigation Costs**

	<b>Cost</b>	<b>£/unit</b>
Normal site cost	£23,787,577	£7,929
Abnormal site cost	£18,115,074	£6,038
IDP cost	£40,919,860	£13,640
	£82,822,511	£27,608

Source: HBC (December 2022)

It is important to note that this full list includes costs that would normally be considered normal site costs, and abnormal costs. For the purpose of a viability assessment, the IDP costs are of a similar magnitude to those used in the 2018 Viability Update. Whilst the full list now includes additional items, these are accounted for elsewhere within a viability assessment carried out under the PPG.

The IDP costs quoted in the 2022 Viability Note remain the most up to date estimate of the costs of strategic infrastructure and mitigation.

As set out in the 2022 note, this list includes costs that would normally be considered normal site costs, and abnormal costs. Normal site costs include internal roads, services, landscaping and

<sup>5</sup> See *EPCs & Mortgages, Demonstrating the link between fuel affordability and mortgage lending* as prepared for Constructing Excellence in Wales and Grwp Carbon Ise / 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.)

<sup>6</sup> [Savills UK | The cost and premium for new eco-homes](#)



the like. Under the PPG, abnormal costs are reflected in the Benchmark Land Value - see below (with added emphasis). For the purpose of a viability assessment, the IDP costs are of a similar magnitude to those used in the 2018 Viability Update. Whilst the full list now includes additional items, these are accounted for elsewhere within a viability assessment carried out under the PPG.

## **Findings and Comment**

The final section (section 7) of the 2022 Viability Note brought the findings together saying:

*The viability of the new settlement site was last formally considered in the 2018 Viability Update. Since then, the Land Registry suggests newbuild values have increased by about 30% and the BCIS suggests that build costs have increased by about 21%. Values have increased more than costs, suggesting viability has improved.*

*Over the same period several national requirements such as EV Charging, 10% Biodiversity Net Gain and the move towards the Future Homes Standard have been implemented. The combined additional cost of these is likely to be about 4%. The Government has also announced the mandating of accessible and adaptable standards and a further step towards the Future Homes Standard – although the details are not yet known. These implemented and announced additional standards are likely to increase the costs of development by 7% or so. It is therefore likely that the increase in costs can be covered by the improvement in viability from house prices increasing faster than build costs.*

*This leaves the costs of strategic infrastructure and mitigation. In 2018 these were estimated to be about £15,000 per unit, and the updated equivalent cost is about £14,000 per unit.*

*The delivery of this site, as with any large Strategic Site is likely to be challenging and require a detailed discussion with the developer over the details of the scheme but based on the very high level information presented above, it is unlikely that the changes in national policy and at the requirements of the DPD would render the site undeliverable. The Council can remain confident that the Green Hammerton / Cattal new settlement is deliverable, we however recommend that the Council continues to engage with the developers.*

The current situation remains similar now.

### **Q3. What is the justification for the suggested changes to Chapter 11, including the insertion of new Policy NS38 and its supporting text? Why are they necessary for soundness?**

As set out above, during the Regulation 19 consultation on the Pre-Submission Draft Plan which concluded in November 2022, a number of questions were asked about the detailed content of the infrastructure table in section 11. These questions asked whether the costs were up-to-date

and sought further clarity regarding the timelines for provision of infrastructure in line with new housing provision.

In order to address those community concerns, the proposed modification described above suggests removing the infrastructure table from section 11 of the DPD document and presenting it within a separate standalone Infrastructure Delivery Plan document, with additional supporting text and explanation provided, in order to aid clarity and allow for updates over time. This proposed modification recognises that planning for infrastructure is a continuous and iterative process and that information on infrastructure requirements and delivery will change over time and should therefore be capable of update.

A further modification proposed to address those community concerns, is the introduction of an additional Infrastructure delivery policy. Proposed Modification M/DP/4 suggests the introduction of a new Policy, NS38 Infrastructure Delivery, which is intended to ensure that required infrastructure is delivered in a timely manner. The introduction of a policy which makes a requirement for the promoter of the site to provide additional information to the Council in relation to delivery, phasing and financial appraisal, is intended to provide greater clarity about how the applicants will be required to contribute towards the infrastructure and mitigation measures necessary to support the delivery of Maltkiln and to ensure that the DPD is effective in securing infrastructure delivery. It is therefore considered necessary that this modification is necessary to ensure the DPD is sound.

## **Issue 2 - Monitoring Framework**

**Q1. Will the Council's monitoring and review processes for the DPD be effective in assessing the success or failure of delivery and what alternatives might reasonably be provided if necessary?**

At this stage, a range of monitoring indicators have been drafted, but the Council acknowledges that the actual monitoring processes will need to be further developed in consultation with the developer, utility providers and delivery and infrastructure partners including National Highways, ICB and the education authority.