



# Warwick District Council NZC DPD Examination Response to EXAM 12 Inspectors Post Examination Letter

Warwick District Council  
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## Appendix

1	Scope of Supplementary Guidance
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## 1 Introduction and Outline Against the Inspector’s Next Steps

1.1 This report has been prepared on behalf of the Council in response to the Inspectors post examination letter (EXAM12). It provides the Council’s response to the outstanding actions identified by the Inspector at the end of the examination.

Action Point Ref	Hearing Session / Matter	What	Why	By When	Completed (Y/N)	Update or Comment
001	Session 2 – Matter 2: Overarching Strategy	Council to respond on whether details on the use and assessment of BS40101 is to be included in the further guidance to be undertaken for the DPD.	To provide clarity on whether the BS40101 standard is an acceptable and reasonable assessment and is to be incorporated into the further guidance and to provide the reasoning for the Council’s decision.	28 April 2023	N	See Section 2 of this statement for further details
002	Session 2 – Matter 2: Overarching Strategy	Council to add the Future Homes Impact Assessment, as referenced in its supporting evidence, to the Examination Document Library.	To provide clarity, background detail and justification for the Council’s approach set out in Policy NZC1 of the DPD and its overarching strategy.	7 March 2023	Y	Completed.  EXAM8 – Future Homes Standard Impact Assessment



003	Session 3 – Matter 3: Viability Testing and Assessment	Council to provide an explanatory note to clearly explain the process and how it reached a 3% cost uplift for residential buildings and a 6% cost uplift for non-residential buildings in its viability evidence and as set out in its DPD Policies.	To provide clarity and transparency within the Council's evidence base and assist in the justification of the Council's viability testing and assessment supporting the DPD and its policies.  Note: Council's Explanatory Note provided and now being consulted upon until 24 March 2023.	9 March 2023	Y	Completed  EXAM11 – Matter 3 Additional Viability Note Addendum  During the consultation two responses were received:  EXAM11A – Barton Willmore (now Stantec)  EXAM11B - Savills
004	Session 4 – Matter 4: Reducing Energy Demands	Council to provide / present evidence more clearly within the Examination Document Library which supports its policy requirement within NZC2(A) for a 10% improvement on the Building Regulations Part L 2021 Target for Fabric Energy Efficiency (set by SAP10.2).	To provide clarity and transparency in the evidence base supporting the Council's approach and justification on this matter.  Note: Document (Rev G) web-linked within Annex to Energy and Sustainability Policies Review [SUB5] now added to Examination Document Library as [EXAM9]	8 March 2023	Y	Completed  EXAM9 – Technical Evidence Base for Policy SEC1 (Cornwall)



005	Session 5 – Matter 6: Carbon Offsetting	<p>Council to review and add wording into the supporting text of Policy NZC2(C) to clarify and strengthen the connection / relationship between relevant adopted Local Plan policies and the DPD policy.</p> <p>Note: Such actions to be considered and undertaken by the Council for all DPD policies in a consistent way. These additions will be main modifications and are necessary for the DPD policies to be effective and justified.</p>	<p>To clarify the links between adopted LP Policies and explain how the DPD Policy ‘supports’ and ‘enhances’ the LP Policies. To assist in the effectiveness and justification of the DPD policies within the Local Plan.</p> <p>Note: Such amendments to the supporting text within the DPD for all of its policies to be considered and addressed by the Council in a consistent way.</p>	28 April 2023	N	Please see Schedule of Minor and Main Modifications
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006	Session 5 – Matter 6: Carbon Offsetting	Council to provide additional wording within the supporting text for Policy NZC2(C) to explain more clearly the links with the work undertaken with Warwickshire County Council on the WESTP and how funding from the proposed Carbon Offsetting Fund is anticipated to go to support, amongst others, projects and the work identified at the hearing session. This should also be identified as a proposed main modification in a Proposed Main Modifications Schedule.	To provide clarity and transparency on where funding from the Carbon Offsetting Fund is to be used and therefore assist in the effectiveness and justification of Policy NZC2(C) within the DPD.	28 April 2023	N	Please see schedule of Minor and Main Modifications
007	General	The Council is to provide additional wording within the supporting text of <u>all</u> DPD policies to explain more clearly the connection with relevant adopted Local Plan policies. These amendments will form main modifications to the Draft DPD and should be identified as such in a Proposed Main Modifications schedule.	To provide clarity and strengthen the connection between the DPD and Local Plan policies, provide justification and make them effective.	28 April 2023	N	Please see schedule of Minor and Main Modifications

008	General	Council to provide detailed summary of all contents of the proposed <i>further guidance</i> document for the DPD (e.g. energy statement scope/content; the carbon offsetting fund details etc). In addition, a timeline identifying the expected delivery of the further guidance is to be provided.	To clarify what is to be included and to assess how the proposed guidance will assist and support the DPD and those engaging with it effectively.	28 April 2023	N	Please see Appendix 1 Scope of Supplementary Guidance
009	General	Council to set out its position with regard to the Draft Net Zero Carbon DPD, its policies and the approach taken with regard to the Written Ministerial Statement of November 2015.	To clarify the reasoning for undertaking the DPD and its policies in relation to Government policy climate change and net zero carbon as set out in the WMS.	28 April 2023	N	Please see Section 3 of this statement for the Council's response
010	Explanatory Note on Build Cost Uplift [EXAM11]	Council to provide a written response to the points raised by the two respondents to the Explanatory Note.	To provide clarity on and justification for the Council's explained approach on build cost uplift.	28 April 2023	N	Please see Section 4 of this statement for the Council's response
011	General	Council to produce a 'Composite' version of the DPD with proposed main and minor modifications clearly set out within it.	To provide clarity and aid understanding of the proposed changes to the DPD during the proposed main modifications consultation period.	15 May 2023	N	Awaiting feedback from Inspector before finalising



012	General	Council to update schedule of minor modifications [SUB11] to the Draft DPD, as necessary, with reasoning for each change clear set out.	For completeness. The examination is not concerned with minor modifications. However, a complete set of changes both minor and major will aid respondents in understanding all of the proposed changes to the submitted DPD.	15 May 2023	N	Schedule of minor modifications has been updated as part of 'Schedule of Minor and Main Modifications'. However, awaiting feedback from Inspector before finalising
013	General	Council to provide any response to the draft schedule of proposed main modifications emerging through liaison with the Inspector. This should also include the Council's consideration of any other main modifications it considers necessary for soundness (e.g. updating of references and facts within the DPD, other outdated or factual errors etc).	To provide clarification of the reasons for the proposed main modifications.	15 May 2023	N	To be appended to this report in the future



## 2 Action Reference 002: BS 40101

- 2.1 BS40101 as an integrated processes of Building Performance Evaluation (BPE) which is embedded through the design, construction and occupation phase of a building. The British Standard includes a number of levels of BPE ranging from a Preliminary Evaluation, a Lite BPE, a Standard BPE, through to an Investigative BPE.
- 2.2 The need for this type of process and standard has been growing within the industry over recent years with an increasing interest in the actual, rather than theoretical performance of buildings, however there is currently no basis for specifying a consistent approach to building performance evaluation or clear, comprehensive guidance on how to evaluate the energy efficiency of existing and new buildings.
- 2.3 All of the different levels of BPE provide flexibility on the application of the BS40101 Standard depending on the building type, e.g. single dwellings, through to large multiple dwellings schemes, and flatted or communal developments. On larger schemes a sample size of 10% of buildings is suggested. As such, BS40101 would be a suitable building performance evaluation tool for all types of development.
- 2.4 The level of the standard depends on the measures undertaken, for example the Preliminary Evaluation 'level' includes:
- Building Parameters: this can be obtained from SAP/SBEM model and EPC certificates.
  - Occupant Experience: this is a post occupancy survey of a building's occupiers to gain their feedback on their experience.
  - Post Construction review: this is a building walkthrough conducted by a competent individual post construction. Guidance on what this walkthrough should cover is included in the BS40101 standard.
  - Energy Use Generation: monitoring through meter readings, or through sensors (at the homeowners discretion) is employed for 12 months.
  - Water Use: This is not covered at this level, but would include water monitoring over an annual period of time.
  - Internal Condition Monitoring: again, not covered at this level, but includes elements of internal air quality monitoring
  - External Condition Monitoring: use of weather files and data to understand the weather conditions when monitoring was conducted.

- 2.5 However, the Preliminary Evaluation does not cover mechanic tests, for example air tightness testing, which would come in at the Standard and Investigative BPE level. However, the ability to incorporate measures from the upper levels of the standard are possible. Consequently, the Council would need to review in greater detail which level e.g. Lite, Standard or Investigative BPE would be suitable for inclusion in Supplementary Planning Guidance in the future.
- 2.6 A central part of BS40101 is post occupancy monitoring, which is required at all levels of the standard. Post occupancy monitoring is considered by the construction industry to be the most effective way to identify and reduce the performance gap between design, construction and operation.
- 2.7 The mechanism for capturing post occupancy energy use, and consequently carbon emissions data is not provided by the policies of the DPD, predominantly as the DPD relates to regulated carbon emissions only . The DPD paragraphs 5.8 and 5.9 sets out measures to reduce the performance gap between design stage and pre-occupancy through:
- Design and Constructed SAP/ SBEM figures
  - Air permeability tests
  - Thermographic and borescope surveys
  - Commissioning logbooks.
- 2.8 Whilst it is acknowledged that post occupancy monitoring and data is an important tool to identifying and reducing the performance gap through operation, it is outside of the scope of the DPD policies. Consequently, the Council deemed that it would not be appropriate to include the BS40101 standard as a quality assurance tool in addition to those already suggested in the DPD, paragraphs 5.8 and 5.9.
- 2.9 However, the Council does recognise the value of the Standard and such will include this within the Supplementary Planning Guidance as a quality assurance tool developers could employ. Further research and consideration will be undertaken to understand the different levels of BPE proposed by the Standard.
- 2.10 It should be noted that the new British Standard can help to progress the transition to net zero by verifying sustainable buildings, helping to inform the design of new buildings and the retrofit of existing buildings by investigating underperformance and providing data for ongoing measurement and monitoring to optimize performance. Additionally, as a consequence of this, the standard can help to improve occupant health and well-being.

### 3 Action Reference 009: Written Ministerial Statement 2015

3.1 This Section is a response to the Inspector's request that the Council sets out its position with regards to the approach, and policies contained within the Net Zero Carbon DPD in regard to the Written Ministerial Statement of November 2015 (WMS 2015).

3.2 The WMS 2015 states:

*From the date the Deregulation Bill is given Royal Assent , local planning authorities and qualifying bodies preparing neighbourhood plans should not set in their emerging Local Plans, neighbourhood plans, or supplementary planning documents, any additional local technical standards or requirements relating to the construction, internal layout or performance of new dwellings. This includes any policy requiring any level of the Code for Sustainable Homes to be achieved by new development. [...] For the specific issue of energy performance, local planning authorities will continue to be able to set and apply policies in their Local Plans which require compliance with energy performance standards that exceed the energy requirements of Building Regulations until commencement of amendments to the Planning and Energy Act 2008 in the Deregulation Bill.*

3.3 It is the Council's firm belief that the WMS 2015 does not adequately reflect matters and decisions arising after 2015, and its weight is therefore reduced significantly in assessing the soundness of planning policy. This position is reflected throughout the Council's approach to the preparation of the DPD, including references throughout the DPD and in supporting documents, references can be found in the following documents:

- Net Zero Carbon DPD [SUB1, paragraph 2.9]
- Regulation 18 Consultation [SUB8, paragraph 4.71]
- Regulation 22 Statement [SUB7, pages 22 and 23]
- Matter 1 Written Statement [paragraph 5.13 and 5.14]

3.4 The Council assert that the following matters and decisions contribute to its position:

- Future Homes Standard summary of responses and government response, January 2021 [EXAM14]
- The Written Ministerial Statement of 15 December 2021 from DLUHC (HCWS495) [EXAM15]
- B&NES Partial Local Plan Review Examination Report [EXAM 6]
- Cornwall Council Climate Emergency DPD Examination Report [EXAM 7]
- Appeal Decision APP/W0340/W/20/3265460

These are discussed in turn below.

### **Future Homes Standard summary of responses and government response, January 2021**

3.5 From October 2019 to February 2020, the Government consulted on the extent of updates to the Building Regulations Part L (conservation of fuel and power). This consultation expressed several options for changes to Part L, compared to the then-extant regulations (Part L 2013), as follows:

- A 'Future Homes Standard' which would take effect from 2025 ('Part L 2025' or the 'Future Homes Standard').
- An 'interim uplift' which would take effect in 2021 (eventually this was not put into force until 2022, but is titled Part L 2021).
- This consultation laid out a range of options for the proportion of carbon emissions reduction that would be delivered by the 2021 and 2025 updates, compared to a Part L 2013 baseline.

3.6 The consultation also posed the question whether, on bringing in the updates to Part L, the Government should commence the amendments to the Planning and Energy Act 2008 as provided for by the Deregulation Act 2015, which was the relevant legislation when the WMS 2015 was made. The commencement of these amendments to the Planning and Energy Act 2008 would remove local planning authorities' power to require energy and carbon improvements over the standards set by Building Regulations.

3.7 In January 2021, the Government issued its summary of consultation commentary received [EXAM14], and its own formal decision in response to this consultation. This confirmed that:

- The 'interim uplift' (Part L 2021) would deliver a 31% reduction in the regulated carbon emissions rate compared to the Part L 2013 baseline, and gave a specification for the building elements to achieve this. (This has now been implemented and has been in force since June 2022).
- The 'Future Homes Standard' (Part L 2025) would deliver at least a 75% reduction in the regulated carbon emissions rate compared to the Part L 2013 baseline. An indicative specification for the build elements to achieve this was also included within the consultation response document, although the exact final details are still being developed by Government.
- In the face of the consultation responses and in recognition of local authorities' unique combination of powers, assets and local knowledge, the Government conceded that it would *not* remove local planning authorities' power to require higher standards

beyond those set by Building Regulations (i.e. Part L). It confirms that local authorities retain those powers.

3.8 As the Code for Sustainable Homes Level 4 equates to a 19% reduction on Part L 2013, while the Part L 2021 'interim uplift' is a 31% reduction, any local policy that exceeds the current Building Regulations is also one that goes beyond the Code for Sustainable Homes Level 4. In accordance with the Government response to Future Homes Standard consultation, local planning authorities can set requirements beyond Code for Sustainable Homes Level 4, as they retain their powers to require higher standards beyond current Building Regulations (Part L 2021).

3.9 Warwick District Council and its advisors consider that the Future Homes Standard Consultation Response is the more recent and relevant statement of national government policy on this topic, and therefore that it supersedes the WMS 2015 (and the out-of-date repetition of the content of the WMS2015 in the NPPG, which was last edited in March 2019 and thus does not yet reflect the latest expressions of national government policy). The status of the Future Homes Standard Consultation Response as a formal expression of national government policy was confirmed through a more recent Written Ministerial Statement of 15<sup>th</sup> December 2021 [EXAM15] from the under-secretary for DHLUC:

*"Together, the policies set out in the Government response to the Future Buildings Standard consultation and the policies set out in the Government response to the Future Homes Standard consultation, form the policy for the 2021 uplift to the building regulations" and that this is "an important step ... towards ... our target to reduce the UK's carbon emissions to net zero by 2050".*

3.10 The Council notes that this national net zero carbon 2050 target is legally binding via the Climate Change Act 2008 and the Climate Change Act 2008 (2050 Target Amendment) Order 2019, and so lends additional weight to other policy statements that help deliver it.

3.11 The Council therefore considers that the setting of local standards that exceed those of Building Regulations, where justified by their necessity as part of the changes needed to meet local and national carbon reduction commitments (constituting 'radical reductions in greenhouse gas' - NPPF paragraph 152), is consistent with the most recent and relevant national government policy. This interpretation has been borne out by several recent Planning Inspectors' decisions, outlined below.

### **Bath and North East Somerset**

3.12 The Bath and North East Somerset Partial Local Plan Review proceeded through examination in 2022 and the Inspectors report was published on 13<sup>th</sup> December 2022 [EXAM 6]. The Inspector commented that:

- *The Planning and Energy Act 2008 includes provisions for local planning authorities to exceed the minimum energy efficiency requirements of the Building Regulations*

*where they are not inconsistent with relevant national policies for England. The Written Ministerial Statement of 25 March 2015 (WMS 2015) sets out that for the specific issue of energy performance, local planning authorities will continue to be able to set and apply policies in their Local Plans which require compliance with energy performance standards that exceed the energy requirements of Building Regulations until commencement of amendments to the Planning and Energy Act 2008 in the Deregulation Bill. Whilst there are such provisions in the Deregulation Act 2015, they have not been enacted, and the Government has confirmed that they will not so amend the Planning and Energy Act 2008, which means that local authorities retain powers to set local energy efficiency standards for new homes. [EXAM 6 paragraph 80]*

- *One of the tests of soundness is that local plans are consistent with national policy – enabling the delivery of sustainable development in accordance with the policies in the NPPF and other statements of national planning policy, where relevant. [EXAM 6 paragraph 81]*
- *The Government amended Part L of the Building Regulations in 2021 (now in force) in respect of energy efficiency standards, to a level which exceeds that in Level 4 of the Code for Sustainable Homes (Part L 2021 is a 31% reduction over Part L 2013, whereas Code for Sustainable Homes Level 4 is a 19% reduction over Part L 2013) [EXAM 6 paragraph 82]*
- *The change in Part L of the Building Regulations is an interim measure in the implementation of the Future Homes Standard, with which the Government has stated from 2025, will deliver homes that are zero-carbon ready. The change in the Building Regulations is part of Government action to meet its legal commitment to bring all greenhouse gas emissions to net zero by 2050 (The Climate Change Act 2008 (2050 Target Amendment) Order 2019) [EXAM 6 paragraph 83].*
- *The WMS 2015 has clearly been overtaken by events and does not reflect Part L of the Building Regulations, the Future Homes Standard, or the legally binding commitment to bring all greenhouse gas emissions to net zero by 2050 [EXAM 6 paragraph 84].*
- *I therefore consider that the relevance of the WMS 2015 to assessing the soundness of the Policy has been reduced significantly, along with the relevant parts of the PPG on Climate Change, given national policy on climate change. The NPPF is clear that mitigating and adapting to climate change, including moving to a low carbon economy, is one of the key elements of sustainable development, and that the planning system should support the transition to a low carbon future in a changing climate. Whilst NPPF154b sets out that any local requirements for the sustainability of buildings should reflect the Government’s policy for national technical standards, for the reasons set out, that whilst I give the WMS 2015 some weight, any inconsistency with it, given that it has been overtaken by events, does not lead me to conclude that Policy*

*SCR6 is unsound, nor inconsistent with relevant national policies. [EXAM 6 paragraph 85].*

3.13 The position taken by the Inspector (on behalf of the Secretary of State) is therefore concurrent with the Council's approach for accelerating the delivery of net zero (regulated) carbon buildings ahead of national changes to Building Regulations, and recognises that Local Authorities retain the power to set local energy efficiency targets that exceed Building Regulations under the Planning and Energy Act 2008 as the Deregulation Bill which sought to amend the Planning and Energy Act has not come into force.

### **Cornwall Council Climate Emergency DPD Examination Report**

3.14 Cornwall Council's Climate Emergency DPD proceeded through examination in 2022 and the Inspectors report was published on 10<sup>th</sup> January 2023. The Inspector commented that:

- *The WMS of 25 March 2015 says that in terms of energy performance, Councils can set and apply policies which require compliance with energy performance standards beyond the requirements of the Building Regulations until the Deregulation Bill gives effect to amendments to the Planning and Energy Act 2008. These provisions form part of the Deregulation Act 2015, but they have yet to be enacted. Further, the Government has confirmed that the Planning and Energy Act 2008 will not be amended. The result of all this is that Councils are able to set local energy efficiency standards for new homes, without falling foul of Government policy [EXAM 7, paragraph 166].*
- *The WMS of 25 March 2015 has clearly been overtaken by events. Nothing in it reflects Part L of the Building Regulations, the Future Homes Standard, or the Government's legally binding commitment to bring all greenhouse gas emissions to net zero by 2050 [EXAM 7, paragraph 167].*

3.15 This again aligns with the Council's approach in setting targets that exceed energy efficiency requirements of Buildings Regulations through accelerating the delivery of net zero carbon homes.

### **Appeal Decision APP/W0340/W/20/3265460**

3.16 This appeal decision relates to an application which was called in by the Secretary of State in 2022. Previous reference to this appeal was made during the Councils response to the Regulation 22 Consultation [SUB7, pages 22 and 23]. The Inspector in this appeal notes:

- *Section 1 (1) (c) of the Planning and Energy Act 2008 still allows for local planning authorities to impose their own reasonable requirements. [paragraph 8.77]*
- *The PPG needs updating to reflect the Future Homes Standard Government response which accepted that the combination of the Planning and Energy Act 2008*

*amendment not commencing and the WMS led to the “current position” which “has caused confusion and uncertainty for local planning authorities and home builders alike”. [...] Moreover, PPG states that addressing climate change is one of the Framework’s core land-use principles that should underpin plan and decision making. [paragraph 8.77]*

- *The Government launched the UK Net Zero Strategy in October 2021 which sets out how the commitment to reach net zero emissions by 2050 would be delivered. I consider that the Government’s aspirations have moved on since the WMS and there can be little doubt that the Government has an aspiration to move toward zero carbon homes [paragraph 16.203]*

## **Conclusions**

3.17 The Warwick Net Zero DPD policies are justified by evidence [SUB5] which identifies that policies requiring building standards beyond building regulations are necessary to ensure that Warwick District can address local and national carbon targets. Accordingly, and consistent with the conclusion of the Inspectors in the Bath and North East Somerset Local Plan Partial Review and the Cornwall Council Climate Emergency DPD, Warwick District Council consider that:

- The weight to be attached to the WMS 2015 is reduced significantly as it is now out of date;
- Inconsistency with the WMS 2015 does not render the DPD unsound as the WMS 2015 has been overtaken by events - in that it does not reflect Part L of the Building Regulations, the Future Homes Standard, or the Government’s legally binding commitment to bring all greenhouse gas emissions to net zero by 2050; and
- The DPD policies are sound and consistent with relevant national policies including the Planning and Energy Act 2008, the Planning and Compulsory Purchase Act 2004 Section 19 and NPPF paragraphs 152 to 154.

3.18 The Council also wishes to reiterate the approach it has taken in devising the policies of the NZC DPD is consistent with NPPF paragraph 154b as the targets for reduction of carbon emissions and energy use set by policies NZC1 and NZC2 (A-C) are set in relation to the same calculations used in Building Regulations, i.e. Governments’ national technical standards for calculation of the energy efficiency and carbon emissions of buildings.



## 4 Action Ref 010: Response to Examination Representations

- 4.1 At the Examination In Public ('EIP') session on 8 March 2023, the Inspector invited the Council to provide an addendum note in relation to the 3% cost uplift for residential, and 6% cost uplift for non-residential buildings outlined in SUB5 (Energy and Sustainability Policy Review) and in SUB7 (paragraphs 4.14 – 4.20, pages 55-56) and in the Council's examination statement to Matter 3 (Paragraph 6.1, Page 11). This addendum was submitted under reference EXAM11.
- 4.2 Savills (on behalf of Barratt David Wilson Homes) submitted further representations under EXAM 11A in response to the Council's addendum note on 14 March 2023, and Stantec (on behalf of Taylor Wimpey and IM Land) submitted further representations under EXAM 11B in response to the Council's addendum note on 24 March 2023.
- 4.3 It is important to note that neither Savills nor Stantec offer any alternative cost uplifts to those adopted in the Council's evidence base. Furthermore, even if alternative costs had been proffered by either party, the emerging DPD policies contain sufficient flexibility to accommodate any impact on scheme viability this might have (as outlined in detail in the Council's examination statement to Matter 3).
- 4.4 The Council has prepared this response to the representations made by Savills and Stantec in the following sections. Savills' submission makes a single point in letter format without paragraph numbering, whereas Stantec's response is submitted as a report. The Council has such responded appropriately and have referred to Stantec's paragraph numbering where it is relevant.

### In response to Savills

- 4.5 Savills' submission (EXAM 11A) suggests that "*in some cases the evidence used (and thus the historic base costs adopted) is quite historic*". In particular, they mention the Future Homes Standard Impact Assessment, which was published in 2019.
- 4.6 Crucially, Savills accept that "*a 3% uplift at that point was appropriate*".
- 4.7 However, they indicate that "*if the base cost increases (in line with inflation), it is not reasonable to consider that the 3% uplift would remain the same, rather it should be 3% plus an element of inflationary impact*".
- 4.8 Savills appear to have misunderstood the explanation of the 3% cost uplift in the Council's response.
- 4.9 At the time the Future Homes Standard Impact Assessment was drafted, the cost uplift associated with the energy requirements was £4,850 per unit for a semi-detached house [paragraph 2.3 and Table 5 of EXAM8].

- 4.10 At the time, the median BCIS cost for a semi-detached house in Warwick equated to £1,243 per square metre. This cost has now increased to £1,446 per square metre, so the equivalent cost per unit to implement the FHS standards would increase to £5,422.50 per unit. This is 11.8% higher than the cost in the 2019 FHS Impact Assessment. Savills' assertion that the cost uplift is the same as it was in 2019 is clearly incorrect, because by using a percentage uplift on the base built costs, this captures any increase in base build costs, and therefore the cost to implement the FHS is not static as Savills assert.
- 4.11 Furthermore, it is also important to note that the Future Homes Standard Impact Assessment was only one of several sources used to arrive at a cost uplift percentage figure and all of the other sources are more recent.

### **In response to Stantec**

- 4.12 Similarly, Stantec does not offer an any alternative cost uplift that they consider should be used in place of the 3% used in SUB6.
- 4.13 Paragraph 2.1 – this paragraph draws attention to modest differences in fabric cost uplift figures cited in EXAM11 but there is no material difference in the outcome whichever cost basis is used . Stantec acknowledge that the two figures are “relatively similar”. There is nothing to be gleaned from their suggestion that yet another cost modelling exercise is undertaken, as there is already a sound evidence base for the figure adopted, which Stantec does not actually take issue with.
- 4.14 Paragraph 2.2 – notes that the range of costs is 2.6% to 3.5%, the latter reflecting a situation where the full carbon reduction is delivered through on-site solutions (fabric, low carbon heat, and rooftop solar panels) while the former represents a situation where there is a significant element of offsetting to make up for a lack of rooftop PV after the targeted fabric standards and low carbon heat have been incorporated on site. The additional 0.5% of cost (if adopted) is not material to the outcome of the viability assessment. Build cost inflation typically runs at between 2% to 3% per annum, which developers are able to readily absorb, so if the cost of achieving carbon reduction is 0.5% higher than anticipated, this would not have a material outcome on viability. In any event, the DPD is to be applied flexibly where viability issues emerge, but this is not expected to be necessary given the relatively low cost uplifts involved.
- 4.15 Paragraph 2.3 – this paragraph identifies some marginal differences but there is broadly a consistent range. Importantly, Stantec does not offer any evidence for an alternative figure.
- 4.16 Paragraphs 2.5 to 2.9 – the DPD is not prescriptive on the methodologies that developers should adopt to achieve the policy objectives set out. The claim that some carbon reduction approaches would have a higher cost uplift is not disputed, but Stantec has clearly selected a combination of technologies that drives the highest cost uplift and disregarded others that would have resulted in a more cost effective outcome. In a real-world situation, developers would presumably not choose to pursue the more expensive combination of measures

given that they have the option to use the more cost-effective package of measures where cost or technical constraints necessitate this. Furthermore, Stantec's assertion of a 5% uplift lacks transparency, as they have not disclosed what base cost they are using to derive this calculation. This significantly reduces the weight that can be placed on their assertion of a 5% cost uplift.

- 4.17 Paragraph 3.2 – commercial developments carry significantly fewer policy requirements in comparison to residential developments (for example, the requirement to provide 40% affordable housing). It is therefore entirely appropriate that a mid-point on the range of costs is applied to commercial development, as there are no other policy objectives to protect.
- 4.18 Paragraphs 4.1 to 4.4 – Stantec disregards the inclusion in the appraisals of a contingency (see paragraph 4.2 of SUB6), which can absorb any minor cost differences that may emerge, depending on the approaches that individual developers choose to adopt to meet the emerging DPD requirements. Furthermore, Stantec's arguments appear to rely upon a presumption that all developments are on the margins of viability – that is clearly not the case for two reasons. Firstly, the appraisal outputs in SUB6 show in many cases that residual land values exceed benchmark land values by some considerable margin, far more than is required to accommodate the costs associated with the emerging DPD policies. Secondly, where schemes are on the margins of viability, there is scope for modest reductions in land values to accommodate emerging policy, without any reduction in availability of land for development.
- 4.19 The Council does not agree with Stantec's assertion that further testing should be carried out as this is highly unlikely to result in any material difference that cannot be accommodated within the flexible application of policy already built into the emerging DPD.