

Epsom and Ewell Borough Council**Regulation 19 Viability Note – December 2024****Introduction**

- 1.1 HDH Planning & Development Ltd produced the *2022 Local Plan Viability Update* (HDH, January 2023). The 2022 Viability Update was undertaken in line with the requirements of the relevant RICS Guidance (HDH is a firm regulated by the RICS) and the Harman Guidance. The 2022 Viability Update built on, and replaced, the Council's existing viability work, specifically the *Local Plan Strategic Viability Assessment (including CIL Review)* (HDH, March 2020).
- 1.2 A technical consultation was conducted in July 2019 to inform the 2020 LPSVA. Representatives of the main developers, development site owners, agents, planning agents and consultants working in the area, and housing associations were invited to comment on an early draft of the report. Their comments fed into the 2020 LPSVA. The consultation was not repeated in 2022, however the comments made in 2019 are carried forward. The consultation process was carried out fully in accordance with the requirements of the updated PPG, the Harman Guidance and the RICS Guidance. The 2022 Viability Update was published for formal consultation alongside the Regulation 18 of the Draft Local Plan in February 2023. Whilst a range of comments were made that mentioned viability, no further technical comments (i.e. concerning the methodology, or assumptions used) were made that need to be addressed now (see Section 6 below).
- 1.3 The data in the 2022 Viability Update was based in September 2022. Over the two years since the 2022 Viability Update was undertaken, the costs and the values, being the main inputs into a viability assessment, have changed and several changes / clarifications have been made to national policy. The Council has also refined some of the policies in the emerging Local Plan.
- 1.4 As this note was being completed, the Government published a new December 2024 iteration of the NPPF. This includes some major changes to the planning system. The Council plans to submit the Plan for examination before the proposed changes apply. In any event these proposed changes are considered briefly (see Section 4 below).
- 1.5 This note considers how these changes may impact on viability, and whether it is necessary for the Council to fully update the viability evidence before submitting the Local Plan for examination.

Changes in House Prices

- 2.1 The residential value assumptions in the 2022 Viability Update were researched gathered in September 2022. 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

	Epsom and Ewell	Surrey	London	England & Wales
Sep-22	£544,003	£522,677	£541,150	£302,605
Sep-24	£543,658	£515,686	£525,586	£303,769
Change	-£345 -0.06%	-£6,991 -1.34%	-£15,564 -2.88%	£1,164 0.38%

Source: Land Registry (November 2024)

- 2.2 This data shows that average prices are unchanged in the Borough, however have decreased by about 1% across wider Surrey. This data can be disaggregated and newbuild sales separated out.

Table 2.2 Change in Average Newbuild House Prices – E&EBC

	Newbuild	Existing
Sep-22	£540,501	£545,420
Jul-24	£658,233	£532,060
	£117,732 21.78%	-£13,360 -2.45%

Source: Land Registry (November 2024)

- 2.3 The Land Registry's latest data suggests that the average newbuild sale price has increased by about 22% over the last two years in the Council area, whereas the average sale price of existing homes has fallen by about 2%.

Newbuild House Prices

- 2.4 The 2022 Viability Update included data on new build Price Paid data sourced from Landmark (Table 4.4 and Table 4.6, and Figure and 4.10). In this note, this data has been refreshed. Price Paid data from the Land Registry has been married with the floor areas sourced from the EPC Register, for newbuild sales since the start of 2021. As set out in Table 4.3 of the 2022 Viability Update, there was little data available from 2021 or 2022, when that report was being prepared. This remains the case, and the Land Registry data does not yet include any newbuild sales in 2024.

Table 2.3 Newbuild Price Paid Data by Year – EEBC 2021-2024

	Detached	Flats	Semi-detached	Terraced	All
Count					
2021	9	58	16	4	87
2022	7	129	19	30	185
2023	5	69	9	15	98
2024					
All	21	256	44	49	370
Average of Price Paid £					
2021	£920,556	£388,032	£576,181	£505,774	£483,136
2022	£593,143	£399,968	£592,678	£617,620	£462,364
2023	£608,599	£430,696	£570,333	£641,600	£484,878
2024					
All	£737,143	£405,546	£582,109	£615,830	£473,211
Average of £ per sqm					
2021	£5,489	£5,852	£6,549	£6,136	£5,957
2022	£6,179	£5,867	£6,186	£5,842	£5,908
2023	£6,633	£6,291	£6,573	£5,816	£6,266
2024					
All	£5,991	£5,978	£6,397	£5,859	£6,014

Source: Land Registry and EPC Register (November 2024)

- 2.5 The above data compares with that presented in Table 4.6 and Appendix 6 of the 2022 Viability Update – copied below for convenience.

Table 4.6 Prices Paid – Newbuild Homes from January 2020 to September 2022

Count of Newbuild Sales						
	Detached	Flat	Flat - Older Peoples	Semi-detached	Terraced	All
KT17	1	34	22	6	0	63
KT18	0	2	0	0	0	2
KT19	1	12	0	0	0	13
KT4	0	0	0	0	1	1
All	2	48	22	6	1	79
Average of Newbuild Sales						
	Detached	Flat	Flat - Older Peoples	Semi-detached	Terraced	All
KT17	£997,000	£395,956	£365,045	£610,417		£415,127
KT18		£437,500				£437,500
KT19	£1,270,000	£353,917				£424,385
KT4					£630,000	£630,000
All	£1,133,500	£387,177	£365,045	£610,417	£630,000	£419,937
Count of EPCs						
	Detached	Flat	Flat - Older Peoples	Semi-detached	Terraced	All
KT17	1	34	22	6	0	63
KT18	0	2	0	0	0	2
KT19	1	12	0	0	0	13
KT4	0	0	0	0	1	1
All	2	48	22	6	1	79
Average of Newbuild Price Paid £/m ²						
	Detached	Flat	Flat - Older Peoples	Semi-detached	Terraced	All
KT17	£5,389	£6,040	£5,106	£6,606		£5,758
KT18		£5,283				£5,283
KT19	£4,084	£5,595				£5,479
KT4					£4,922	£4,922
All	£4,736	£5,897	£5,106	£6,606	£4,922	£5,689

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

- 2.6 This data suggests that average newbuild house prices are about 10% higher than when the 2020 Viability Update was undertaken.
- 2.7 A survey of newbuild asking prices was carried out in June 2019 and again in September 2022. In June 2019 there were 13 newbuild houses and 12 newbuild flats being advertised for sale in the EEBC area. In September 2022 there was just 1 newbuild house and 8 newbuild flats being advertised. The analysis of these showed that asking prices for newbuild homes vary considerably, starting at £250,000 and going up to £1,850,000. The average in 2019 was just over £700,000 and in 2022 was £437,000. When considered on a £ per sqm basis, the average asking price for flats in 2019 was £6,137 per sqm and the average asking price for houses was a little over £5,000 per sqm. In 2022 the average asking price for flats was £6,154 per sqm.
- 2.8 The survey of newbuild asking prices was repeated in November 2024. At the time of this note there were just 13 new flats and 4 new houses being marketed in the Borough. The average asking price for flats has increased to £6,595 per sqm and the average asking price for houses is now £6,718 per sqm. These are notable increases (flats plus 7%) – although the sample size for houses is too small to be useful.

The Wider Housing Market

- 2.9 The development identified in the new Local Plan will be built out over many years and across development cycles. It is useful to consider how values may change in the future. There is a degree of uncertainty in the housing market as reported by the RICS. The October 2024 RICS UK Residential Market Survey¹ said:

Sales market activity continues to rise steadily

- *Survey feedback capturing the recent trend in agreed sales and new buyer enquiries remains positive*
- *Headline house price growth appears to be gradually gaining momentum*
- *Expectations point to this brighter picture for activity being sustained over the near-term*

The October 2024 RICS Residential Survey results continue to signal an improving market backdrop, evidenced by modestly positive readings once again being returned across all headline measures of activity. Furthermore, forward-looking indicators remain consistent with a further pick-up in sales volumes over near-term, although the rise in bond yields in recent weeks is likely to present something of a headwind as it feeds through into general lending conditions.

Looking at buyer demand, the headline net balance for the new buyer enquiries gauge registered a reading of +12% in October (little changed from +13% previously). This extends a run of positive returns for the series into a fourth consecutive month, albeit the latest reading is still only pointing to a modest upward trend in demand.

With respect to agreed sales, an aggregate net balance of +9% of respondents reported an increase in sales volumes over the latest survey period, up from a figure of +5% recorded last month. Importantly, having languished below zero throughout much of the previous two years, this now marks the third successive reading in positive territory. Nevertheless, the recent results signal a modest improvement, rather than a sharp upturn, at this stage. Looking ahead, the

¹ <https://www.rics.org/uk/news-insight/research/market-surveys/uk-residential-market-survey/>

near-term sales expectations series posted a net balance of +34% in October, up from a figure of +22% beforehand. Similarly, a net balance of +36% of contributors foresee sales volumes rising over the next twelve months, even if this is slightly more moderate than the reading of +44% seen in September.

For new instructions, the October net balance of +14% is, for the fourth month in a row, pointing to an increase in the flow of instructions coming onto the sales market. Moreover, respondents continue to note that there is currently a greater level of market appraisals being undertaken compared to picture seen at this point twelve months ago. As such, this suggests the near-term pipeline for listings is relatively solid.

Alongside this, a headline net balance of +16% of survey participants reported a rise in house prices over the October survey period. This is up from readings of +11% and zero in September and August respectively, and is consistent with house price growth gaining momentum steadily in recent months. When disaggregated, Northern Ireland, Scotland, the North East, North West, and London all exhibit firmly positive net balances for the house price metric.

Going forward, a rising share of respondents are now of the opinion that house prices will continue to drift higher over the coming three months, with the net balance for this indicator moving to +20% from +12% last time. Moreover, virtually all parts of the UK are expected to see a rise in house prices in the year to come, led by continued robust growth across Northern Ireland and Scotland.

In the lettings market, a net balance of +19% of respondents reported an increase in tenant demand over the three months to October (part of the seasonally adjusted quarterly lettings dataset). At the same time, landlord instructions fell relatively sharply, evidenced by a net balance reading of -29% being recorded in October (the most negative figure since the end of 2021). Due to the continued imbalance between rising demand and dwindling supply across the market, a net balance of +33% of respondents expect rental prices to be driven higher over the coming three months.

- 2.10 HM Treasury brings together some of the forecasts in its regular *Forecasts for the UK economy: a comparison of independent forecasts* report.

Table 2.2 Consolidated House Price Forecasts

Table 2 - 2024: 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 (Q4 on Q4 year ago, %)	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									
Barclays Capital	Nov *	2.3	3.7	-	-	4.75	84.0	-	-
Bloomberg Economics	Sep	2.7	-	-	-	4.75	-	-	-
Capital Economics	Nov *	2.3	3.6	5.5	85.2	4.75	75.0	3.9	2.5
Citigroup	Nov *	2.5	3.6	-	-	5.10	-	-	-
HSBC	Nov *	2.5	3.6	5.0	-	4.75	-	-	-
JP Morgan	Oct	2.6	-	-	-	4.75	-	4.0	-
KPMG	Nov *	2.5	-	-	-	4.75	80.3	-	-
Morgan Stanley	Dec'23	2.4	3.7	3.1	-	-	-	-	-
Natwest Markets	Oct	2.5	3.7	4.2	-	4.75	79.0	3.6	-
Nomura	Sep	3.1	-	4.9	-	4.75	-	-	-
Pantheon	Oct	2.6	4.1	5.1	-	4.75	-	-	4.5
Societe Generale	Sep'23	3.3	3.8	4.5	-	4.00	97.3	4.2	-
UBS	Nov *	2.4	3.6	4.6	-	4.75	-	3.7	-
Non-City forecasters									
British Chambers of Commerce	Nov *	2.6	-	4.0	-	4.93	-	-	-
Beacon Economic Forecasting	Nov *	2.4	3.3	4.3	84.3	4.75	80.9	4.0	0.9
CBI	June	2.3	2.6	4.4	82.0	4.50	86.6	3.0	0.8
CEBR	Nov *	2.3	3.6	4.7	83.9	4.83	-	-	1.8
Experian Economics	Nov *	2.3	3.5	4.3	-	5.00	80.73	0.9	3.89
EIU	Oct'23	-	-	-	-	5.25	81.5	-	-
Heteronomics	Nov *	2.4	3.6	5.2	-	4.75	81.2	-	3.2
ICAEW	Sep	2.6	-	-	-	4.75	-	-	-
ITEM Club	Feb	2.0	1.4	2.8	81.7	4.25	-	-	-0.2
Liverpool Macro Research	Nov *	2.1	3.4	4.0	82.5	4.00	-	-	-
NIESR	Nov *	2.6	4.4	4.8	-	4.92	-	-	1.7
Oxford Economics	Nov *	2.4	3.8	5.3	84.8	4.75	80.4	3.9	3.9
OECD	Sep	-	-	-	-	-	-	-	-
IMF	Oct	-	-	-	-	-	-	-	-
Average of forecasts made in the last 3 months (excludes OBR forecasts)									
Independent		2.5	3.7	4.7	84.1	4.76	80.2	3.4	2.8
New (marked *)		2.4	3.6	4.7	84.1	4.77	80.4	3.3	2.5
City		2.5	3.7	4.9	85.2	4.78	79.6	3.9	3.5
Range of forecasts made in the last 3 months (excludes OBR forecasts)									
Highest		3.1	4.4	5.5	85.2	5.10	84.0	2823.7	4.5
Lowest		2.1	3.3	4.0	82.5	4.00	75.0	0.9	0.9
Median		2.5	3.6	4.7	84.3	4.75	80.6	3.9	2.8
OBR	Oct	2.4	3.6	5.2	-	4.79	79.5	4.0	2.9

Source: Forecasts for the UK economy: a comparison of independent forecasts No 446 (HM Treasury, October 2024).

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

Table 2.3 Savills Property Price Forecasts

	2025	2026	2027	2028	2029	5 Year
Mainstream UK	4.0%	5.5%	5.0%	4.0%	3.0%	23.4%
South East	3.0%	4.0%	3.5%	3.5%	2.5%	17.6%
East of England	2.5%	5.0%	4.5%	3.5%	3.0%	19.9%
Mainstream UK Rents	4.0%	3.5%	3.0%	3.0%	3.0%	17.6%

Source: Savills Mainstream House Price Forecasts 2025-29 (4th November 2024)²

2.12 In this context, the Nationwide Building Society reported in October 2024:





Annual house price growth slows in October

- UK house prices rose 0.1% month on month in October
- Annual growth rate slowed to 2.4%, from 3.2% in September

Headlines	Oct-24	Sep-24
Monthly Index*	529.6	529.0
Monthly Change*	0.1%	0.6%
Annual Change	2.4%	3.2%
Average Price (not seasonally adjusted)	£265,738	£266,094

2.13 The Nationwide produces regional figures on a quarterly basis. This data (September 2024) suggests, for the Outer South East, an annual 0.6% change in Q3 2024 and an annual -1.8% change in the previous quarter.

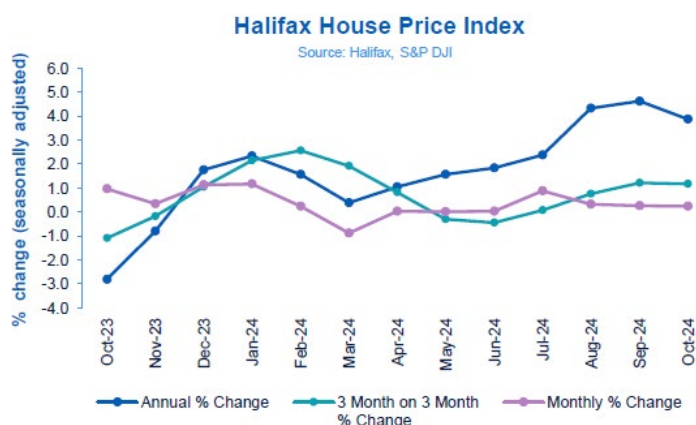
2.14 Halifax Building Society reported a similar situation in November 2024:

			
Average house price	Monthly change	Quarterly change	Annual change
£293,999	+0.2%	+1.2%	+3.9%

Average house price edges up to hit record high

- House prices increased by +0.2% in October, a fourth consecutive monthly increase
- Year-on-year prices are up +3.9%, easing from +4.6% in September
- Typical property now costs £293,999, surpassing previous peak set in June 2022 (£293,507)
- Northern Ireland continues to record the strongest annual house price growth in the UK

² [Savills UK | Revised Mainstream House Price Forecasts: 2024–2028](#), [Savills UK | Residential Property Market Forecasts](#)



- 2.15 There is clearly continued uncertainty in the market, and the substantial growth reported over the last few years seems unlikely to continue.
- 2.16 The final section of this note includes a further set of appraisals based on the updated policy requirements, price and cost information. Sensitivity testing to changes in values has been carried out.

Changes in Development Costs

- 3.1 The build costs in the 2022 Viability Update, as suggested in the PPG, were derived from the BCIS data. The cost figure for Epsom and Ewell for 'Estate Housing – Generally' was £1,540 per sqm (September 2022). The equivalent figure now (November 2024) has increased to £1,640 per sqm. This data shows that the cost of construction has increased by about 6.5% since the 2022 Update was undertaken.
- 3.2 There has been much coverage in the press around build cost inflation. The BCIS is predicting that, going forward, that the General Build Cost Index will increase by about 3.3% over the next year (from November 2024 – 465.8 to November 2025 – 481.3) and by about 9.2% over the next three years. (from November 2024 – 465.8 to November 2027 – 508.8).
- 3.3 The final section of this note includes a further set of appraisals based on the updated policy requirements, price and cost information. Sensitivity testing to changes in (BCIS based) build costs has been carried out.

Changing Policy Requirements

- 4.1 In discussion with the Council, the following policy obligations were suggested in the 2022 Viability Update – although it was stressed that, the plan making process was ongoing, so this needed to be kept under review, and in any event there was to be the normal political balance, to reflect local priorities, when setting Local Plan policies.
- a. Affordable Housing Greenfield sites 40%, all other sites 30%.
10% of all the homes as affordable home ownership (33% at 30% and 25% at 40%). First Homes 25% of affordable housing.

- Affordable housing for rent as 50% Affordable Rent / 50% Social Rent.
- b. Design 90% Accessible and Adaptable – Category 2, 10% Wheelchair Accessible, NDSS
- Water efficiency / Car Charging Points, 2025 Pt L Energy measures. Additional steps towards Zero Carbon on greenfield sites.

4.2 This was caveated as follows (paragraph 10.38):

If the Council were to follow this advice it would be necessary to be cautious in assuming High Density flatted development or Build to Rent development would come forward, as these are not likely to be delivered. This is likely to influence the selection of sites for allocation. In the remaining analysis, it is assumed that this suggestion is taken forward – although that should not be taken as read (as that is a decision to be taken through the wider plan-making process).

4.3 The 2022 Viability update included a review of national policy requirements, including anticipated changes. Changes in national policy are considered further below. A number of Local Plan policies have been refined, these are also considered below.

Updated NPPF 2023

4.4 The 2022 Viability Update was carried out in line with the then current NPPF. Since then, the NPPF has been updated 4 times.

- 5 September 2023 – Changes around onshore wind development.
- 19 December 2023 – Changes around the implementation of housing targets.
- 20 December 2023 – Minor corrections to the 19 December 2023 NPPF.
- 12 December 2024 – A broad update that includes a new Standard Method and changes around releasing land from the Green Belt.

4.5 The changes made in 2023 do not impact on viability assessments that inform the plan-making process.

Updated NPPF, December 2024

4.6 Following the 2024 General Election, the new administration published a draft update to the NPPF. The changes were subject to period of consultation and, as this note was being completed, in December 2024, a new NPPF was published. The changes will have some significant impacts on the plan-making process, with the main changes being around the Standard Method for deriving the need for housing and in relation to housing targets. The impact on viability is limited.

4.7 The 2024 NPPF includes new sections concerning realising land from the Green Belt. Such releases are subject to the 'Golden Rules' which require that the affordable housing

contribution on such releases to be 15% above the highest existing affordable housing requirement which would otherwise apply to the development, subject to a cap of 50%.

- 4.8 The Draft NPPF included a new Annex that concerned technical aspects of assessing viability in relation to land released from the Green Belt. This has not been carried onto the new NPPF. The key paragraphs are 67 and 68:

67. *As part of the 'Golden Rules' for Green Belt development set out in paragraphs 156-157 of this Framework, a specific affordable housing requirement (or requirements) should be set for major development involving the provision of housing, either on land which is proposed to be released from the Green Belt or which may be permitted on land within the Green Belt. This requirement should:*
- a) *be set at a higher level than that which would otherwise apply to land which is not within or proposed to be released from the Green Belt; and*
 - b) *require at least 50% of the housing to be affordable, unless this would make the development of these sites unviable (when tested in accordance with national planning practice guidance on viability).*
68. *The affordable housing requirement for land within or released from the Green Belt may be set as a single rate or be set at differential rates, subject to the criteria above.*

- 4.9 This is straight forward. Through the plan-making process, land released from the Green Belt should subject to separate viability testing to that outside the Green Belt. The aspiration is for 50% affordable housing, is subject to viability testing. This viability testing is welcomed as large greenfield releases will continue to require significant strategic infrastructure and mitigation measures that need to be delivered to enable the project to be delivered.

- 4.10 The parts of the Borough beyond the urban area are mostly defined as Green Belt so the above would apply to some of the administrative area. The requirement for 50% affordable housing on greenbelt releases is '*subject to viability*'. The viability of development both inside and outside the greenbelt has been tested so the development of the Council's policies is consistent in this regard.

- 4.11 In relation to releasing land from the Green Belt, the NPPF consultation said:

*30. Benchmark land values are generally set as a multiple of agricultural use values, which are typically in the region of £20,000 - £25,000 per hectare, and as a percentage uplift on non-agricultural brownfield use values. We also note that views of appropriate premia above existing use values vary: for agricultural land, a recent academic paper suggested BLVs of three times existing use value; the Letwin Review of Build Out suggested ten times existing use value; Lichfields found that local planning authorities set BLVs of between 10- and 40-times existing use value. These BLVs do not necessarily relate to Green Belt land, which is subject to severe restrictions on development, and **Government is particularly interested in the impact of setting BLV at the lower end of this spectrum.***

- 4.12 The PPG was updated when the new NPPF was published, and now includes a section on the Golden Rules, being section 10-029-20241212. This says that the '*government intends to review this Viability Guidance and will be considering whether there are circumstances in which site-specific viability assessment may be taken into account, for example, on large sites and Previously Developed Land*'.

- 4.13 The Benchmark Land Value assumptions used in the 2022 Viability Update are set out towards the end of Chapter 6.
- Brownfield Sites: EUV Plus 20% - where a value of £5,000,000/ha is assumed in the town centres and £2,500,000/ha elsewhere.
 - Greenfield Sites: EUV Plus £1,000,000/ha.
- 4.14 If a BLV of 10 times EUV was to be implemented through national policy, it may suggest that BLV assumption used in the 2022 Viability Update of EUV (£25,000 for agricultural uses) plus £1,000,000 per ha was overstated. Having said this very little of the undeveloped land in the Borough is in agricultural uses, much of it is in leisure uses, including public parks, golf clubs and equestrian uses, or are woodlands. These may have a higher EUV than agricultural uses.
- 4.15 The 2022 Viability Update is consistent with the December 2024 NPPF.
- 4.16 The new NPPF includes several further changes, that have an impact on viability.
- a. There is a new emphasis on Social Rent, as set out in paragraph 64 of the December 2024 NPPF (and elsewhere). It is clear that some Social Rent is to be provided, and the extent of the need must be assessed.
 - b. The dropping of the requirement for 10% of all homes to be Affordable Home Ownership.
 - c. The dropping of the requirement for 25% of the affordable housing to be First Homes as per footnote 31 of the December 2024 NPPF.
- 4.17 The Council's preference is for all Affordable Home Ownership housing to be delivered as Shared Ownership rather than First Homes and for half of the affordable housing for rent to be Social Rent. This is commented on below.

Accessible and Adaptable Standards

- 4.18 The 2022 Viability Update considered anticipated changes in Building Regulations, including changes to Part M which concerns accessibility. In July 2022, the Government announced the outcome of the 2020 consultation on raising accessibility standards of new homes³ 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.

³ [Raising accessibility standards for new homes: summary of consultation responses and government response - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/raising-accessibility-standards-for-new-homes)

- 4.19 The new administration has not given an indication as to whether or not they will take this forward (there is no suggestion that they will not). To take it forward, the Government will need to consult further on the technical changes to the Building Regulations before mandating the higher M4(2) accessibility standard. In any event, in the 2022 Viability Update, M4(2) is assumed to apply on all units other than those built to the higher M4(3) standard (paragraph 8.43). The 2022 Viability Update is up to date in this regard.

Environmental Standards

- 4.20 In December 2023, the previous Government launched a consultation on how national standards in the form of the Future Homes Standard and the Future Buildings Standard may be implemented. The costs of higher standards were considered in the 2022 Viability Update. At the time of this note, no timescale has been announced for the implementation of new standards, and the new administration have not given an indication as to whether or not they want to take this forward, but there is no suggestion that they will not as part of the wider ambitions in relation to zero carbon.
- 4.21 The Local Plan requirements in this regard are considered below.

Biodiversity Net Gain

- 4.22 The Environment Act received Royal Assent in November 2021 and mandates that new developments must deliver an overall increase in biodiversity; this is known as Biodiversity Net Gain. The PPG was updated in February 2024⁴ in this regard. The requirement is that developers ensure habitats for wildlife are enhanced and left in a measurably better state than they were pre-development. Developers must assess the type of habitat and its condition before submitting plans, and then demonstrate how they are improving biodiversity – such as through the creation of green corridors, planting more trees, or forming local nature spaces.
- 4.23 Green improvements on-site are preferred (and expected), but in the circumstances where they are not possible, developers will need to pay a levy for habitat creation or improvement elsewhere.
- 4.24 The Council is now proposing to update the draft Local Plan to seek a minimum of 20% BNG from specific green field site allocations identified in the Local Plan. The remaining site allocations and planning applications that are required to provide BNG will be required to deliver the statutory minimum of at least 10% BNG. The additional costs of this are considered below.

Levelling-up and Regeneration Act

- 4.25 At the end of 2023, the *Levelling-up and Regeneration Act* become law. Many of the measures in the Act will be (may be) implemented, in due course, through secondary legislation and / or

⁴ [Biodiversity net gain - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/biodiversity-net-gain-guidance)

regulations. The provisions within the Act will have a significant impact on the overall plan-making process, but they do not alter the place of viability in the current Local Plan process.

- 4.26 The *Levelling-up and Regeneration Act* includes reference to a new national Infrastructure Levy. The new Government has announced, as part of the July 2024 consultation on the Draft NPPF, that this will not be taken forward. This need not be considered further.

Updated Policies in the Regulation 19 Submission Draft Plan

- 5.1 The policy testing in the 2022 Viability Update was carried out based on the well-developed, but not finalised draft of policy wordings. The findings of the 2022 Viability Update informed the development of policy, and the Council has considered some policy areas in more detail. There are several policies that have been updated that have the potential to impact on viability. These are considered below.

Biodiversity Net Gain (BNG)

- 5.2 The base modelling in the 2022 Viability Update was on the basis that the Council would introduce a 10% BNG requirements across the Council area. The approach to the modelling was set out at paragraph 8.22 of the 2022 Viability Update:

In this assessment it is assumed provision will be on-site on greenfield sites and off-site on brownfield sites, although it is recognised that there may be wider benefits from a range of mechanisms to secure BNG. The percentage uplift costs are used as the costs per ha/unit are a little historic..

- 5.3 As mentioned above, the Council will now seek 10% BNG from the majority of developments in the Borough, but is seeking a minimum of 20% BNG from specific greenfield site allocations.
- 5.4 There are few published costs of seeking higher levels of BNG. The Council has not undertaken specific research into the costs in this regard and there are no published England wide data in this regard. Research by Kent County Council⁵ has indicated that the additional cost of providing 15% or 20% BNG is relatively modest where it can be delivered on-site:

⁵ [Viability-Assessment-of-Biodiversity-Net-Gain-in-Kent-June-2022.pdf \(kentnature.org.uk\)](https://kentnature.org.uk/Viability-Assessment-of-Biodiversity-Net-Gain-in-Kent-June-2022.pdf)

Table 5.1 Comparison of BNG costs £ per dwelling

Typology	15% onsite per dwelling	20% onsite per dwelling	15% offsite per dwelling	20% offsite per dwelling
5,000 unit greenfield - houses	+£55.79	+£92.29	+£631.85	+£778.69
500 unit greenfield - houses	+£85.56 <i>Additional land</i>	+£216.31 <i>Additional land</i>	+£1,062.85	+£1,167.95
100 unit greenfield - houses	+£943.00 <i>Additional land</i>	+£1,071.57 <i>Additional land</i>	+£394.70	+£458.54
25 unit greenfield - houses	+£5,549.96 <i>Additional land</i>	+£5,913.31 <i>Additional land</i>	+£874.76	+£1,077.59
500 unit brownfield - houses	+£12.00	+£27.00	+£100.37	+£124.22
100 unit brownfield – houses flats	+£4.50	+£9.00	+£10.17	+£13.59
25 unit brownfield - flats	+£0.00	+£42.00	+£506.30	+£508.58

Source: Table 1 Viability Assessment of Biodiversity Net Gain in Kent (SQW & Temple, June 2022)

- 5.5 The final section of this note includes a further set of appraisals based on the updated policy requirements, price and cost information. The BNG cost assumption has been updated assuming that 20% BNG will cost 150% of the cost of achieving 10% BNG.

Climate Change

- 5.6 Within the 2022 Viability Update a range of steps towards zero carbon were tested (from paragraph 8.27), based on the then available data. In the final appraisals, based on the recommended policy mix, the BCIS based construction costs were increased by 11%, to reflect the cost of the Council's preferred option of zero carbon development, although this additional cost was caveated (paragraph 8.35) as follows:

At the time of this study there are several research studies (from AECOM and from Three Dragons) that have yet to be published that suggest that the above assumptions may overstate costs of increased environmental standards. It is to be expected that the costs of meeting higher standards will fall over time as the requirements become the norm, and the costs of the technology (e.g. air source heat pumps and heat exchangers) are falling as demand and supply increases. Prior to the publication of these emerging studies, it would not be appropriate to put weight on that research, however we recommend that the Council keeps this under review as the plan-making process continues.

- 5.7 As set out above, this is an area where national policy has developed since the 2022 Viability Update was prepared, and a topic on which further information has been published. The Government carried out a consultation on how national standards in this regard may be implemented in the December 2023.

- 5.8 The Department of Levelling up, Communities and Housing introduced revisions to Conservation of Fuel and Power, Approved Document L of the Building Regulations (often referred to as the 2021 Part L standard) as a 'stepping stone' on the pathway to zero carbon homes. These set the target of an interim 31% reduction in CO₂ emissions over the 2013 standards for dwellings that apply to new homes that submit plans after June 2022 or have not begun construction before June 2023.
- 5.9 The costs of meeting the current (i.e. 2021) Part L standard depends on the specific changes made and were considered in Chapter 3 of the 2019 Government Consultation⁶. This suggests that the costs, having been indexed, would add a little less than 3% to the base cost of construction. These requirements 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. Based on this information, it would now be appropriate to assume the additional costs of the increase in standards set out in 2021 Part L add 2% to the current BCIS costs.
- 5.10 The revisions to Part L of Building Regulations are a step towards the introduction of the Future Homes Standard. The Government published, in December 2023, a further consultation on the details of the implementation of the Future Homes Standard. At the same time, the then Housing Minister, made a Written Parliamentary Statement⁷ that set out the Government's position in this regard as follows:
- ... Any planning policies that propose local energy efficiency standards for buildings that go beyond current or planned buildings regulation should be rejected at examination if they do not have a well-reasoned and robustly costed rationale that ensures:*
- 7.1 *That development remains viable, and the impact on housing supply and affordability is considered in accordance with the National Planning Policy Framework.*
- 7.2 *The additional requirement is expressed as a percentage uplift of a dwelling's Target Emissions Rate (TER) calculated using a specified version of the Standard Assessment Procedure (SAP).*
- Where plan policies go beyond current or planned building regulations, those policies should be applied flexibly to decisions on planning applications and appeals where the applicant can demonstrate that meeting the higher standards is not technically feasible*
- 5.11 Whilst this direction does not preclude the introduction of policies that go beyond national standards, this does suggest that such policies will need to be well justified and subject to greater scrutiny.
- 5.12 It also set out that where standards that are higher than national standards are introduced then they should be expressed as a percentage uplift of a dwelling's Target Emissions Rate (TER) calculated using a specified version of the Standard Assessment Procedure (SAP).
- 5.13 The Council acknowledges that it is recommended to use the approach of setting a percentage improvement over the Target Emissions Rate (TER) using SAP, however up to date, local evidence suggests that using absolute energy performance targets is a better method to

⁶ 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).

⁷ [Written statements - Written questions, answers and statements - UK Parliament](#)

setting Net Zero Carbon policies. The Council's preferred approach to setting a Net Zero Carbon building policy is in line with the emerging industry definition of Net Zero Carbon in new buildings is to use absolute energy performance targets, such as having a dedicated metric per key objective (e.g. space heating demand for fabric energy efficiency).

- 5.14 Within the 2022 Viability Update, the BCIS based construction costs were increased by 11% to reflect the cost of the Council's preferred option of zero carbon development. This cost allowance is now reviewed.
- 5.15 Paragraph 6.10 of The Future Homes Standard (FHS) 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:

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 (£)

	Option 1	Option 2
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.

- 5.16 The new Government has not announced in intentions with regard to the Future Homes Standard.
- 5.17 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 costs are estimated.

Table 5.2 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)*
CS1	to be consistent with the expectation that the Future Homes Standard home should reduce carbon emissions by a minimum of 75% from 2013	2%	-3%	Circa 190/yr more
CS2	to align closely with the current Part L 2021 but electrify the heating	7%	2%	Circa £260/yr less
CS2a	As for CS2a but with Batteries on PV and Infra-red heating	10%	5%	Circa £50/yr less (Significant under-estimate)**
CS3	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
CS4	to minimise space and water heating, drawing on UK and European low energy building best practice	19%	13%	Circa £450/yr less
CS5	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)

- 5.18 These costs are somewhat greater than those in the more recent Government consultation, however they predate the Government announcement and are not directly comparable.
- 5.19 More recently *Surrey Net Zero – Economic Viability Assessment, Assessment of policy delivery* – (Three Dragons, May 2024) has been published. This sets out the costs of a range of scenarios:

Scenario 1 The Future Homes Standard Option 1. Costings are based on the specifications in the government consultation (December 2023) for option 1.

Scenario 2 The Future Homes Standard Option 2. Costings are based on the specifications in the government consultation (December 2023) for option 2.

Scenario 3 100% improvement on the building regulations Target Emissions Rate. Costings are based on the Future Homes Standard consultation specification Option 2 for fabric and services with added solar PV (photovoltaics) to achieve a 100% reduction in carbon emissions as calculated by the building regulations methodology SAP 10.

Scenario 4 Net Zero (Low energy). Space heating demand less than 30 kWh/m²/yr.

Scenario 5 Net Zero (Ultra low energy). Space heating demand less than 15-20 kWh/m²/yr.

- 5.20 It is important to note that the following costs are the costs over the 2021 Part L, and not the costs over the current BCIS Cost. This has been discussed with the authors of the report (Three Dragons) and it was noted that the additional cost of the current Part L requirements would vary across the house types. They suggest, it would now be appropriate to assume the additional costs of the increase in standards set out in 2021 Part L add 2.8% to the current BCIS costs.

Table 5.3 SCC Costs of net Zero Scenarios

	Scenario 0:	Scenario 1:	Scenario 2:	Scenario 3a:	Scenario 4:	Scenario 5:
	Part L 2021	Future Homes Standard - Option 1	Future Homes Standard - Option 2	100% better than FHS (Option 2) - DER to 0 in SAP 10	Net Zero (Low energy)	Net Zero (Ultra Low energy)
Detached house	2.80%	5.08%	-0.22%	4.69%	4.61%	9.31%
Semi-detached	2.80%	5.97%	-0.18%	6.73%	6.03%	10.59%
Terrace house	2.80%	6.35%	-1.02%	5.56%	5.30%	9.25%
Low Rise	2.80%	4.24%	1.51%	4.86%	6.87%	8.56%
Mid Rise	2.80%	3.52%	1.50%	2.91%	4.76%	5.94%
High Rise	2.80%	3.00%	1.87%	2.30%	3.59%	4.85%

Source: Surrey Net Zero – Economic Viability Assessment, Assessment of policy delivery – (Three Dragons, May 2024)

- 5.21 The Council's preferred option is Scenario 4 (Net Zero – Low Energy). The costs of implementing this is somewhat less than the costs used for Zero Carbon in the 2022 Viability Update.
- 5.22 The final section of this note includes a further set of appraisals based on the updated policy requirements, price and cost information. The Net Zero cost assumption has been updated to align with those for Scenario 4 in the table above.

- 5.23 As noted in the 2022 Viability Update (Paragraph 8.87) building to higher standards that result in lower running costs results in higher values ^{8 9 10 11}, although no premium was assumed in the in the 2022 Viability Update or this note, and it is difficult to robustly quantify.

Costs of Strategic Infrastructure and Mitigation

- 5.24 The Council's rates of CIL have been increased through indexation:

Table 5.4 Indexed Rates of CIL

Development Type	Adopted CIL Rate (per square metre)	Indexed CIL Rate (October 2022)	Indexed CIL Rate (November 2024)
Residential dwellings (C3)	£125	£173.64	£199.27
Convenience Retail (A1)	£150	£208.37	£239.12
Student Accommodation (C2)	£30	£41.67	£47.82
Care Home (C2)	£20	£27.78	£31.88
All other uses	Nil	Nil	£0.00

Source: EEBC CIL Charging Schedule (October 2022 / November 2024)

- 5.25 The final section of this note includes a further set of appraisals that include these updated rates of CIL.
- 5.26 Assumptions were also made in relation to developer contributions in addition to CIL £25,000 per unit was assumed on large greenfield sites (the Strategic Sites) and £2,500 per unit was assumed on smaller sites. The Council have advised that these remain appropriate.
- 5.27 The final section of this note includes a further set of appraisals based on this updated information.

Affordable Housing Mix

- 5.28 As set out above, the Council's preference is for all Affordable Home Ownership housing to be delivered as Shared Ownership rather than First Homes, and for half of the affordable housing for rent to be Social Rent. In the 2022 Viability Update it was assumed that the

⁸ 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.)

⁹ [A Green Premium: House buyers willing to pay almost 10 per cent more for energy efficient properties | Santander UK](#)

¹⁰ [Legal & General research shows buyers will pay up to 20% premium for low carbon homes | Legal & General \(legalandgeneral.com\)](#)

¹¹ [Savills UK | The cost and premium for new eco-homes](#)

affordable housing for rent with the split equally between Affordable Rent (capped in line with LHA) and Social Rent.

- 5.29 Whilst the value attributed to both First Homes and Shared Ownership is the similar, being 70% of market value (4.70 and 4.77), switching from First Homes to Shared Ownership is likely to have a positive impact on viability and scheme delivery as the sales risk, to the developer, will be reduced for this element of the project with the Shared Ownership being sold as a portfolio to a Registered Provider (normally a Housing Association), with the affordable housing for rent. This will often improve the cash flow of the overall project, with payments being made through the construction phasing. There will also be savings in the developer's sales fees and associated costs.
- 5.30 The final section of this note includes a further set of appraisals based on the updated policy requirements, price and cost information. The affordable housing mix has been updated to reflect the Council's preference is for all Affordable Home Ownership housing to be delivered as Shared Ownership rather than First Homes and for half of the affordable housing for rent to be Social Rent.

Regulation 18 Consultation Comments

- 6.1 A number of comments were made, that relate to viability, through the Regulation 18 consultation. The comments that relate to the technical aspects of the 2022 Viability Update are considered below.

The Home Builders Federation

- 6.2 The HBF made a range of comments on a broad range of subjects. On the whole these were high level comments or in relation specific policy wordings. In relation to viability they noted:
- That the Government is likely to mandate M4(2) Accessible and Adaptable standards. This was anticipated in the 2022 Viability Update.
 - Concern was expressed about the justification for the higher M4(3) Wheelchair Adaptable Standard. The Council has updated its requirements in this regard – see below.

Carter Jonas for Epsom Projects Ltd re Land off Cuddington Glade (STA013)

- 6.3 The following comment was made:

Epsom Projects awaits the publication of final version of the 'Local Plan viability' work with interest. Inputs to this work will need to recognise infrastructure costs (including 'abnormals'), fees and profit margins, and policy 'costs' (with specific reference to matters arising in this Local Plan e.g., BNG, and carbon neutral housing standards). Viability work should take a balanced approach and one that recognises that there will be a point at which land will just not come forward if values are too low to take account of policy and infrastructure costs.

- 6.4 The 2022 Viability Update was published beside the Regulation 18 version of the emerging Local Plan. All the matters mentioned are addressed. As set out in Appendix 2 of the 2022

Viability Updated, Carter Jonas were invited to and attended the technical consultation (July 2019).

Polly Mason of Montagu Evens for Zenith land re the SNG Site (the Gas Holders)

- 6.5 A set detailed points are made in relation to the proposed policy requirements. Some of these will impact on viability, for example in relation the densities and building height. Specifically, the site's abnormal costs are noted. It is agreed that these are likely to be substantial, however, these have not yet been quantified.
- 6.6 The 2022 Viability Update did not test this site individually, however did test a range of typologies that are broadly representative of the elements that may make up the housing on this site. The report noted (at paragraph 10.38) as follows:

If the Council were to follow this advice it would be necessary to be cautious in assuming High Density flatted development or Build to Rent development would come forward, as these are not likely to be delivered. This is likely to influence the selection of sites for allocation. In the remaining analysis, it is assumed that this suggestion is taken forward – although that should not be taken as read (as that is a decision to be taken through the wider plan-making process).

- 6.7 This advice to the Council stands and it is understood that the Council is continuing to engage with the promoters of the land that makes up this allocation, which is subject to a planning application (24/01107/FUL).

Simon Neate of WSP for Epsom Ashley SARL re The Ashley Centre & Global House SA4

- 6.8 The site concerned is largely in office and retail uses, and it is accepted that, the buildings and or site are in need of redevelopment. A series of points are raised, some of these will impact on viability, for example in relation what is retained or not and building height. No specific viability points are raised in relation to the modelling set out in the 2022 Viability Assessment.
- 6.9 This opportunity is taken to re-iterate the concerns raised around the delivery of tall buildings set out above.

Lewis Davenport of Planning Potential for Surrey and Borders Partnership NHS Foundation Trust (SABP) re Land at West Park Hospital'

- 6.10 This is a site with a long planning history. A range of comments are made, the majority of which relate to the practical matters of a scheme, rather than viability (although some may have a knock on into viability). The principal point made concerns intensifying the site.

David Churchill of Carter Jonas for Combined Counties Properties Limited (CCPL) re Priest Hill

- 6.11 In relation to viability, the submission says:

The site has no constraints, it has easy access to the road and public transport network and there is no concern about its viability

McCarthy and Stone

- 6.12 This developer of specialist housing made comments about housing mix, including a review mechanism in the affordable housing policy, residential standards, the practicality of some of the policy requirements in a specialist housing scheme. These may impact on viability, however direct viability concerns are not raised.
- 6.13 In response to the comments made, this opportunity is taken to confirm as follows:
- the modelling in the 2022 Viability Update is based on 1 and 2 bedroom units rather than the wider housing mix that applies to the mainstream market housing;
 - the framework for considering viability at the development management stage is clearly set out in paragraphs 10-007-20190509, 10-008-20190509 and 10-009-20190509 of the PPG. Requiring a review is consistent with the PPG and any review would be carried out in line with 10-009-20190509 of the PPG;
 - it is agreed that developer contributions can only be sought where they align with the tests set out in the CIL Regulations, and the NPPF;
 - it is surprising that a developer of specialist older peoples housing is resisting the requirement that a modest element of the scheme would be wheelchair adaptable. It is agreed that, in itself, this provision would not meet the housing needs of older people (not least as the adaptations are not yet made). It would however provide flexibility and, when considered with wider options, help in this regard. The cost of such a requirement is tested within the 2022 Viability Update.

Summary and Conclusions

- 7.1 HDH Planning & Development Ltd produced the 2022 Viability Update. The study was commissioned to support the development of the new Local Plan. The report was undertaken, in line with the requirements set out in the National Planning Policy Framework (NPPF) and National Planning Practice Guidance (PPG).
- 7.2 Since the 2022 Viability Update was completed, 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 also refined some of the policies in the draft Local Plan. This note considers how these changes may impact on viability and whether it is necessary for the Council to fully update the viability evidence before proceeding.
- 7.3 The value of newbuild housing, and the costs of construction have both increased since the 2022 Viability Update was undertaken. The Land Registry data suggests newbuild values have increased by about 21% and analysis of the new build sales suggests an increase of 10%. New build asking prices (for flats only) have increased by about 7%. The BCIS suggests that build costs have increased by 6.5%. Values have increased more than costs, suggesting viability has improved since 2022.

- 7.4 House price forecasts and build costs forecasts suggest that house prices are likely to continue to increase at a broadly similar rate to that of build costs, providing comfort. All other things being equal, the 2022 Viability Update remains up to date and is the appropriate document to support the next stage of the plan-making process.
- 7.5 There have been a number of changes to national policy and to the draft Local Plan since the 2022 Viability Update was completed.
- 7.6 Sections 10.39 to 10.41 of the 2022 Viability Update considered the impact of changes in costs and values on the preferred set of policies, based on further appraisals that were summarised in Appendix 15 of the report. This analysis has been repeated based on the following changes.
- The values are increased by 10% and the construction costs to the latest BCIS costs.
 - Biodiversity Net Gain is assumed at 20% (on the greenfield sites), based on a cost of 150% of implementing 10% BNG.
 - The Net Zero cost assumption has been updated to align with those derived in the Surrey Net Zero – Economic Viability Assessment, Assessment of policy delivery – (Three Dragons, May 2024) report.
 - The indexed rates of CIL are updated.
 - The affordable housing mix is updated to reflect the Council's preference is for all Affordable Home Ownership housing to be delivered as Shared Ownership rather than First Homes and for half of the affordable housing for rent to be Social Rent.
 - The sensitivity testing, based on the full policy on scenario of 40% affordable housing of the greenfield sites and 30% elsewhere.
- 7.7 Price change scenarios and cost change scenarios have been tested. In this analysis, as set out in **Appendix 1** to this note, and are directly comparable to those presented in Appendix 15 of the 2022 Viability Update.
- 7.8 The results are broadly similar to those presented in the 2022 Viability Update. Having made the adjustments set out, and updated the full policy-on appraisals, the Council can continue to rely on the 2022 Viability report.

RS Drummond-Hay MRICS

HDH Planning & Development Ltd

12th December 2024

Appendix 1 Sensitivity Testing based Full Policy Requirements

Typologies

[illegible]

Strategic Sites

[illegible]