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**WEST OXFORDSHIRE
DISTRICT COUNCIL**

21 March 2025

Inspector Helen Hockenhull BA (Hons) B.PI MRTPI

Dear Ms Hockenhull

Examination of the Remitted Part of the Salt Cross Village Area Action Plan (AAP)

I write in relation to the above and in particular to include copies of the following documents to assist you with the re-opened examination into the remitted part of the Salt Cross Area Action Plan (AAP):

- Policy 2 Net Zero Carbon Development Evidence Base (March 2025)
- Financial Viability Appraisal Update (October 2024)
- Sustainability Appraisal Addendum Note (March 2025)
- Proposed Minor Additional Modifications and Main Modifications to Policy 2 and supporting text (March 2025)
- Schedule of proposed Minor Additional Modifications and Main Modifications to Policy 2 and supporting text (March 2025)

I provide a brief overview of each document below.

Policy 2 Net Zero Carbon Development Evidence Base (March 2025)

The report considers two scenarios, the first being a 'zero carbon' scenario, whereby all development at Salt Cross would be required to achieve net zero operational carbon on-site through the use of high-performance building fabric, efficient heating and hot water systems and on-site renewable energy generation.

The zero carbon scenario is based on the use of defined energy use intensity (EUI) targets and space heating demand indicators with predictive energy modelling required to demonstrate compliance.

The report demonstrates that such an approach is technically feasible and has a relatively modest impact on financial viability with a weighted increase of +6.1% over baseline costs.

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The second 'low carbon' scenario aligns with Part L of the Building Regulations and, in terms of energy use, seeks a minimum 100% reduction improvement over the Target Emissions Rating (TER) of each building at Salt Cross.

The aim of this scenario is to reduce the carbon emissions attributed to regulated energy uses in all buildings to zero, achieved through a combination of high-performance building fabric, efficient heating and hot water systems and on-site renewable energy generation.

Policy compliance would be demonstrated through the use of Part L modelling – SAP for domestic buildings and the National Calculation Methodology – NCM for non-domestic buildings.

The report demonstrates that such an approach is again technically feasible and in terms of financial viability, has a relatively modest impact at +7% over baseline costs.

Financial Viability Appraisal Update (October 2024)

This report updates the previous AAP viability evidence prepared in January 2021 and February 2022, adopting the same overall approach for consistency but updating key variables to take account of changes in the intervening period (e.g. build cost assumptions).

In relation to the costs associated with Policy 2, the report applies a 6.6% uplift to residential base build costs. This is effectively a mid-point between the weighted cost increases identified for Scenarios 1 and 2 in the zero carbon evidence base (6.1% and 7% respectively).

In terms of overall findings, the report's baseline appraisal identifies a residual land value of just over £15m which, set against an assumed Benchmark Land Value (BLV) of just under £60m does not represent a viable proposition.

It is important to note that this is largely a result of inflationary pressures on construction and infrastructure costs and not specifically the additional cost associated with achieving net zero carbon development.

It is also important to note that the updated viability appraisal is supported by additional scenario testing which include adjustments to assumed residential sales values and also the percentage of affordable homes provided.

Given the Council's net zero carbon ambitions for Salt Cross and its official Garden Village status, it is considered reasonable to apply a modest 'eco-premium' uplift to assumed residential sales values.

When the 'eco-premium' is applied, the report suggests that with 50% affordable housing (i.e. policy compliant) the residual land value increases to almost £44m and with 45% affordable housing, it increases to almost £58m.

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At 40% affordable housing, the residual land value increases further still to just over £74m or 12.4 times the existing use value (EUUV).

In this respect, it is relevant to note that in their final report of March 2023, the previous AAP examination Inspectors, in considering viability matters based on an assumed residual land value of £59m at that time, stated the following:

'Judgements need to be applied on what would be a suitably incentivised benchmark land value to release the site. In the case of Salt Cross, which is a large rural greenfield site, which was allocated in the Local Plan at a specific location for a specific housing need, we are of the view that there needs to be a degree of pragmatism on the site value benchmark. As such we find the viability appraisal for the AAP to be reasonable on this critical aspect and has not significantly, if at all, understated the benchmark land value.'

Sustainability Appraisal Addendum Note (March 2025)

The addendum includes an updated appraisal of Policy 2 as proposed to be modified and sets out in tabular form, the original SA findings for Policy 2 as submitted in 2021 alongside the updated SA findings for Policy 2 as proposed to be modified.

As can be seen, against each of the 17 SA objectives, no changes have been identified in relation to the findings for SA objectives 1, 10, 16 and 17 with the remaining SA objectives found to be of no direct relevance.

Proposed Minor Additional Modifications and Main Modifications to Policy 2 and supporting text (March 2025)

Drawing on the updated net zero carbon evidence base, the Council remains of the view that the AAP should continue to incorporate an energy-metric based approach.

As the Secretary of State explained before the High Court in *R (Rights Community Action) v SSLUHC* [2024] EWHC 1693 (Admin), the December 2023 Written Ministerial Statement (WMS) - Planning – Local Energy Efficiency Standards Update was aimed at “encouraging” a particular approach, rather than compelling or constraining, and allows “local innovation and ambition where viable” so as not to “unlawfully prevent LPAs from using their powers, and to avoid being seen to conflict with government’s commitment to ensure planning policy ‘contributes to climate change mitigation...as fully as possible’ (Secretary of State’s Detailed Grounds of Defence, 7 May 2024). Lieven J did not accept that the December 2023 WMS would prevent local authorities from using an energy-metric based approach.

The updated evidence demonstrates that such an approach has a number of advantages over a policy based on the Part L framework (e.g. the inclusion of unregulated energy which can account for 50% of energy in low-energy dwellings). Importantly it demonstrates that such an approach is technically feasible and has a lower cost uplift than an approach aligned to Part L (+6.1% compared to +7%).

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We also feel that the more robust energy metric-based approach is consistent with the recent updates to the NPPF (December 2024) which emphasise the importance of the planning system supporting the transition to net zero by 2050.

It is for the reasons outlined above that we are submitting a modified version of Policy 2 and its supporting text that continues to be based on energy metrics. The proposed modifications reflect the findings of the updated zero carbon evidence base and are also intended to simplify and improve the wording of the text and policy as originally submitted.

We recognise that such an approach represents a potential deviation from the preference for TER expressed in the December 2023 WMS, however, as required by the WMS, we have provided a well-reasoned and robustly costed rationale demonstrating that the development remains viable, and the impact on housing supply and affordability has been considered, in accordance with the NPPF.

As we highlighted in our previous response to you, we are aware of a number of other local authorities who have successfully taken through energy-based policies in recent months. From this, we draw the conclusion that whilst the WMS is clearly an important material consideration, it must be set in the context of other relevant national policy, guidance and legislation and cannot be applied in a way that completely prevents an energy metric-based approach.

You are no doubt aware that Estelle Dehon KC has prepared open legal advice on this specific matter on behalf of a number of local authorities in Essex, and separately for 18 London boroughs, and I am pleased to advise that Estelle will be representing West Oxfordshire District Council during the forthcoming hearing session/s.

Schedule of proposed Minor Additional Modifications and Main Modifications to Policy 2 and supporting text (March 2025)

For your ease of reference, I also enclose a composite schedule which incorporates and references each of the proposed minor additional modifications and main modifications to Policy 2 and its supporting text.

I trust this summary overview is helpful to you along with the enclosed documents and I look forward to hearing from you in due course regarding the next steps for the examination.

Yours sincerely

A handwritten signature in black ink that reads "Hargraves".

Chris Hargraves
Head of Planning