

Financial Viability Assessment
Non-Technical Executive Summary for
Firethorn Trust

**LAND AT NORTH WEST BICESTER
HOME FARM, LOWER FARM AND SGR2
CAVERSFIELD
OXFORDSHIRE
OX27**

29th October 2021

Our Ref: AAMJ/20-00678

1 INTRODUCTION

1.1 We have been instructed by Firethorn Trust (the applicant) to provide a non-technical executive summary of their submitted Financial Viability Assessment (FVA) for their proposed scheme at Land at North West Bicester. The proposal consists of:

“outline planning approval for the construction of up to 530 dwellings, including details of the site access arrangement.”

1.2 The proposed site forms part of the wider North West Bicester Eco-Town, which is captured in planning policy by Cherwell Local Plan Policy Bicester 1. Planning permission will only be granted for development at North West Bicester in accordance with a comprehensive masterplan for the whole area to be approved by the council as part of a North West Bicester Supplementary Planning Document (NWB SPD). The development description for the NWB Eco-Town is a new zero carbon mixed use development including 6,000 homes, employment uses, schools, green space and strategic infrastructure proposed across the 400 hectares identified.

1.3 True zero carbon (TZC), is a key requirement within the NWB SPD - one of a series of requirements/potential obligations on development within the North West Bicester site including affordable housing and Section 106 contributions.

1.4 Whilst the wider masterplan has been allocated for development in the adopted Local Plan, the delivery of the proposed site has been frustrated by viability issues, principally on the delivery of the Council’s policy objectives of net carbon homes, the cost of the necessary infrastructure amongst other policy requirements such as 40% open space and affordable housing.

1.5 The purpose of this non-technical executive summary is to provide a summary of the conclusions established in the Financial Viability Assessment in relation to appropriate level of affordable housing and financial Section 106 contributions that can be supported whilst also seeking to deliver a True Zero Carbon (TZC) development.

1.6 The applicant is seeking to maximise the amount of affordable housing delivered on site subject to viability testing. However, if it is not viable for the development to deliver policy compliant levels of affordable housing and meet the requirements imposed by delivering a TZC scheme we will need to engage with CDC to identify its priorities in terms of affordable housing delivery against the TZC requirements.

1.7 In preparing the FVA consideration was had to the Cherwell Local Plan 2011-2031, North West Bicester SPD, February 2016 and Developer Contributions SPD, February 2018.

1.8 The FVA considers the total value of the completed scheme and the total cost of its delivery, using recognised residual appraisal software - Argus Developer. In accordance with standard viability methodology, the resulting residual land value is then compared with an appropriate benchmark value to determine the scheme’s viability.

2 EXECUTIVE SUMMARY

2.1 We have assessed the Residual Land Values (RLV) of the proposed scheme based on the following scenarios:

1. North West Bicester Traditional House Building Costs - no extra-over costs associated with Future Homes Standards or True Zero Carbon.
2. House Building Costs based on Future Homes Standard (FHS).
3. House Building Costs based on True Zero Carbon (TZC).

2.2 For the purpose of the FVA, the following definitions have been assumed.

NORTH WEST BICESTER TRADITIONAL HOUSE BUILDING

2.3 As a base position, we have assumed a scenario that the scheme is delivered in line with the specification requirements for North West Bicester Traditional House building standards. This assumes compliance with the Council's other policies of sustainability, healthier lifestyle, open space etc. and compliance with current Building Regulations requirements for overall carbon emissions and space heating energy demand.

2.4 This baseline position has been costed within G & T's cost estimate and we have assessed the scheme's ability to deliver affordable housing on the assumption that the scheme is delivered in line with traditional house building standards.

FUTURE HOMES STANDARD

2.5 The second scenario that we have assessed is the proposed residential homes are constructed to "the Future Homes Standard: Changes to Part L and Part F of the Building Regulations for new dwellings." The Future Homes Standard will require new build homes to be future-proofed with low carbon heating and world-leading levels of energy efficiency; it will be introduced by 2025. New homes built to the Future Homes Standard will have carbon dioxide emissions at least 75% lower than those built to current Building Regulations standards.

2.6 G & T's Cost Estimate includes for measures to satisfy the above definition of Future Homes Standard (plus photovoltaic (PV) panels). In order to achieve the Future Homes Standard, the space heating and domestic hot water (DHW) strategy for all house types is to be delivered by individual Air Source Heat Pumps (ASHP) for houses and smart night storage heating for the flats plus the inclusion of PV on the roof.

2.7 We have assessed the scheme's ability to deliver affordable housing on the assumption that the scheme is delivered to the FHS specification.

TRUE ZERO CARBON HOMES

2.8 The third scenario that we have assumed is where the proposed scheme is delivered in compliance with the definition of True Zero Carbon. Development Principle 2 of the SPD defines "true" zero carbon development - the central element of the Eco Town concept - as follows:

"over a year the net carbon dioxide emissions from all energy use (from both regulated and unregulated energy uses) within buildings on the eco-town development as a whole are zero or below."

2.9 This definition assumes the exclusion of embodied carbon and emissions from transport but inclusion of all buildings - not just houses but also commercial and public sector buildings. For the avoidance of doubt, regulated energy use comes from space heating, hot water, fans and lighting whereas unregulated energy use comes from plug-in appliances and cooking.

2.10 The submitted cost plan has made allowances for developing the scheme to Future Homes Standards. In order to deliver the scheme so that it meets the definition of True Zero Carbon, carbon offsetting contributions are required and the Applicant has sought specialist advice in this regard from Stantec.

2.11 On the basis of above, we have modelled the following affordable housing tenure scenarios:

Affordable Housing Scenarios

Affordable Housing - Mix of Affordable Rent (AR) & Shared Ownership (SO)

1. 30% AH (70% AR / 30% SO) - North West Bicester Traditional House Building Costs
2. 30% AH (70% AR / 30% SO) - Future Homes Standard Build Costs
3. 30% AH (70% AR / 30% SO) - True Zero Carbon House Build Costs

Affordable Housing - Mix of Social Rent (SR) & Shared Ownership (SO)

4. 30% AH (70% SR / 30% SO) - North West Bicester Traditional House Building Costs
5. 30% AH (70% SR / 30% SO) - Future Homes Standard Build Costs
6. 30% AH (70% SR / 30% SO) - True Zero Carbon House Build Costs

Affordable Housing - All Shared Ownership

7. 30% AH (100% SO) - North West Bicester Traditional House Building Costs
8. 30% AH (100% SO) - Future Homes Standard Build Costs
9. 30% AH (100% SO) - True Zero Carbon House Build Costs

No Affordable Housing - 100% Private Tenure

10. 100% Private Tenure - North West Bicester Traditional House Building Costs
11. 100% Private Tenure - Future Homes Standard Build Costs
12. 100% Private Tenure - True Zero Carbon House Build Costs

2.12 When comparing the above residual land values with an appropriate Benchmark Land Value, we can confirm the following:

Affordable Housing Scenarios	
Affordable Housing - Mix of Affordable Rent (AR) & Shared Ownership (SO)	
1. 30% AH (70% AR / 30% SO) - North West Bicester Traditional House Building Costs	Viability
2. 30% AH (70% AR / 30% SO) - Future Homes Standard Build Costs	Not Viable
3. 30% AH (70% AR / 30% SO) - True Zero Carbon House Build Costs	Not Viable
Affordable Housing - Mix of Social Rent (SR) & Shared Ownership (SO)	
4. 30% AH (70% SR / 30% SO) - North West Bicester Traditional House Building Costs	Not Viable
5. 30% AH (70% SR / 30% SO) - Future Homes Standard Build Costs	Not Viable
6. 30% AH (70% SR / 30% SO) - True Zero Carbon House Build Costs	Not Viable
Affordable Housing - All Shared Ownership	
7. 30% AH (100% SO) - North West Bicester Traditional House Building Costs	Viability
8. 30% AH (100% SO) - Future Homes Standard Build Costs	Not Viable
9. 30% AH (100% SO) - True Zero Carbon House Build Costs	Not Viable
No Affordable Housing - 100% Private Tenure	
10. 100% Private Tenure - North West Bicester Traditional House Building Costs	Viability
11. 100% Private Tenure - Future Homes Standard Build Costs	Not Viable
12. 100% Private Tenure - True Zero Carbon House Build Costs	Not Viable

2.13 We have established the scheme could deliver 30% affordable housing (70% AR / 30% SO) if it were constructed based on what we are calling ‘North West Bicester Traditional House Building Costs’. These are house building costs that are fully compliant with current building regulations but do not incur the additional ‘extra over’ cost of meeting FHS or TZC.

2.14 The cost plan presents a ‘layering’ of the costs of delivering to FHS. This set outs clearly the additional costs that are required over and above ‘traditional house building’ costs in order to meet first, the Future Homes Standards and then additionally the cost of building to True Zero Carbon.

2.15 Our financial modelling demonstrates that it is the cost of building to FHS and then additionally to TZC requirements that is challenging to deliver and not the delivery of affordable housing. Subject to agreement with the Council’s viability consultant on the viability inputs, the applicant seeks to engage with the CDC regarding flexibility with regard to FHS and TZC requirements.

2.16 In addition to the 'extra-over' cost of constructing the houses to meet FHS and then TZC there are also considerable s.106 and strategic infrastructure financial contributions that are having a material impact on the viability of the proposed scheme. As set out in the FVA, the total s106 contributions are currently very high in our experience of schemes of this size and nature and the strategic infrastructure contribution is still to be confirmed. If further information is provided to us in this regard we may need to amend our conclusions.