For: South Gloucestershire Council

Local Plan

Viability Position Statement (VPS) 2023

Appendix I
Review of assumptions
(Tabled information and Commentary)

DSP23828

DixonSearle Partnership

Appendix I: South Gloucestershire Council – Viability Position Statement: Review of Assumptions Used in Previous Viability Assessments & DSP Commentary[1]

Assumption Area	CIL Study 2012[2] / 2014[3]	Viability of Proposed Policies (PSPDPD) 2015[4] / 2016[5]	WECA High Level Assessment of the Viability of Development Typologies 2022[6]	DSP Comments / Information Review 2023
Typologies / Sites & Densities Tested. Land take (land 'budget' assumptions)	Residential site typologies tested between 9 and 300 dwellings at low (30dph), medium (50dph) and high (75 dph) densities. 2012 study included specific modelling of 'new neighbourhoods' at Cribbs Patchway (separated into component parts in 2014 study), East of Harry Stoke & Yate. Net densities (i.e. density of residential element of schemes) range as follow: • East of Harry Stoke: 40dph net; 16.67dph gross (42% net:gross)	Residential site typologies tested between 4 and 300 dwellings at densities of 35 and 50dph. Sites of 75 'grossed up' by 10%; sites of 300 units 'grossed up' by 20%. One specific site tested assuming 20 or 30 units (although essentially this is more of a site typology). Patch Lane / Wotton Road. Density of 31dph (net) / 25dph (gross). Non-residential not specifically tested.	30 no. development typologies tested representing sites likely to come forward cross whole WECA area. Includes all flatted, all housing and mixed flats / houses residential typologies. 30 - 4,375 units. Highest density typologies expected only to come forward in Bath & Bristol and so not likely relevant to SGC. Overall density assumptions range from 20ph to 500dph. Includes both employment-led and residential-led mixed use typologies.	For renewed Local Plan Viability Assessment (LP VA), typologies will need to be developed that represent the types of sites and schemes likely to come forward across the area during the life of the LP. Specific larger / strategic sites (upon which the delivery of the Plan relies) or a sample of those representing schemes carrying additional infrastructure requirements will also need to be included. At this stage the approach taken in the WECA study is likely to be appropriate to review as a starting point again for considering SGC LP VA. Table 4.1.1 on page 16 of the BNP WECA assessment – linked below - shows the (30 no.) typologies that used. In our experience, it is unlikely to be necessary to use all of these in the SGC context given the wider areas and context they reflect. Both generally and on specific details it is likely that some refocussing of typologies and assumptions will be appropriate. Depending on the extent to which a VA is required to provide CIL

[1] Older assessments are likely to be now out of date and carried out under previous versions of NPPF / PPG. Later reports also carry forward older key assumptions from previous assessments in some cases.
[2] Adams Integra: South Gloucestershire Council Economic Viability Appraisal for a Community Infrastructure Levy Charging Schedule (October 2012)
[3] Adams Integra: South Gloucestershire CIL Viability Study (April 2014)
[4] Adams Integra: South Gloucestershire Council Viability of the Proposed Policies – Policies, Sites & Places Development Plan Document (April 2015)
[5] Adams Integra: South Gloucestershire Council Local Plan Proposed Submission: Policies, Sites & Places Plan June 2016 – Viability of Proposed Policies Addendum Report (July 2016)
[6] BNP Paribas: West of England Combined Authority: High level assessment of the viability of development typologies (March 2022) (Subsequently published at: [Spatial Development Strategy - West of England Combined Authority (westofengland-ca.gov.uk)]

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	• LECHL: 37dph net; 37dph gross (100% net:gross) • Filton Airfield: 37.5dph net; 16.67dph gross (44% net: gross) • Fishpool Hill: 39dph net; 21dph gross (54% net: gross) • Patchway Trading Estate: 60dph net; 42dph gross (70% net: gross) • Skanska: 39dph net; 26dph gross (67% net: gross) Non-residential uses tested for CIL included retail, offices, industrial, hotels, residential care / nursing homes, student accommodation, community facilities and leisure. No site areas provided.		Non-residential typologies include student housing, office and industrial uses. Net:gross land take set at 100% for around half of the typologies (typically high density flatted / mixed use schemes and smaller market town centres / rural. Between 50% and 75% for 'size based' typologies (typically larger residential sites).	charging rates findings, typically the main focus of LP VA will be on residential or residential-led development because that is where LP policies typically have most reach and influence on viability. Key to understanding viability prospects across the district will be frequency of development represented by each site typology likely to come forward – e.g. role of lower density smaller greenfield development with low infrastructure requirements vs larger strategic development vs urban infill / higher density development based on more compact forms aimed to produce a widened market offer towards the more affordable end of market housing. Further higher density development such as the forms at Brabazon N Bristol (with planning and in development) are likely to be relevant to include. Typically, RP-led / schemes providing 100% AH are outside LP VA scope. However, SGC may wish to consider any role of the VA in considering any level of market property sales incentive that may be looked at in order to bring forward exception to planning schemes for AH in the rural context. Older peoples housing schemes (SGC has figures on need within the Local Housing Needs Assessment) – retirement living / sheltered, extra care (and potentially IRC – Integrated Retirement Community type) to be appraised using tailored typologies with specific assumptions reflecting e.g. higher communal area proportion (indicatively 25-30% + but TBC).

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				Assumed 'land take' (overall site area) - the DSP approach to assessing typologies is typically to allow an uplift from the net developable area (residential) to meet open space standards, wider green infrastructure areas or other specific policy related requirements. Up to 30% assumed increase is typically applied to 'gross up' the net / residential development area to reach the gross site area for the typologies representing general sites. A scaled approach of adjustments may be appropriate – with lower additions on more compact typologies; larger (at perhaps up to 50%+ on largest typologies. For overall representative coverage of scenarios, the approach will also depend on how the selected typologies relate to individual / strategic sites appraised – as below. For sites that are specifically tested as part of LP VA, net and gross site areas are used as provided via specific site plans / initial masterplanning exercises ('land budgets' typically estimated more specifically, including for any education provision requirements, community and any other non-residential / commercial uses, open space, etc.). In our experience of similar LP VA assessments, it is likely that there will be more viability challenges with high density, predominantly flatted / mixed use development and particularly in lower value urban centres or other areas where higher site EUVs (supporting higher BLVs) and higher scheme costs come together with some relatively modest development values.

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				Equally, larger strategic development may experience challenges where the infrastructure requirements (cost and or timings) alongside affordable housing policy (quanta & tenure) can place too great a burden overall on development viability. If the planned development is spread across variable site types, it is likely that a differential approach to policies and CIL charge setting will need to be considered (e.g., potentially lower levels on some PDL sites / typologies; higher on smaller, uncomplicated greenfield (GF) sites and in other circumstances / locations). Relevance and instance of PDL vs GF sites and their existing uses – various typologies of these - is likely to be key along with assumptions reflecting varying development forms, densities, land take, related costs and values. (See below on BLVs – consideration of land take and land value (£/ha) together are key – these assumptions are related). Compact forms of development e.g., reflecting the National Design Guide are likely to be relevant (although noting guidance scope there is limited). Relationship with other policy proposals to be sensitivity tested and to inform consideration by SGC – e.g., affordable housing, build standard for energy efficiency, space standards, accessibility, homes for older persons, OS, BNG, etc. – as may be relevant. The current stage VPS report (see 3.44) provides some further indications on potential residential typologies scope, as part of informing potential starting points in conjunction with the WECA VA.

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Benchmark Land Values (BLVs)	• Agricultural existing use, policy compliant sites: £450,000 per Ha • Agricultural existing use, New Neighbourhoods £350,000/ha • Agricultural existing use, New Neighbourhoods £350,000/ha • Commercial/employment existing use £1,250,000/ha (subsequently split to £1,000,000 and £1,375,000/ha in 2014 study) • Residential existing use £2,200,000/ha[7]	2015 study assumes same BLVs as 2012 / 2014 CIL Study. 20% landowner premium stated to be included. 2016 update increases greenfield and residential BLVs by 10% but maintains commercial / employment thresholds[2]. Increases greenfield land to £550,000/ha.	Based on the premise of 'existing use value plus' (EUV+) as recommended by the Planning Practice Guidance and subsequently by RICS Professional Standard[8]. Range between £150,000/ha - £2,500,000/Ha. For GF sites BLV between £0.15m and £0.25m/ha reflective of minimum pricing for GF development land (10 times agricultural value – typically £22,000 - £25,000/ha). Employment BLVs based on residual valuation approach for hypothetical existing uses as older office, industrial and 'poor industrial' stock assuming lower rental values, higher yield and lower site coverage than new build. In summary: • Higher value employment: £2,500,000/ha;	A similar range of BLVs to those used in the latest VA work is considered likely to be appropriate overall – as a starting point for review. Subject to VA review – not be constrained by earlier / other assessment assumptions. The WECA study utilises the same approach as DSP; basing BLVs on a series of published sources (including Government's Land Value Estimates for Policy Appraisal[9] documents) or by reference to hypothetical existing use values. In addition, we consider information as far as available on actual sites (sales / marketing information) in making judgments on a suitable range of BLVs – e.g. for existing employment / commercial uses. Same approach is taken for greenfield BLVs. Typically, we would expect greenfield BLVs (on EUV+ basis) in the main to be within range £0.25m - £0.5m/ha depending on size, with typically no appreciable variation in EUVs of agricultural land by location / specifics, except where village edge paddocks or similar are considered – some smaller scale releases potentially supporting higher land values (EUVs) and therefore higher BLVs. Consideration may also be given to lower BLV levels being applicable to all or some non-developable parts of larger sites – e.g. informal open space, parkland,

[7] BLVs set under older / previous NPPF / PPG
[8] RICS: Assessing viability in planning under the National Planning Policy Framework 2019 (for England) – April 2023 (reissued as Professional Standard).
[9] https://www.gov.uk/government/publications/land-value-estimates-for-policy-appraisal-2019

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			• Medium value employment: £1,500,000/ha; • Low value employment: £750,000/ha; • Higher Greenfield: £250,000/ha; • Lower Greenfield: £150,000/ha.	BNG related / amenity land or similar. Overall, this may have a broadly equivalent effect to continuing the use of a similar BLV such as the noted £150k/ha in large strategic site land release circumstances. The SGC approach expects to include that WECA assumption amongst the use of greenfield BLVs (and review any relevance of lower BLVs generally, with appropriate BLV key to the assessment of viability scope to support AH and other policies). Overall, again, a likely relevant starting point has been set out – for review upon reflecting on site types and locations relevant to the new LP.
Land Acquisition Costs	Not specified.	Not specified.	5% stamp duty; 1% agent's fees; 0.8% legal fees.	Typically, c. 5% Stamp Duty Land Tax (prevailing rate allied to land value) as per HMRC. Acquisition fees: 1 - 1.5% agent's fees; 0.75% legal. The timing / phasing of assumed land purchase will likely be a consideration as part of the appraisal of the largest typologies / larger and strategic sites appraised in the VA (indicatively at c. 500+ dwellings). In some circumstances, land purchase payments will not all be up-front / early on. These may be appropriately staged to precede larger phase starts. The same applies to expenditure on infrastructure costs (see below) which we would usually expect to see phased and not all weighing on the whole development cashflow from the outset. All assumptions requiring detailed consideration once the typologies and and sites for review are fully considered along with the assumed development timings.

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Gross Development Values (GDV) – Residential Market Housing (market homes sales revenue).	Tested values across range of 'Value Points' varying by house type. Approx. £1,800 - £3,800/m^2. Relative differences in values by location within 2012 study not clear but Bristol urban area, Yate, Chipping Sodbury and Severn Beach included in suggested lower CIL rate and therefore assumption is that these areas attract lower values than rest of district. 2014 study updates values (range c.£2,100 - £4,000/m^2. Indicates 'low urban' and CPNN sites at VP 2 (c£2,400/m^2); High Urban, East of Harry Stoke & LECHL at VP3 (c.£2,800/m^2) and rural sites at VP4 (c.£3,300/m^2).	2015 report indicates no change from 2014 CIL Study. 2016 study updates the 2014 CIL Study values but indicates less difference between VP2 and VP3. Floor areas for typology units not provided and so not easy to compare with previous.	Values based on use of 'LandInsight' which provides an estimate of current market value by inflating actual sales values by change in Land Registry HPI from date of transaction to current date. BNP then cross reference against EPC floor areas to convert to a £/m^2 rate. Values divided into 'Bands' representing different postcode areas from £3,200/m^2 to £5,100/m^2 at the time of the WECA study.	In absolute terms the residential values used in older assessments are out of date. The general picture on relative differences between locations however will usually continue to be useful to check. WECA study utilises the same methodology as DSP to determine suitable sales values assumptions. DSP approach in all our viability assessments is in house, collecting Land Registry data on new builds sales, inflating / deflating by HPI change over relevant period and then cross-referencing using EPC certificates to view recorded values in £/m^2 rates. WECA study uses same Value Levels approach as used by DSP although DSP sensitivity test results across a range of values that represent the area by locality represented by ward or settlement area (rather than by postcode) which we find is typically more familiar for the reader and may relate well to strategies and policies, e.g. referencing settlement hierarchy and / or localities / policy areas. Our current stage high level review suggests that we might expect to sensitivity test the influence of market housing sale value levels (VLs) over the range £3,000 to potentially £6,000/sq. m. The indications are that for the areas likely to be supporting a majority of development, a narrower values range focussing on circa. £3,750 – 4,750/sq. m looks likely to be most relevant for base assumptions at this stage – with little variation overall between potentially key areas. Consideration of higher values attainable in certain areas / localities (which may include some rural areas

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				or locations with key transport accessibility for example) will typically support stronger viability; all relativities and matters for review within VA). Appendix II to the VPS report provides more information as gathered at this initial overview stage. A full review of values will be needed within the LP VA scope – to inform its assumptions and review of findings. To date areas focussed on for initial Land Registry data collection have been North and East Bristol Fringes, Yate and Chipping Sodbury, Thornbury, Rural Areas and Severnside (with no data available for Severnside). Discussions with SGC to date (e.g. in regard to CIL rates / policies differential potentials) suggest that other relativities between areas might need to be drawn out within VA work - e.g. Yate compared with Chipping Sodbury; Cotswolds / AONB values compared with other rural areas. Other points to consider on sales values include: • Placemaking / new transport provision – influence on values. Balancing out effects of values constraints on larger scale, less individual schemes; enhancements seen to typical local values as new transport links, facilities and amenities come forward. • Values (and / or marketing benefits / demand) positively influenced by new homes

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				and other buildings becoming significantly more energy efficient – more sustainable and with lower running costs. There is already evidence of this in commercial property markets, less so in the residential sector to date, but an area to monitor and consider within future VA.
Gross Development Value (transfer/sale value/developer receipt) **– Affordable Housing**	2012 Study assumes 65% of OMV for Shared Ownership; 55% of OMV for social rent. 2014 study uses figures from an affordable housing report prepared by Stuart Larkin (March 2013). Values vary between around 33% - 66% of OMV for social rent; 36% - 77% of OMV for affordable rent; 45% - 64% of OMV for shared ownership. In each case – a higher percentage of MV would equate to lower value areas and vice versa.	2015 study assumes 55% - 65% of OMV for social rent; 60% - 70% of OMV for affordable rent' 45% - 50% of OMV for shared ownership. 2016 report leaves AH revenue unaltered. In each case – a higher percentage of MV would equate to lower value areas and vice versa.	Affordable housing revenue varies by Value Band but broadly 52% of OMV for social rent; between 59% - 64% of OMV for affordable rent; 64% - 73% of OMV for shared ownership. First Homes where applicable assumed to be sold at 70% of OMV (lower proportions where £250,000 cap exceeded).	It appears that the earlier previous assumptions reflect shared ownership (SO) as less valuable than affordable rent (AR) (2014 / 2015 studies). On this, SGC has noted to DSP that the Council had an approach restricting the rent on retained equity in SO to 1% (this would have depressed the SO revenue assumptions). DSP approach to AH revenue (for social rents) based typically on rental info provided by the Council at time of carrying out VA. Affordable rents based on capitalised rental income appraisal of net rents at no more than 80% of market rent (typically using LHA as a cap) allowing for RP on-costs. Only if relevant, First Homes (FH) assumed at 70% of OMV unless £250,000 cap (after discount) exceeded or the authority selects a higher minimum discount level (at 40 or 50%) in which case lower percentages assumed. However, SGC indications are that FH provision is unlikely to be favoured over shared ownership here (being less accessible to those in need). Emerging policy direction is a priority for social rent (67%) with the remainder SO (33%)

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				At this stage, discussions with SGC informed also by local delivery experience suggest overall that a suitable blended AH revenue assumption is likely to be c. 55% MV; reflecting the emerging tenure mix approach.
Gross Development Value – Non-Residential (revenue from any other development types – usually investment sale value related).	2012 Values determined by net rents and yield assumptions. Varies by development use tested. 7% yield assumed in all cases. Offices: £231/m^2 Industrial: £75/m^2 Hotel: £100,000 per room Retail: £215/m^2 Leisure/Gym: £160,000/annum Student Housing: annual rent £36,000 term time 95% occupancy; £25,500 summer 50% occupancy. 2014 – retail yield reduced to 6%. Supermarket typology 5% yield. Comparison retail: £323/m^2 / yield 6.5% Convenience stores - £161.50/m^2 / yield 6% Offices - £200/m^2 / yield 7.5% Car show rooms - £160/m2 showroom; 80/m2 ancillary space; £500 per annum for external display / 6.6% yield	Not specifically modelled.	Retail supermarket: £220/m2 / yield 3.75% / rent free 6 months Offices: £301/m2 / 5% yield / 12 months rent free Light industrial: £160/m2 / 4.5% yield / 6 months rent free	Rents & yields to be determined by research at time of carrying out VA – as far as relevant to typologies and sites appraised - by using (in DSP's case) Co-Star property intelligence database or equivalent, drawing upon stakeholder consultations as far as available, and other resources. Note that especially where specific development type or details are not known, for example in looking at relevant elements of strategic sites or employment allocations, it may be appropriate to consider the purchase, servicing and on-sale of the land for such other development uses. In this approach the assumed land sale receipts add to the estimated scheme overall GDV in place of revenue from completed / let premises, and similarly build costs are not allowed for.
Reflecting investor purchaser's costs within typical				

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approach – commercial development assumptions (% of capital value)	5.75%	Not specified.	6.8%	6.8%
Affordable housing proportion (%) & tenure mix	2012 study: Proportion tested as part of study. 30% & 35% AH. Rented split 50% social rent / 50% affordable rent. Shared ownership / AHO not defined. 2014 study: 80% social rent /20% intermediate & 78% social rent / 6% affordable rent / 16% shared ownership modelled.	35% affordable housing. 78% social rent / 6% affordable rent / 16% shared ownership modelled.	Modelled between 0% - 50% affordable housing. 49% social rent / 14% affordable rent / 37% AHO (including 25% First Homes)	AH proportion to be appraised across range to test whether adopted policy remains appropriate. Overall, we would expect to run most tests at between 20 and 50% AH, approaching this iteratively and adding to these test levels according to developing results picture (although typically interpolation between tested positions is also informative given the proportional nature of VA). 20 – 30% AH likely to be typical maximum on some PDL; GF should support more and often significantly more than PDL (and especially if the SGC strategy focuses where possible on scenarios least reliant on new / expensive to expand infrastructure). Higher value areas combined with relatively lower cost / infrastructure on smaller to medium scale GF sites are circumstances likely to see maximum scope for planning obligations headroom, hence the wide scope of testing likely to be needed. Affordable housing tenure mix assumptions to be consistent with up to date housing needs assessment. We note that as well as the agreed base AH tenure mix assumption, which will always need to be applied on a "best fit" basis in the appraised scheme. Subject to how initial (base test) results develop it could be valuable to sensitivity test the effect of some variation

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				to AH tenure mix (bearing in mind the variable revenue levels and effects of those, as above). SGC has noted that AH delivery across all new dwellings is likely to be in the order of 33%, which will need to be met through a combination of suitably positive policy positions – a likely baseline of 35% to 40% AH, also reflecting some sites not providing AH or including it at a lower level.
Dwelling sizes – (Now assumed reflecting Nationally Described Space Standard)	2012: 1BF: 46m^2 2BF: 65m^2 2BH:76m^2 3BH: 85m^2 4BH: 115m^2 5BH: 160m^2 2014: 1BF: 46m^2 2BF: 60m^2 2BH:71m^2 3BH: 85m^2 4BH: 115m^2 5BH: 160m^2	Tested at 2014 sizes plus Nationally Described Space Standard (NDSS): 1BF: 50m^2 2BF: 61m^2 2BH:79m^2 3BH: 93m^2 4BH: 106m^2	Not defined. Total scheme floor areas provided.	Sizes compliant with NDSS ranges to be assumed. Relevance of 5+ bed homes tbc. Market homes e.g.: 1BF: 50m^2 2BF: 61m^2 2BH:79m^2 3BH: 93m^2 4BH: 130m^2 SGC has noted that a 4-person 2-b flat would be expected to meet a larger size @ 70 sq. m. Affordable homes e.g.: 1BF: 50m^2 2BF: 61m^2 2BH:79m^2 3BH: 93m^2 4BH: 106m^2

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Base build (Housebuilding) costs Note that equivalent assumptions on build and related costs will need to be made for any commercial / non-residential typologies or elements of schemes appraised.	Based on developer feedback from one major housebuilder plus inherent allowance to achieve CfSH Level 3 plus uplift to reach CfSH Level 4.	Assumes upper quartile base build costs plus £40/m^2 for CfSH Level 4 compliance. 2016 study adopts same base build approach but adds £3,500 per unit for renewables and £5,000 per flat for balconies.	BCIS median costs assumed for flats and houses. Acknowledges that as future development includes higher densities, higher costs will need to be allowed (6+ storey development in Bristol growth areas for example).	DSP utilises latest BCIS median costs (lower quartile for larger / strategic greenfield sites reflecting economies of scale). Costs data (BCIS categories) selected aligned to type of scenario / typology / dwelling types. To date DSP has reflected in VAs an (extra-over) allowance for meeting Building Regulations Part L (2021) implemented in June 2022 over Part L 2013, with BCIS reflecting latter until latest data filters through. Moving ahead (e.g. to SG LP VA), it is likely that it will become unnecessary to make that pre-adjustment to base costs (Part L 2013 – 21) as well as reflecting the higher costs now associated with increased energy efficiency / greater carbon reduction than provided for by Part L 2021 and sought by many emerging or new policies.
External works (% of base build cost)	2012 / 2014 study – not defined.	15% of base build costs	10% of base build cost	This allowance reflects the cost of plot and related works beyond the construction of the homes (i.e. parking, paths, gardens, fences, drives/parking (including an element of garaging/car ports), bins and cycles provision, immediate services, usual estate roads and landscaping. Represented by a cost assumption added at 5 to 20% base costs (10-15% base assumption in most scenarios). Typically, 10% flats / mixed schemes; 15% houses schemes. Lower often appropriate for some types e.g. some older persons' housing.
Site works / enabling /	Not defined for smaller sites. For 'New Neighbourhoods' £550,000 per ha applied to 10% of site area.	Not specified.	Not specified on smaller sites. Large greenfield sites include additional 15% of base build	This reflects work beyond the scope of the external works in readying the site for the housebuilding - opening up and servicing the site as a whole, bringing

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infrastructure allowance.	Increased to £650,000 applied to 20% of developable area in 2014 study.		cost to account for on-site infrastructure (utilities, estate roads, laying out of open space etc.)	together the development plots / parcels areas with the necessary initial and infrastructure works including improvements to the non-developed areas (for any wider open space etc.). Allowance of c. £500,000/ha – can vary by site type. Made in addition to external works in most scenarios. This appears a broadly equivalent level of allowance to that made by BNP. May be considered in £/dwelling overall average terms (indicatively at £20,000+/dwelling) on larger / strategic sites depending on available information. Harman report continues to be a reference document. Infrastructure costs can be expected to be front weighted to some degree but will be spread to some extent on larger development.
Contingency (% of build costs)	2012: 3%; 2014: 5%	5%	5%	Typically 5% but range overall may include some levels up to 10% in limited circumstances - depending on site type (e.g. uncomplicated greenfield v PDL with unknown abnormals) and whether applied to base build or infrastructure/site works. On larger sites It may be appropriate to use a lower contingency (3%) on housebuilding than on site works / infrastructure (5%).
Professional fees (% of base build cost)	2012: 6%; 2014: 10%	10%	8%	8% - 10% depending on site type and size, and nature of works.
Community Infrastructure Levy	<u>2012 Proposed</u>:	Adopted CIL rates:	Adopted CIL rates as per column to left but indexed to 2022.	LP / CIL VA can be used to determine whether adopted rates (as indexed) continue to be fit for purpose.

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	Communities of the North and East fringe of the Bristol urban area, Yate, Chipping Sodbury and Severn Beach: £45/m^2. Sites below the affordable housing threshold: £90/m^2. Other areas: £70/m^2 Sites below the affordable housing threshold: £115/m^2 Office: Nil Industrial: Nil Hotel: £70/m^2 In centre high street retail: £120/m^2 Out of centre / edge retail: £120/m^2 Leisure: nil Student: £60/m^2 Other development: nil <u>2014 Proposed</u>: Communities of the North and East fringe of the Bristol with AH: £55/m^2. Communities of the North and East fringe of the Bristol without AH: £100/m^2	Residential – Higher value £80/m^2 Residential – Lower value £55/m^2 Offices – prime locations only £30/m^2 Retail – prime locations £160/m^2 Retail – non-prime £120/m^2 Hotels – prime locations only £90/m^2 Students – prime locations only £60/m^2 Car showrooms £90/m^2 Residential care homes, Extra care housing, Offices – non prime, Other former B uses, Hotels – non prime, Student – non prime £0/m^2 All other uses £10/m^2		Starting point would be using the currently applicable rates appraisal inputs alongside policies being tested; and then consider outcomes from using alternative trial rates around those as far as relevant to the typology / site on an iterative basis. For wider information Appendix III to this (VPS) report includes comparison between the SCG charging rates and those of charging authorities in the region. A key activity on CIL viability is likely to be assessing the relationship between the charges. S.106 infrastructure requirements and other policy costs on the largest allocation proposals / strategic sites. In many areas these are found to need some level of differential treatment on CIL charging rates – on viability grounds. Use primarily of s.106 may also link more readily to direct, timely provision of specific infrastructure.

Assumption Area	CIL Study 2012[2] / 2014[3]	Viability of Proposed Policies (PSPDPD) 2015[4] / 2016[5]	WECA High Level Assessment of the Viability of Development Typologies 2022[6]	DSP Comments / Information Review 2023
	Rest of South Gloucestershire with AH: £80/m². Rest of South Gloucestershire without AH: £130/m². Office: Nil (£30/m² prime locations) Industrial: Nil Hotel: Nil (£90/m² prime locations) Retail class A1-A5: £125/m² (£160/m² prime locations) Car dealership: £90/m² Student: Nil (£60/m² prime locations) Other development: nil			
s106 Costs	£1,000/unit (2012); £1,000 - £4,000per unit (2014)	£3,500/unit	Smaller sites - notional £1,000/unit (resi) / £20/m² (non-resi). Strategic sites – allowance for school provision - £8m (primary) / £24m (secondary).	Need to be allowed for as inputs or considered within the results scope as well as CIL. DSP normally reflects latest monitoring information on s106 contributions sought and collected. Where this information is not available (or not sufficiently specific) we typically assume a contingency type allowance of up to £3,000 per dwelling (applied to all dwellings) to cover site specific mitigation – alongside the CIL cost. For larger or strategic sites / sites specifically tested, utilise actual requirements or available estimates of those costs to inform modelled s.106 assumptions and works / costs timings. SGC information availability on this will be key. As noted above in respect of land acquisition, the timing / phasing assumptions on infrastructure works

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				and contributions will be a key aspect to settle for the VA review. Timing assumptions are very important in considering viability, both realistically and yet ensuring it is not unduly affected through too much front loading of significant costs being assumed or needed. The role of any other known funding sources may be relevant in this too.
Sustainable Design / Carbon Reduction Measures	Allowance for CfSH Level 4	£40/m^2 to achieve CfSH Level 4; £3,500 per unit for renewables (£2,500 for 300 unit site).	Range of costs based on Bath & NE Somerset approach (itself based on Cornwall Climate Emergency DPD modelling)[10] with following uplifts reflecting lowest cost modelled route to zero carbon: • 2.1% uplift from a baseline of Part L 2025 or from a baseline of BANES existing policy (19% CO2 reduction) which is the equivalent of Cornwall's scenario 1a; • 2.8% uplift from a baseline of Part L 2021; • 4.9% uplift from a baseline of Part L 2013;	The Council's proposed emerging policy position on sustainable construction within climate change response is currently essentially made up of two elements 1) energy management and 2) embodied carbon. Extra-over costs allowances will be involved, looking at this at the VA point. Reflecting the above commentary on base build costs, the uplift in costs associated with moving from Part L 2021 to zero carbon or other increased energy efficiency / carbon reduction policies will need to continue to be included in the appraisals. These e/o costs currently expected to be in range c. +3% to +8% depending on final policy details and development type. Specific work and dialogue with SGC will be needed in settling suitable assumptions which at this stage are expected to follow or be broadly consistent with the emerging approach of Bristol City Council. It is proposed that the local / regional evidence currently building will be a direct source of a suitable assumptions basis.

[10] Currie & Brown with Etude: Cornwall Climate Emergency DPD – Energy review and modelling (February 2021)

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			• 6% uplift based on Currie & Brown route to net zero regulated and unregulated emissions using SAP 10 emissions factors and air source heat pumps. For non-residential BANES propose net zero using hierarchy of fabric, renewables and then financial off-set. Energy efficiency (Minimum carbon reduction of 15%): 2%; • On-site saving (total carbon reduction of 35%): 1%; • Allowable solutions (offset 65% of regulated CO2 emissions): 2-4%; • BREEAM (Excellent rating): 1-2%. (Not applicable) WECA has reviewed the Bath assessments, alongside ongoing work to assess the costs of	To consider also that such extra over costs can be expected to reduce over time. The emerging energy management policy approach prefers a metric approach (focused on energy demand reduction) to stating a more general carbon reduction level. It intends to set specific targets for energy use intensity (EUI) and space heating demand to achieve net zero regulated and unregulated operational energy. On principles, this approach aligns with the standard endorsed by the London (Low) Energy Transformation Initiative (LETI). The emerging Embodied Carbon policy is expected to refer to Upfront Embodied Carbon (as opposed to Whole Life Embodied Carbon which potentially comes with greater additional cost implications). The WSP report for West of England on embodied Carbon[11] is a source of information on this. Considered along with other available information, it is likely that the embodied carbon requirement initially envisaged will not add significantly to costs. Future requirements could be based on increasing standards, costing more when viewed at this stage but again with extra-over costs likely to reduce over time. SGC will be continuing to use available evidence on this and build this picture locally, which the VA will be consistent with. The Council continues to have specialist input on this.

[11] WSP: West of England (WOE) Evidence Base for WOE Net Zero Building Policy (August 2021)

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			operational and embodied carbon and have provided the following estimates from a range of emerging study results: • Cost uplift for operational carbon: 5% of build costs for domestic and 5% for non-domestic; • Cost uplift for operational and embodied carbon: 15% of build costs for domestic and 15% for non-domestic.	Overall, it will be important to both reflect the SGC evidence picture being built and take an approach consistent with that of other authorities, particularly Bristol and other neighbours; as well as drawing as appropriate from the wider emerging picture in this area. Suitable cost allowances will need to be made, but not to the extent of overestimating what is involved in developments coming forward to higher standards and especially given the overall timeframe of the LP, during which extra-over costs will be expected to reduce. A wide range of information sources, both local and wider, are currently being reviewed by SGC while further considering the approach, including the following examples: **West of England:** Spatial-Development-Strategy-Net-zero-new-buildings-Evidence-and-Guidance-to-inform-Planning-Policy-Jan-2022.pdf (westofengland-ca.gov.uk) https://www.westofengland-ca.gov.uk/wp-content/uploads/2022/01/Spatial-Development-Strategy-Evidence-base-for-Net-Zero-Building-Policy-Embodied-Carbon-Jan-2022.pdf https://www.westofengland-ca.gov.uk/wp-content/uploads/2022/01/Spatial-Development-Strategy-Evidence-base-for-Net-Zero-Building-Policy-

Assumption Area	CIL Study 2012[2] / 2014[3]	Viability of Proposed Policies (PSPDPD) 2015[4] / 2016[5]	WECA High Level Assessment of the Viability of Development Typologies 2022[6]	DSP Comments / Information Review 2023
				Operational-Carbon-for-Non-Domestic-Buildings-Jan-2022.pdf **Bristol:** Have regard to BCC's LP development and supporting evidence on both viability and climate change response. Including: https://www.bristol.gov.uk/files/documents/5806-bristol-city-council-zero-carbon-heating-and-cooling-study-whole-life-carbon-report/file **Wiltshire:** Wiltshire Council Local Plan review Evidence for Sustainable Construction Policy (March 2023 – Currie & Brown). **Cornwall:** Currie and Brown and Etude studies prepared for Cornwall: https://www.cornwall.gov.uk/media/fkzp45mv/eb042-20200359-climate-emergency-dpd-technical-evidence-base-rev-g.pdf A number of authorities progressing Local Plans are considering broadly the same approaches, seeking to go beyond the Building Reg.s as they stand (and the Future Homes Standard, including the full standard

Assumption Area	CIL Study 2012[2] / 2014[3]	Viability of Proposed Policies (PSPDPD) 2015[4] / 2016[5]	WECA High Level Assessment of the Viability of Development Typologies 2022[6]	DSP Comments / Information Review 2023
				2025). Examples known to DSP include Winchester City Council and North Somerset Council. The above is not exhaustive and intended mainly to emphasise the need to draw upon and be consistent with local and as far as relevant wider information and experience.
Electric Vehicle Charging Points	Not specified.	Not specified	£500 per charging point	A £500/dwelling assumption has been used by DSP in recent years. Following latest information and viability representations made by the HBF and others, we have since typically assumed £865 per house / £1,961 per flat based on costs adopted from the DfT Residential Charging Infrastructure Provision Impact Assessment (September 2021) reflecting mid-points in the indicated range of costs. This can be further monitored through wider work and experience of site-specific viability (DM stage) as this is now a regular scheme element – so that assumptions can be checked / revisited as appropriate. With EV charging provision now entering the Building Regulations, however, as with extra-over costs for Part L 2021, it is expected that BCIS base costs data will reflect the inclusion of this in the coming period – review will be needed to ensure that assumptions do not overlap. The movement to above noted higher costs allowances may be an overly prudent assumption looking ahead.
Water usage efficiency	Not specified.	Not specified.	Not specified.	Building Reg.s require usage not to exceed 125 litres/person/day.

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				If going no lower than 110 lpppd then the extra over cost allowance is de minimis. Note that (where needed) tighter restrictions will add cost, however, and this can become significant.
Nature Conservation / SAC etc.	Not specified.	Not specified.	Not specified.	Allowances will need to be made for any SAC / SPA / SANG / RAMSAR etc mitigation costs. Usually specific cost levels are available, including for any associated management and monitoring plans. This costs area will usually be relatively insignificant compared with addressing matters such as affordable housing and climate change response.
Biodiversity Net Gain (BNG)	N/A	N/A	10% BNG tested assuming costs of 0.2% - 0.8% of base build cost based on Biodiversity net gain and local nature recovery strategies Impact Assessment' (DEFRA, 2019).	Costs allowances will be based on emerging policy direction (currently assumed 10% BNG as per imminent national minimum standard). Costs assumptions based on Natural England Biodiversity net gain and local nature recovery strategies Impact Assessment' (DEFRA, 2019)[12] and Eftec report for DEFRA[13]. DSP made aware via developer consultation experience that government impact assessment assumed £12,000/BU (biodiversity unit) incorrectly. DSP assume Scenario C as a worst case scenario and proxy for increased cost of BNG at £20,000/BU (biodiversity unit). Latest report by Eftec concluded the higher BU cost of £20k/BU as appropriate.

[12] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/839610/net-gain-ia.pdf
[13] Eftec: Biodiversity Net Gain: Market Analysis Study (2021) & Eftec: Biodiversity Net Gain: Market Analysis Study – Evidence Annex (2021)

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				IA for South West Region for achieving 10% BNG = 2.9% GF / 0.7% PDL As an additional note for information, a few of DSP's clients have or are beginning looking at 20% BNG policies. Where applicable this involves an assumption of +19% further extra over cost increase. Wider than viability aspects also need considering – for any influence on site capacities etc.
Accessibility Standards (Building Regulations Optional Standards Part M4(2) and (3a) / (3b))	Not specified.	Not specified.	Cost uplifts: M4(2) accessible – flats: 1.15%; houses: 0.54% M4(3) (a) accessible and adaptable flats: 9.28%; houses: 10.77% M4(3) (b) wheelchair adaptable flats: 9.47%; houses: 23.80% • Private units: M4(3)(a) 5.6% of units and M4(2) 48% of units; • Affordable units: M4(3)(b) 7.8% of units and M4(2) 92.2% of units.	Latest government consultation on 100% M4(2) on major developments via building regulations compliance. High-level costs assumptions based on the analysis as described in the 'Raising accessibility standards in new homes' consultation document[14]. Recent assumptions made at £15.50/m^2 applied across development floor area. Emerging policy direction will see specific M4(3a) requirements older persons' and affordable homes. Recent DSP VA assumptions have been made at c. 10x M4(2) cost i.e. c. £155/m^2 for M4(3) provision. Relativity with M4(2) cost consistent with BNP assumptions. A significant factor to bear in mind for VA. Quantum and type to be based also on SGC need (taking into account viability overall), with VA assumptions to be considered / revisited more specifically in response to confirmed SGC policy scope.

[14] https://www.gov.uk/government/consultations/raising-accessibility-standards-for-new-homes/raising-accessibility-standards-for-new-homes-html-version#raising-accessibility-standards-of-new-homes

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Self / Custom Build	N/A	Considered neutral in terms of viability. Not clear if modelled.	Not specified.	Adopted SGC policy (PSP43) and an approach to be continued makes provision for 5% self-build plots on sites of more than 100 dwellings. In looking at the viability of these, as well as the share of site-wide land and acquisition costs to be accounted for, assumptions are typically made for servicing costs and plot sale values. Plot sales would typically be towards the end of the site build out phase. We might expect the value of a typical / modest plot value to be in the range £100-200,000, but this would require consideration based on the local aims of the policy and the relevant scheme characteristics. SGC now has experience of the successful inclusion and progression of plots for self-build – on 3 schemes to date (ranging 121 to 336 dwellings total), where development has commenced. The plots have been sold at prices in the range £115 – 170,000 overall, consistent with the above. From DSP's experience of this type of development, we consider the provision of plots (serviced and ready for development) for self or custom-build has the potential to be sufficiently profitable so as not to provide a significant drag on the viability of a scheme in general. Broadly, we would expect this activity to be at least neutral in viability terms, although with the exact outcomes dependent on site-specific details and the level of viability inherent in different types of circumstances, as with other aspects of the development process.

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Residential sales & marketing costs (percentage of residential value)	3%	3%	2.5% marketing fees plus 0.25% legal fees.	Typically, 2.5-3% marketing and agency fees; £750 - £1,000 per unit legal fees on sale. Consider any variation by scheme type.
Development timings and sales periods (and see finance – below)	2012 study - not specified. 2014 study: 14 units 35 units 75 units 300 units • 9 to sell. First sale 9 months. Sales period 3 months • 23 to sell. First sale 9 months. Sales period 7 months. • 49 to sell. First sale 9 months. Sales period 17 months. • 195 to sell. First sale 9 months. Sales period 32 months	Not specified.	Assumes 8-10 sales per month across multiple outlets on larger sites. Notes affordable housing will be sold under contract. Sales periods are therefore not same as sales completions.	Assumptions setting consider lead-in, construction and sales periods – with sales off-set from the construction timings by usually 9 to 12 months (i.e., to first assumed dwelling completions). Construction period informed by BCIS construction duration information and by experience of other examples. Construction and sales rates and therefore lengths of periods assumed dependent on size of typology or larger / strategic site under review and taking into account council trajectories (and where available developer estimated delivery projections). Typical assumption 1 market sale per week per outlet, bearing in mind current slower (downturn related) rates unlikely to be impacting throughout long LP period. Typically, slower selling rates overall on older peoples housing schemes – retirement living / sheltered, extra care and IRC. Usually, a faster initial rate of sale also reflecting some off-plan sales early on, but which rate tails off, often extending the sale period overall. Affordable housing provision usually brings some positive cashflow benefits that help counterbalance the lower receipts. AH comes forward additional to the assumed market sales rate, usually assumed at a broadly similar pace, reflecting provision integrated

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				within the market scheme and spread through the cashflow / assumed to be completed and transferred in phased blocks.
Finance Costs / rate (and linked to above on development timings assumptions)	7%	7%	6% inclusive of arrangement & exit fees	Assumed as per typical viability in planning assumption basis of debt finance for the whole scheme including land costs. Currently typically applied in strategic VAs based on an interest rate at around 6 – 7% reflecting all costs, applied across overall assumed development programme as above. While some of these assumptions might appear positive at present, and at the time of writing we are seeing reduced rates (speed) of sales reported and increased finance cost rates assumed within many application stage viability submissions, it is appropriate in the LP VA context to consider a longer-term view – as discussed above. Note that although shorter term borrowing rates may merit higher assumptions in decision making stages at this time, the LP VA is tasked with considering viability over a longer time horizon spanning varying economic circumstances). Downturn only assumptions are not appropriate. Other matters to consider within the range of tests and wider "what-ifs" (sensitivity tests) may include:

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				• Phased land payments on largest schemes – not necessarily all financed through whole cashflow. • "What ifs" on largest sites could include use of values growth and cost inflation assumptions using stated additional inputs which run through the appraisal; as well as considering effect of higher and lower values and costs from the outset. • The effect of a credit interest rate assumption on positive cashflow balances can also be considered. • As well as the costs estimated used, assumed timing / phasing of infrastructure costs is key in considering largest / strategic sites viability. The more information available from SGC and promoters to inform VA assumptions, the better. • External investment / support additional to the development finances is not usually included within appraisals unless confirmed as available. However, further "what ifs" might be relevant in some cases. Potential influence of any forward funding or grant monies can be very significant. Example sources potentially Homes England, Highways England, local / regional authorities investment.

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Developer Profit (return) - % of GDV	Market housing: 20% Affordable housing: 6%	Market housing: 20% Affordable housing: 6%	Market housing: 17.5% Affordable housing: 6% First Homes: 12% Commercial: 15%	As a key ingredient (driver) of the development process, reflecting and providing a return for the risk involved. In VA appraisals development profit is typically included at a fixed level in arriving at the residual land values (RLVs) as the key output. Consistent with the range set out in the PPG for plan making (15 – 20% GDV), at this stage we would generally expect to use a mid-range base assumption - as with other assumptions, reflecting the length of the plan period and development through varying market cycles overall. Further sensitivity tests may also be considered in some scenarios. Affordable housing profit levels placed at a typically assumed (industry standard) lower level, as below, reflecting a de-risked scenario and closer to contracting profit level. In summary, typically, DSP would assume the following for LP VA (%s GDV): • Market housing: 17.5% base assumption (mid PPG range for plan making @ 15 – 20%). • Affordable housing: 6% • Build to Rent: 8% - 12% • Commercial: 15% • First Homes (only where applicable): 12%

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Nutrient Neutrality (General context note only)				This has not been raised as an issue for LP delivery in South Gloucs. We have however included this note because the costs associated with nitrates and / or phosphates mitigation tend to be very significant. Accordingly, the absence of costly mitigation locally is a positive factor for viability overall (as viewed currently, compared with impacted areas).
Generally – policy costs relativities and impacts				DSP experience is that the VA process can significantly assist officers, Councillors and other stakeholders with an understanding of how the various policy costs and general development costs sit relative to each other and so how their impacts vary. The leads in to how these both compare and come together; and may balance up / inform consideration of priorities and any trade-offs. Typical main priorities and tensions to explore within the available development funds scope (as this varies by circumstances) are likely to be affordable housing, climate change response and supportable infrastructure.

VPS Appendix I ends (DSP completed November 2023)