

**For: South Gloucestershire Council**  
**Emerging Local Plan**

**Viability Position Statement (VPS)**

**Final Report**

**Completed November 2023**  
**DSP23828**

# Contents

<b>1. Introduction</b>	<b>3</b>
Notes and limitations	8
<b>2. Background - context and information review</b>	<b>10</b>
National Policy & Guidance	10
Infrastructure Levy (IL) – brief outline	12
Economic circumstances and property market conditions	14
Existing policy backdrop and viability evidence	15
Affordable housing delivery in South Gloucestershire	17
Adopted CIL	17
Local Plan (& CIL) development / examination examples	19
<b>3. Initial scoping of methodology and assumptions for LP VA</b>	<b>24</b>
Influences on the VA – Economics and policies	24
Planning environment including climate change response	27
Principles and VA methodology	30
Benchmark land values	32
Typologies selection and considering specific sites	37
Market sale housing values assumptions	39
Affordable housing revenue (value of AH)	42
Other build types / plots including build to rent and self-build	42
Other emerging assumptions scope – general development costs	43
Housebuilding and related costs	43
Taking account of the CIL (and potentially informing CIL review)	45
<b>4. Suggested preliminary viability assessment themes and issues for linking into SGC’s Phase 3 consultation (new LP Regulation 18)</b>	<b>49</b>

## 1. Introduction

### Local Plan context and characteristics affecting development viability

- 1.1 South Gloucestershire Council (SGC) is in the process of developing a new Local Plan (LP) to set the Council's strategy for meeting the district's identified needs and supporting sustainable growth covering the period 2025-2040 (i.e. over a 15 year period). The new LP will update and supplement the current Core Strategy (2013) and the Policies, Sites and Places Plan (2017).
- 1.2 This also follows ceasing of work on the West of England Combined Authority (WECA) Spatial Development Strategy (SDS) which had aimed to provide the strategic planning framework for the involved authorities<sup>1</sup>. However, joint working initiatives that are relevant to planning for the area continue with WECA and other partners of SGC.
- 1.3 The intention is for the LP progression to firmly build on and incorporate the key principles, approaches, policies, sites and evidence published in the previous informal stages of Local Plan consultation to date.
- 1.4 Leading to the current work in progress on the LP development, the Council has undertaken two phases of consultation - Phase 1 'Issues and Approaches' (November 2020 to March 2021) and Phase 2 'Urban, Rural and Key Issues' (February to April 2022). The wide scope of activities and information updates have included the review of consultation responses, call for sites update, the issue of the 2022 monitoring information and the progression of other evidence base streams.
- 1.5 This phase of consultation (Regulation 18) is with a view to submitting the draft plan after further consultation (Regulation 19) for independent examination in the latter part 2024 and leading to adoption in 2025.
- 1.6 For this Regulation 18 stage, the emerging Plan focuses on sustainable growth options and prospective site allocations for residential and employment uses. A number of inter-linked

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<sup>1</sup> Bristol City Council, Bath and North East Somerset Council and South Gloucestershire Council.

themes are being considered. These will influence the review of the viability of planned development, including the roles of:

- a) More compact forms of housing. Consideration of designs, densities and site areas required to support development.
- b) Policies to support the climate change response through sustainable construction – energy efficiency of new homes and other buildings.
- c) Small to medium greenfield (GF) developments which are less dependent on larger more costly infrastructure requirements and have the potential to deliver homes more quickly, including more affordable homes. A potential key theme in delivery across a wider range of areas, including in the villages.
- d) A small number of larger, strategic sites alongside the delivery achievable through a dispersed development pattern. The characteristics of strategic development will need to be considered – how infrastructure and land costs, their timings and financial models influence the LP stage of viability assessment and what can be delivered.
- e) Different localities for accommodating development and potentially reflecting in continued or adjusted policy and CIL charging rate differentials – a potential review of the geographic market areas. Consideration of whether alternatives might help facilitate the above – quicker delivery of homes, to include as much affordable housing as possible in the more viable locations compared with and balancing out what is possible the less viable circumstances.

- 1.7 Overall, the Council wants to explore the above and to use this initial “stock-taking” on viability context to invite comments from stakeholders, including a wide range of development industry representatives, on matters and assumptions to take into account within a forthcoming viability assessment (VA) of the plan.

### **Viability position statement**

- 1.8 Accordingly, the Council instructed Dixon Searle Partnership (DSP) to prepare this initial ‘Viability Position Statement’ (VPS) in order to start factoring in viability considerations to the further LP development. SGC envisages commissioning a full VA subsequently, as a key

element of the building evidence base informing and supporting the LP's further progression and guiding on the viability aspects through to the examination stages.

1.9 As part of this initial "stock take" the aim here is a preliminary look ahead to assessment scope and approach to assumptions. This involvement is the beginning of a two-way VA process, both feeding into and responding to the Council's ongoing work.

1.10 The LP is one of the delivery modes of the 'Council Plan'. SGC states<sup>2</sup> that: *'By preparing the Local Plan the Council is giving spatial expression to the objectives of the Council Plan and a platform through the statutory planning system to express the Council's commitment to delivering sustainable growth in accordance the declared Climate Change Emergency, its objectives for enabling the recovery of our local natural environment and for residents and businesses to lead lives that have minimal environmental impact. The Local Plan will also give statutory spatial expression to the Council's regeneration objectives and commitment to support our High Streets and Town Centres.'*

1.11 For further context, SGC says<sup>3</sup>: *This will be complimented by setting out the Council's approach to growth, change and protection of communities and environments in the rural areas of the district. A range of existing, refreshed and new planning policies to guide development, safeguard, protect and enhance the natural and built environment will also be contained in the Plan including introducing a network of Strategic Green Infrastructure Corridors and potential approaches to safeguard and facilitate development of renewable energy facilities.'*

*'The new Local Plan consultation in 2023 will present the council's proposed way forward for establishing the Plan's vision, spatial objectives, and priorities. The primary task of the next stage of the consultation, as the new Local Plan fills the void of the SDS, is to consult on strategy options for how it intends to identify the number and location of homes and jobs that are needed up to 2040. This will take into account the build out of existing commitments and allocations and how much of the remaining new homes needed can sustainably be met from brownfield and regeneration opportunity sites, and the infrastructure needed to sustainably support this.'*

1.12 The purpose of this VPS (report) is therefore to:

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<sup>2</sup> Context extracts from SGC's current LPDP 2022-25 document – as noted at 1.4 above.

<sup>3</sup> (As footnote 2 above)

- provide an overview of the context for the LP VA (within this VPS report and Appendices I – Review of assumptions; II – initial market / values research; III – CIL charging details)
- broadly scope out its methodology (within report)
- outline a baseline approach to the preparing and use of assumptions; and review of variables (Appendix I)
- highlight viability aspects to draw out and invite feedback on within the Regulation 18 consultation (this report as supported by Appendix I)

1.13 In summary, the VPS has been conceived by SGC as a way of introducing the consideration of LP viability related matters at an early stage in the plan making process. This will formally introduce the topic of development viability to the LP preparation dialogue and begin to feed into SGC’s work by helping inform how viability will be looked at as the new LP progresses.

#### **Community Infrastructure Levy (CIL) context**

1.14 SGC has a CIL in place, with charges having been levied since 2015. There is not an immediate proposal to progress with a review of the Charging Schedule for the district. This was put on hold for the time being, pending both the progression of the new LP, so that if continued it would then support that, and the great deal of uncertainty revolving around the government’s proposal to replace CIL with an amended form of Infrastructure Levy (IL).

1.15 With a Charging Schedule in place and bedded down to operate as part of the local development environment, and the indexing adjusting the rates year on year, in these circumstances (i.e., as here in South Gloucestershire) not going into a relatively resource hungry review of the CIL pending a new LP is consistent with the views of our clients, typically, to date.

1.16 However, the IL proposals are taking a long while to clarify and progress. Recent reporting is such that the IL is not now expected to be implemented generally for perhaps a number of years (following further working up and initial trials). Seeing this, some local authorities are picking up work on CILs again - for example, where there is no CIL in place or revised development plan proposals have progressed far enough to be able to consider CIL in the context of a settled, up to date set of policies. More often, formal progression and examination of CIL proposals follows either a confirmed LP or one nearing final stages. CIL

charging levels need to be assessed and shown to be viable with the policies (of the relevant plan to be supported by the levy) reflected in the rate setting calculations and judgements.

- 1.17 Brought in after the first few years of a much more restricted approach, the ability now to use section 106 (s106) planning obligations agreements alongside CIL (subject to the usual tests) has also tended to reduce the focus on having to fund the maximum possible from the fixed CIL charging. More of a balanced approach can now be used. S106 agreements tend to take considerable time to settle and then involve some ongoing management but, overall, this potential to combine funding sources can provide more flexibility. Under the current system, the mix can also mean better scope to match the collection route with the various types of infrastructure and timing of its provision.
- 1.18 LP policies and CIL cannot be separated as development viability is considered in developing (or reviewing) either or both. As well as a key means of collecting infrastructure to support the LP delivery, a CIL (and / or s106) forms a notable part of the overall costs of development. While s106 is more adaptable and where applicable usually highly scheme specific, the levels of policy requirements and CIL have to be set with the cost of both considered cumulatively alongside the usual costs of development (in brief summary - land and acquisition, building costs, finance and fees, costs of sale and development profit). This means that although a dual approach potentially enables an even wider discussion on a balance of objectives, the number and range of potential iterations / combinations to consider can on some occasions become slightly overwhelming to consider efficiently with LAs, we have found.
- 1.19 Overall, considering both LP policies and CIL rate(s) setting at the same time can be quite challenging and circular when both are considered fully as variables within the viability calculations and the potential “yield” estimates; and in weighing up the most suitable overall approach, therefore.
- 1.20 Later in this report we will begin to outline how we consider the LP VA work could begin to lay the groundwork for exploring the potential for (or perhaps need to) review the SGC CIL Charging Schedule approach or rates. As noted above, ultimately this would need to be both informed by and aligned to any updated review of the geographic areas context.
- 1.21 Although it will not be possible to assess how any new IL (more on this below) might in time to come affect matters differently, our understanding is that it would aim to support no less

infrastructure and affordable housing than the current combination of CIL and s106 does. Therefore, it appears the view could be taken that the cost to development ought to be broadly similar.

- 1.22 With this in mind, it should be possible to research and set up LP VA which in due course provides a basis for revisiting for CIL review purposes or, potentially, beginning to consider the viability of an IL.

### **Notes and limitations**

- 1.23 This VPS does not provide a viability assessment (VA).
- 1.24 We would expect the following to also apply to a future VA.
- 1.25 This VPS does not provide formal valuation advice; nor will the VA that is made in due course.
- 1.26 As will be the case for any subsequent reporting stages, this document has been prepared for the stated objective and should not be used for any other purpose without the prior written authority of Dixon Searle Partnership Ltd (DSP); we accept no responsibility or liability for the consequences of this document being used for a purpose other than for which it was commissioned.
- 1.27 DSP conducts its work only for Local Authorities and selected other public organisations. We do not act on behalf of any development interests. From time to time, DSP also undertakes the review of site-specific viability assessments (at decision making i.e., planning application or similar stage) within the region on behalf of local authorities. That service has not included South Gloucestershire to date. We have however been involved in strategic level viability advice provision with this authority (via and as part of the WECA SDS scenario) in the recent past. The Council is also able to draw upon other viability work conducted in that context (details referred to within this report).
- 1.28 In any event we can confirm that no conflict of interests exists, nor is likely to arise given our approach and client base. Our fees are all quoted in advance and agreed with clients on a fixed or capped basis, with no element whatsoever of incentive / performance related payment. Our project costs are simply built-up in advance, based on hourly / day rates and





estimates of involved time. We confirm that in the preparation of this report DSP has acted with objectivity, impartiality, without interference and with reference to appropriate available sources of information.

## 2 Background - context and information review

### National Policy & Guidance

- 2.1. Viability testing is an important part of the plan-making process. The full VA must be prepared as part of the wider evidence base to ensure that the plan making stage requirements of the National Planning Policy Framework (NPPF) can be met; and conducted in a way that is consistent with the approach set out in the Planning Practice Guidance (PPG)<sup>4</sup>. The NPPF includes a clear requirement to assess viability of the delivery of Local Plans and the impact on development of policies contained within them, as per the following guiding principles:

**NPPF - ‘Preparing and reviewing plans’** (paragraph 31): *‘The preparation and review of all policies should be underpinned by relevant and up-to-date evidence. This should be adequate and proportionate, focused tightly on supporting and justifying the policies concerned, and take into account relevant market signals.’*

**NPPF - ‘Development Contributions’** (paragraph 34): *‘Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure). Such policies should not undermine the delivery of the plan.’*

- 2.2. The NPPF has been updated at the point of putting together this VPS (last update 5<sup>th</sup> September 2023) but not in ways which directly affect the consideration of viability in plan making.
- 2.3. The key guidance on how to address this is within the PPG (including on ‘Viability’), while other publications also provide reference sources – for example ‘Viability Testing Local Plans – Advice for planning practitioners’ published by the Local Housing Delivery Group chaired by Sir John Harman. Known as the ‘Harman’ report<sup>5</sup>, although ageing that is still referred to and reflected in good practice alongside the more recent guidance / information and

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<sup>4</sup> Most recently updated/amended in 2021 in respect of ‘Viability’.

<sup>5</sup> Local Housing Delivery Group – Viability Testing Local Plans’ (Harman, June 2012)

considerable experience of advisors well versed in providing VAs for LPs and CIL setting purposes. The expertise involved usually covers experience of the whole VA process through to examination in public stages.

- 2.4. Other relevant guiding information (now set out as a Professional Standard - 2023)<sup>6</sup> is provided by the RICS (Royal Institution of Chartered Surveyors). Since its total overhaul issue effective July 2021, that has largely reiterated the assessment and assumptions approach of the PPG, which remains the key source of guidance on viability in planning. The RICS also has a Professional Standard on conduct and reporting - its 2019 former guidance, recently reissued (April 2023)<sup>7</sup>. Those preparing VAs should be aware of and should reflect the provisions of these as part of securing as much confidence in the process as possible alongside experience of the process.
- 2.5. Building on the principles within the NPPF, the 'Viability' section of the PPG has for some time been as close as we have to a manual for applying 'viability in planning' principles to both 'plan making' and 'decision taking' (the planning application or other development delivery stage), with the former our focus here.

*PPG (paragraph 001): 'Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure). These policy requirements should be informed by evidence of infrastructure and affordable housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and section 106. Policy requirements should be clear so that they can be accurately accounted for in the price paid for land. To provide this certainty, affordable housing requirements should be expressed as a single figure rather than a range. Different requirements may be set for different types or location of site or types of development.'*

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<sup>6</sup> Assessing viability in planning under the National Planning Policy Framework 2019 (for England)

<sup>7</sup> RICS Professional Standard - Financial viability in planning: conduct and reporting

**PPG** (paragraph 002): *‘The role for viability assessment is primarily at the plan making stage. Viability assessment should not compromise sustainable development but should be used to ensure that policies are realistic, and that the total cumulative cost of all relevant policies will not undermine deliverability of the plan.’*

- 2.6. Within the scope of wider context also outside SGC’s influence, National policy (or proposals potentially affecting national policy) across planning and related areas is constantly evolving. This has been adding uncertainty to the challenge of plan making and considering CILs in recent years; and indeed it continues to do so. The relatively long timeframe of local plans needs to be considered to the extent that is practical.
- 2.7. A viability assessment is, however, necessarily and appropriately carried out at a point in time using latest information available at that stage, including reflecting the national policy positions that exist or are known to be coming into effect; taking into account potential changes moving forward as far as possible (for example as may be reflected through sensitivity testing). It needs to be acknowledged however that no such study can or needs to cover all the highly variable site and scheme specifics that will be encountered; nor every future eventuality in other respects. The key is making a suitable, proportionate strategic overview that reasonably reflects the known or potential influences (variables) and local characteristics. This means that typically LP VAs will involve considering and using a combination of locally specific and wider or national context based assumptions. It therefore needs to be noted that, with significant time passing during most plan making processes, and both national policies / requirements and economic circumstances (and thus property market conditions) moving, in our experience some further assessment work or updating is often required as LP proposals evolve and progress.

### **Infrastructure Levy (IL) – brief outline**

- 2.8. The Levelling Up and Regeneration Bill (LURB) covers a range of proposed changes affecting the planning system, including proposals for a new IL and an aim to make the developing Local Plans more streamlined. At the time of this VPS write up (November 2023) the bill has passed through its final reading in the House of Lords. Details of the timing and content of Regulations are not known. A *‘test and learn’* approach to the introduction of the IL is amongst amendments made to the bill.

2.9. On the IL, a locally set mandatory levy to replace CIL, reform aims to see developers paying ‘a fairer share’ for affordable housing and local infrastructure, with the government stating the aim of creating ‘a swifter, simpler, more transparent system, and one that will raise at least as much revenue as at present, if not more, for local authorities to provide the infrastructure and affordable housing that communities need’.<sup>8</sup>

2.10. Following an earlier consultation on the LURB, from March to June 2023 the Government also ran a Technical Consultation on its Infrastructure levy proposals.

2.11. In brief summary, in respect of IL the LURB provides for:

- Charging based on a percentage of gross development value (GDV – i.e. completed scheme value) at property sale (rather than on increased floorspace which is the basis for CIL charging).
- Applied above minimum threshold(s) in an area, to be defined. Influences like build and other costs, and the existing use value of land, may be considered in setting these.
- Section 106 agreements to continue but in a reduced, more narrowly targeted way, for securing some on-site / particular local infrastructure. Examples of on-site provision have been noted as flood risk mitigation and play areas, so this could mean that the ongoing use of s106 would be regular rather than infrequent. Scope envisaged also for larger schemes to deliver in-kind infrastructure in lieu of financial contributions.

2.12. Some important looking amendments to the Bill have been introduced in relation to the IL. Again, in brief summary, these aim to:

- Ensure the Levy will be capable of delivering at least as much affordable housing as the existing system of developer contributions, requiring local authorities to seek to ensure ‘that the level of affordable housing which is funded, and provided by developers, and the amount of such funding, is maintained or exceeded.’

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<sup>8</sup> DLUCH as quoted by Lambert Smith Hampton in their web publication ‘Viewpoint’ publication on ‘Consultation on Infrastructure Levy’ 29.03.23 – summary drawn upon along with wider web articles review by DSP.

- Allow charging authorities to require developers to pay a proportion of their Levy contributions in-kind as on-site affordable housing.
- See that local authorities will be able to go back to using s106 contributions in the event that the IL does not deliver as intended, including for example providing enough affordable housing in the area. The Secretary of State will need to publish a report on the impact of the IL on the delivery of affordable homes.

2.13. We will not consider the IL prospects further in this report. At this stage it is not known whether a different government would progress with these or similar proposals, with a general Election due in 2024.

### **Economic circumstances and property market conditions**

2.14. The VA will need to consider the influence of economic circumstances on the property market and therefore on development activity and related matters. Appendix II to this VPS report begins to consider the current context and offers preliminary information on the context a VA needs to consider while bearing in mind the long timeline of the Local Plan.

2.15. Although on a high level overview basis at the time of writing, house prices are reported to have increased in the past month, they have fallen in previous months as part of an overall trend of negative values change on annual basis at this time. Most commentators are expecting house prices to fall by up to c. 5% generally in the coming year, before beginning to stabilise and recover beyond that. Many housebuilders are currently scaling back activity in response to the general market slowdown and in order to aim to maintain pricing as far as possible. These are wider overview points. The local context will be key. At the time of review, the planning and housing officers here report continued competition – ongoing demand for sites and schemes in South Gloucestershire, linked to the strong underlying market. In the course of running a VA, it will be important above all to assess the local market and values.

2.16. Prior to the recent housing market downturn, over a sustained period the steeply rising build costs (reflecting the wider inflationary pressures) had been largely supported in overall viability terms by strong values growth. Build costs inflation has been easing in recent months, however, and this trend is expected to continue. Although a combination of values falling (or not increasing, typically) and prices still rising (albeit more gently) reflects

in viability coming under more pressure as we are seeing in many areas, a further updated view of all this will need to be considered. At this point, interest rates are stabilising and expected to plateau before reducing later in 2024. This is beginning to have some effect of slightly more affordable mortgage costs. However, this is also all coming at a time when, led largely by national policy / more stringent Building Regulations, development costs are also being affected by higher standards in a number of provision areas – including electric vehicle charging, carbon reduction / energy efficiency (Part L), accessibility (Part M(4)) and Biodiversity Net Gain (BNG) coming in.

- 2.17. However, a key point relevant to considering viability in planning at this appropriate strategic overview level is that it is not just the “now” that matters and that should be the key context for making decisions on longer term policy framing. Policies need to reflect the longer timeframe of the LP, which is likely to be operated over varying economic cycles and property market conditions (the environment for development), and not be set to respond too far to viability which will often be more challenging in times such as the present. Setting policies too cautiously and too closely reflecting only the more difficult or uncertain market circumstances will be likely to underplay the viability of development overall, across the whole Plan period, and not find a sufficient balance with the need to do the maximum possible overall to help meet affordable housing, infrastructure and other development mitigation needs.
- 2.18. The above mentioned RICS Standard notes that ‘Development risk’ reflects: *‘The risk associated with carrying out, implementing and completing a development, including site assembly, planning, construction, post-construction letting and sales’* and that *‘The return for the risk is included in the developer return and the PPG makes it clear that it is the developer’s job to mitigate this risk, not plan makers and decision takers’*. This is all part of the usual development process. Furthermore, in reflecting the PPG the RICS notes: *‘PPG paragraphs 007 and 009 reflect on the impact of market cyclicity during the life of the plan’*.

#### **Existing policy backdrop and viability evidence**

- 2.19. Although preceding the current NPPF basis, the adopted plan was informed by viability evidence, as was the South Gloucestershire CIL charging schedule. Those assessments remain available to view via the Council’s website and they are referenced within the Review of Assumptions and Commentary provided at Appendix I to this report.

- 2.20. Within the established approach there are a number of requirements in place which will be carried forward under the new LP approach (including affordable housing and self-build), re-tested within the VA in their latest iterations alongside new policies, with the emerging sustainable construction requirements the most significant new area now also needing to be reflected in viability. With affordable housing part of the baseline and a number of new requirements being Building Regulations or national policy based, although all costs need to be considered cumulatively there needs to be perspective maintained on the continued or extended policy areas at the updated LP level.
- 2.21. Having reviewed the locally existing viability evidence (Appendix I), the most up to date and in our view likely to be closely informative in building up a new VA is the assessment carried out to inform the West of England Combined Authority's (WECA) former emerging Spatial Development Strategy (SDS) – **'High level assessment of the viability of development typologies' - Prepared for West of England Combined Authority** March 2022 by BNP Paribas real Estate ('BNP'). This has recently been added to the documents listed on the WECA website – link as follows - under 'Spatial Development Strategy technical documents':  
[Spatial Development Strategy - West of England Combined Authority \(westofengland-ca.gov.uk\)](https://www.westofengland-ca.gov.uk/spatial-development-strategy-technical-documents)
- 2.22. In DSP's view, from the available existing viability evidence in South Gloucestershire, this provides the most suitable starting point – moving towards assumptions review and building for a new VA for the new LP in this district. Our review and commentary in Appendix I reflects this and we will briefly summarise key areas only within this report body, having set out more detail there.
- 2.23. With neighbouring **Bristol City Council** (BCC) also progressing its Local Plan, and SGC looking to very similar directions on climate change response policies in regard to sustainable construction (energy efficient, net zero carbon development) the BCC LP content and evidence on such matters, including the costs assumptions made within equivalent viability assessment work, will also be important to consider consistency with.
- 2.24. The publication version of Bristol's new LP was agreed by Full Council on 31 October 2023. The BCC website notes that it will be made available for Regulation 19 pre-submission representations from 21 November 2023 to 26 January 2024. Supporting documents will be available on the website when the consultation starts:



<https://www.bristol.gov.uk/residents/planning-and-building-regulations/planning-policy-and-guidance/local-plan/local-plan-review> )

### **Affordable housing delivery in South Gloucestershire**

- 2.25. In April 2023 the SCG housing enabling team has produced briefing notes on 'Affordable Housing Delivery' for each of the preceding 3 years – 2019-20, 2020-21 and 2021-22.
- 2.26. In the latest available reporting year, approximately half of the affordable provision delivered was Social Rent.
- 2.27. Although the very latest reporting figures (for 2022-23) are being collated and not yet available, we understand that AH delivery in South Gloucestershire has reached the highest level yet, as the recovery from the pandemic affected period continues.

### **Adopted CIL**

- 2.28. The SGC Charging Schedule provides for the following, sourced from the Council and showing how the standard indexing has been adjusting the rates – current charging rates shown to the right in Figure 1 below.

Figure 1 – SCG CIL charging rates

Table provided in two screenshot sections below summarises the adopted South Gloucestershire CIL charging rates (numbers showing the relevant £ per square metre rates) by development type (residential and other uses). Shown here are the adopted (original) charging rates when CIL was implemented here, the 2020-21 rates and the rates as applicable for 2023 (October 2022 indexing).

CIL Charging Schedule	Original Rate			2020/21		24/10/2022	
	261	>>	Indexing				
Residential							
Communities of North & East Fringe of Bristol, Yate/Sodbury and Severn Beach	£55			£70.40	Increase of 28%	£74.80	Increase of 36%
(Small sites that fall below affordable housing threshold)	£100			£128.00		£136.00	
				£0.00		£0.00	
Rest of South Gloucestershire	£80			£102.40		£108.80	
(Small sites that fall below affordable housing threshold)	£130			£166.40		£176.80	
						£0.00	
Cribbs Patchway New Neighbourhood <sub>1</sub> (CPNN) & East of Harry Stoke New Neighbourhood (EoHSNN) (all types of development within these areas)	£0			£0.00		£0.00	
						£0.00	
Residential Care Homes (class C2) & Extra Care facilities (Class C2/C3) and sheltered retirement (class C3)	£0			£0.00		£0.00	
						£0.00	
Agricultural Tied Houses	£0			£0.00		£0.00	

Second screenshot section of Figure 1 follows (table continues as above)

Other Uses	Prime	Non-Prime		Prime	Non-Prime	Prime	Non-Prime
	Locations	Locations		Locations	Locations	Locations	Locations
Offices (class B1a)	£30	£0		£38.40	£0.00	£40.80	£0.00
R&D, Light Industrial, General Industrial, storage & distribution (classes B1b, B1c, B2 & B8)	£0	£0		£0.00	£0.00	£0.00	£0.00
Retail (classes A1-A5) inc retail warehouse clubs	£160	£120		£204.80	£153.60	£217.60	£163.20
Hotels (class C1)	£90	£0		£115.20	£0.00	£122.40	£0.00
Student Accommodation	£60	£0		£76.80	£0.00	£81.60	£0.00
Sale or display for sale of motor vehicles	£90	£90		£115.20	£115.20	£122.40	£122.40
All other uses	£10	£10		£12.80	£12.80	£13.60	£13.60

(Source: Rates information SGC June 2023 – summarised by DSP)

2.29. Within Appendix III to this report, for general reference we provide summary information relating to other CIL charging levels – of neighbouring / other authorities in the sub-region.

This can be used for general context / comparison purposes, although particular CIL rates need to be considered in the context of the local values, development types, prevailing LP policies, national requirements and other circumstances that were reviewed at the time of rates setting. Accordingly, this is general context only but nonetheless would be important to consider upon any review of the South Gloucestershire CIL in future, looking to understand differences and aiming to avoid unwarranted “cliff edges” between charging levels in abutting or broadly similar areas, etc.

### **Local Plan (& CIL) development / examination examples**

- 2.30. In our experience quite a lot of Local Plan development work has in general been rather stop-start (or has moved around through various iterations) in many areas in recent years - in the context of the widely reported planning system uncertainties, political changes and pressures, and resourcing issues. A number of Local Plans have been paused for a variety of reasons and at varying stages.
- 2.31. Nevertheless, some LP development documents have progressed through examination in the recent period. Although not reflecting extensive research at this stage, DSP has been invited to mention in this VPS any outcomes that to our knowledge may be of interest or potentially useful to consider in work towards compiling a new VA.
- 2.32. DSP is not aware of instances where VA work has been directly related to fundamental issues leading to unsoundness. In our experience, viability has been considered to varying degrees in examinations. Overall, the greatest focus of attention on viability has tended to be in respect of large scale strategic development proposals.
- 2.33. In general, further consideration could be given to this element of information review, but for now we note the following. As noted above in the case of the Bristol Local Plan, upon picking up VA work here further consideration could be given to other plan making work – starting with familiarity of the progress nearby, and potentially looking further afield.
- 2.34. **Cornwall Council – Climate Emergency DPD (CEDPD) guidance** (formally adopted in February 2023 following examination hearings in 2021 and the Inspectors report in January 2023).

- 2.35. The CEDPD introduces progressive policies to tackle climate change. Of particular relevance is the requirement for new homes to achieve net zero carbon<sup>9</sup> in advance of the forthcoming Future Homes Standard (due to come into effect in 2025). The Inspector's Report confirmed that: *'Councils are able to set local energy efficiency standards for new homes, without falling foul of Government policy'<sup>10</sup>*. In relation to viability, the Inspector goes on to note *"Issues around viability have been explored and the Council's evidence shows that the standards the Council propose will have little effect on housing delivery, and no effect at all on employment-related development. Moreover, in relation to housing, where the evidence shows that there might be an impact on viability in parts of Cornwall, the policy includes a viability clause...In the overall context, I am content that the approach of the Plan to sustainable energy and construction is justified, and sound'<sup>5</sup>*
- 2.36. **Central Lincolnshire Council – Local Plan** (formally adopted in April 2023 following examination hearings in 2022 and the Inspectors report in March 2023).
- 2.37. Similar to the above, Central Lincolnshire Council's Local Plan introduces the requirement for new homes to be built to net zero carbon standard in advance of the FHS (2025). The Inspector's Report stated: *'We conclude that the approach of Policy S7, which seeks to go above and beyond the requirements of the Building Regulations, is not inconsistent with national policy for the purposes of the Planning and Energy Act 2008'*. Again, in relation to viability, the Inspector confirms *"The cost implications [of Policy S7] are supplemented by the Viability Assessment Addendum. In summary, it shows that in the majority of cases, development will still be viable...there are different ways in which the calculations can be carried out, and there will always be individual cases which fall outside the scope of the typologies used. However, on the whole, the evidence demonstrates that cumulative costs associated with the plan will not adversely affect the majority of development types to such a degree that they become unviable.<sup>11</sup>*
- 2.38. Linked to this, the Inspector commented in response to concerns raised by the development industry that Central Lincolnshire is not ready to accommodate the enhanced requirements, by reporting that *'no convincing evidence has been provided to substantiate these concerns in response to the information on feasibility and viability supporting the Plan'*.

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<sup>9</sup> Policy SEC1

<sup>10</sup> Para. 166, Cornwall Council Climate Emergency Development Plan Document (January 2023), Inspector's Report

<sup>11</sup> Para. 179, Central Lincolnshire Local Plan Review, Inspector's Report, March 2023.

2.39. **Guildford Borough Council – Local Plan: Development Management Policies (DMP)**

(formally adopted in March 2023 following examination hearings in 2022 and the Inspectors report in January 2023). VA work conducted by DSP.

- 2.40. The Environment Act 2021 introduced a requirement for new development to deliver a minimum 10% Biodiversity Net Gain (BNG) either on or off-site, due to commence from November 2023 with a later 2024 commencement for small sites. LPA's have the ability to set higher targets subject to feasibility and achievability noting the potential impact on development costs<sup>12</sup>. The DMP introduces the requirement for 20% Biodiversity Net Gain (BNG). DSP supported the Council during this process and the Inspector concluded:

*'Having regard to this evidence, in relation to build and other development costs, I am satisfied that the impact of a 20% BNG policy on viability in Guildford Borough would be marginal and as such would not undermine the deliverability of the Local Plan Strategy and Sites...whilst 10% BNG strikes the right balance nationally between the ambition for development and the pressing need to reverse environmental decline, 20% BNG strikes the right balance between those objectives in the Borough'<sup>13</sup>.*

- 2.41. **Worthing - Local Plan** (adopted March 2023 following modifications – Inspector's Report November 2022). VA work conducted by DSP.

- 2.42. This examination process was useful in considering the scope and justification for, and suitable nature of a differential approach to affordable housing requirements, reflecting different development circumstances in the local context (including related to viability on greenfield sites vs PDL). The Inspector noted:

*'Policy DM3 sets out the approach and requirements in relation to affordable housing. This sets out to maximise delivery through a variable approach, with a 20% requirement on previously developed land involving flats, 30% for all housing on previously developed land and 40% for development on greenfield land. This is based on the findings of the Whole Plan Viability Assessment.*

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<sup>12</sup> Consultation on Biodiversity Net Gain Regulations and Implementation, DEFRA (2022)

<sup>13</sup> Para. 31, 33, Guildford Borough Council Local Plan: Development Management Policies, Inspector's Report, January 2023

*I am satisfied that this is a robust assessment and that a variable approach is justified. Setting the requirement to the lowest common denominator of viability would inevitably result in even less provision than might otherwise be achieved. The evidence is clear that different forms of housing and locations of development can accommodate different levels of affordable housing provision. This is particularly important given that overall affordable housing needs will clearly not be met.'*

- 2.43. This Inspector's report also provided commentary on the inclusion of housing standards such as use of the NDSS (Nationally Described Space Standard) and (prior to moving into the mandatory rather than the optional requirements of the Building Regulations) – Accessible and adaptable dwellings PartM4(2).
- 2.44. DSP also provided the VA informing and supporting the **Worthing CIL charging schedule** – Inspector's report May 2021. This included a differential approach based on specific mapping / zoning relating to particular greenfield development; having the effect of extending the scope of the differential rates by scheme type. Although there were particular circumstances given the highly constrained nature of the borough, this was a strong indicator of the potential to consider the role of PDL / GF differential. See also re the Castlepoint CIL below.
- 2.45. This Inspector's report on CIL also considered the aspect of timing, ahead of the above noted Local Plan position.
- 2.46. **Epping Forest - Local Plan**
- 2.47. After a fairly long running examination process overall, we felt that the Inspector's report of February 2023 included some interesting findings aspects relating to viability.
- 2.48. The report noted that a Garden Town Viability Assessment 2019 had indicated that two large allocation sites could face viability challenges. The Inspector went on, however, to note that:

*'the assessment concluded that in a worst-case scenario, their delivery could be secured by varying the package of s106 contributions, the timing of the payments, and/or the mix of affordable housing. Its findings do not support an up-front reduction in the proportion of affordable housing sought from these particular sites'.*

- 2.49. **Castle Point – CIL** (Charging Schedule implemented May 2023 following Examiner’s report February 2023).
- 2.50. Although relating to a CIL rather than LP development, we considered this also worth noting as an example because CIL rates can only be differentiated on the grounds of viability and there has been uncertainty about how much scope there is to define these; the nature and breadth of characteristics that may be used. While not researched exhaustively again, this appeared to take further the charging schedule including differential rates explicitly on the basis of site type in some cases (again reflecting a greenfield / brownfield viability distinction).
- 2.51. The examiner’s report also included relatively detailed discussion on viability assumptions. Although some of the specific methodological points vary, as does some of the work scope and the use of the viability outputs, there are many parallels between strategic viability assessment for LP and CIL purposes.

### 3 Initial scoping of methodology and assumptions for LP VA

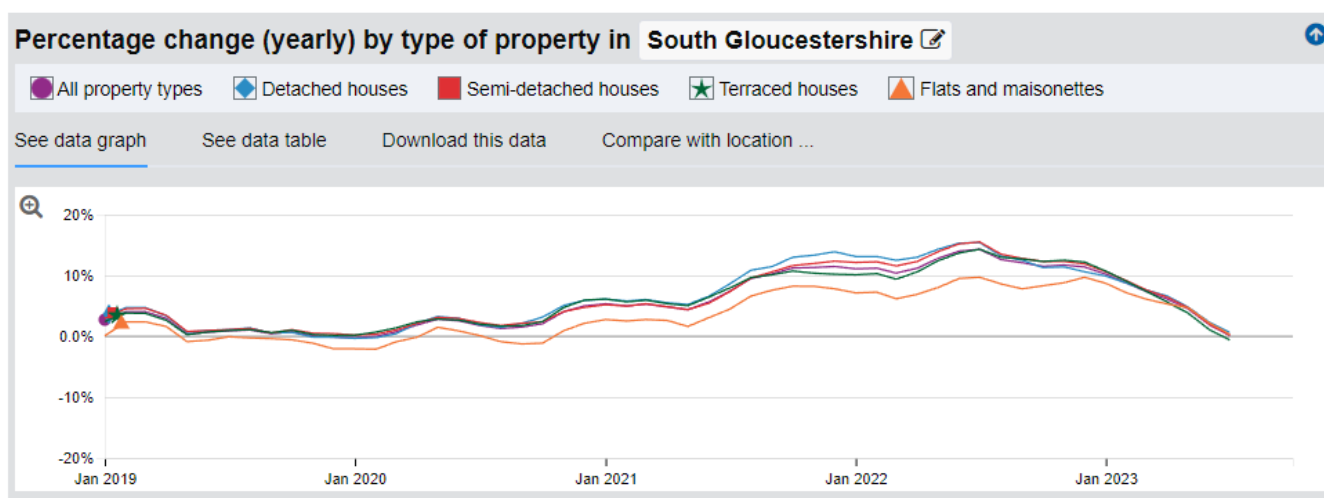
#### Influences on the VA – Economics and policies

- 3.1. The assessment's appropriate focus will need be on the proposed LP policies that will have a direct influence on (usually a direct cost impact on) development scheme viability.
- 3.2. There are also many factors outside the scope of influence of the Council's policy directions – external effects – to bear in mind in conducting the assessment, although as above this all needs to be considered in the round as a variety of conditions will be experienced through the plan period. External factors include economic circumstances and national policy and requirements, with the latter having to be accounted for in the VA alongside the specific LP policies and general costs of development.
- 3.3. The effects of Brexit and then the Covid-19 pandemic did not produce the impacts in the property market expected by many, with the housing market remaining buoyant and prices rising significantly between the spring of 2020 and late spring / early summer of 2023.
- 3.4. Looking at the Land Registry House Price Index (HPI) data with South Gloucestershire selected, it can be seen that the rate of annual house price increase slowed significantly from that point. There is a lag in the reporting of sold price data coming through into this picture, so that the latest available data is around 2 months old. However, it can be seen that by the summer of 2023 this trend of rising prices had slowed to a halt. The slowing of the market has continued. Based on more recent market reporting, we can expect this trend to have reversed by now, with falling house prices, overall, being seen for the first time in recent years. This general trend is illustrated by the following LR graph extract – Figure 2 below.



Figure 2 – Land Registry HPI trend

Screenshot graph sourced from Land Registry House Price Index data available on the LR website, showing house prices trends from January 2019 to latest available data by all properties (overview) and for detached houses, semi-detached houses, terraced houses, flats and maisonettes. All measures essentially follow the same trend line.



(DSP 2023 sourced Land Registry September 2023)

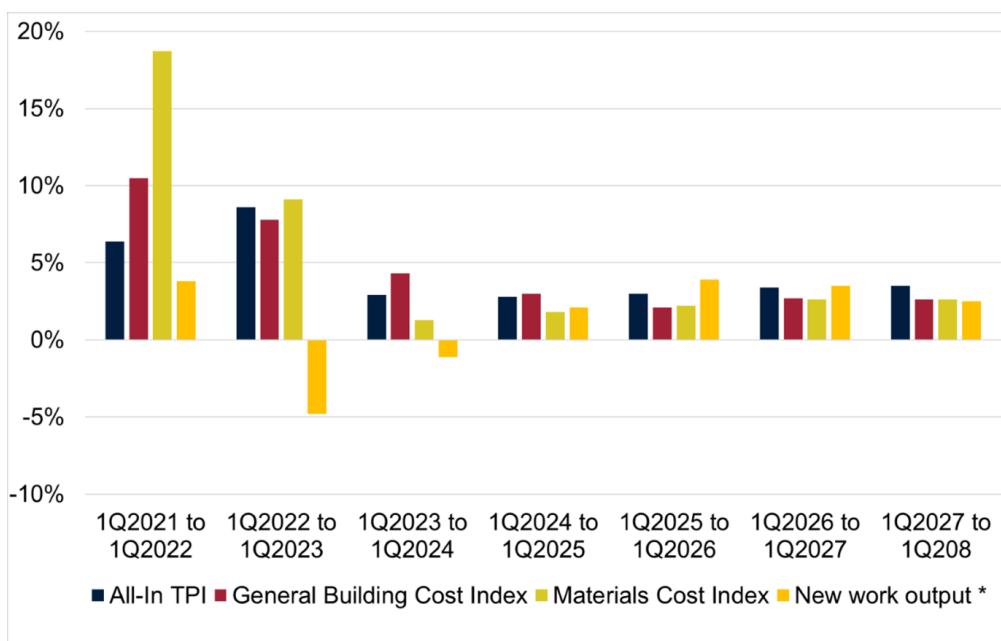
- 3.5. This has been triggered by a period of high inflation, during which interest rates have risen sharply. These conditions are both global and UK influenced, with changes of leadership in Government and new policy initiatives or proposals creating uncertainty across a wide range of areas (including in planning, housing and environmental) as well as economically; and collectively resulting in a difficult economic and shifting, hard to plan for policy environment, and resulting in cost of living issues and related pressures that have been growing in the recent period. As noted at 2.15 above, at the time of finalizing this VPS stage review, the Bank of England Base Rate appears to have peaked and now stabilised at 5.25% and is expected to start coming down within the next year. This has begun to filter into slightly more positive news on mortgage rates and affordability.
- 3.6. In preparing a VA we would expect there to be more market context set out as a backdrop for the values research that would be undertaken (more on that below). However, as noted above the policy positions informed and supported by the VA can be

expected to operate through varying economic and property market conditions and therefore it is important to consider that development values and costs will be likely to change. Accordingly, it is not appropriate for a VA to consider only the response to challenging delivery circumstances (such as those being experienced now) rather than a more varied context in which the new LP policies could be expected to operate.

- 3.7. All in all, however, it seems likely that a VA could get underway and need to be completed while the above noted circumstances prevail for the time being; a challenging time at which to consider viability. In the recent period, generally we have seen housing values increasing sufficiently to balance out the steeply rising build costs that have also been experienced.
- 3.8. Based on analysed survey results (from a range of responses reported on tender price movement between 2Q2023 and 3Q2023 of between 0.0% and 1.25%) published on 26<sup>th</sup> September 2023, the BCIS estimate of tender price inflation for 3Q2023 stated tender prices to have increased by an estimated average of 0.7% between 2Q2023 and 3Q2023, resulting in annual growth of 4.0% in the BCIS All-in Tender Price Index (TPI); down from 9.4% in the previous 12-month period.
- 3.9. The recent forecasts of BCIS, in common with others' general expectations, are such that the annual growth in tender prices is expected to slow further - expected at 2.9% in 1Q2024. BCIS notes that it is not until the last three years of the forecast period that tender prices are likely to rise faster than costs. Overall, tender prices are forecast to rise by 17% in the five years to 1Q2028. The graph below (Figure 3) provides a useful high-level overview of the recent and progressing build costs indices picture, indicating that a much more stable period lies ahead on these measures, viewed based on data available in the recent period.

Figure 3 – BCIS indices / trends overview

Screenshot graph sourced from BCIS indicating the changes in various BCIS indices since the period 2021-22 and looking ahead (as currently forecasted) to 2027-28. The data display includes the changes in the All-in TPI (tender price index), General Building Cost Index, Materials Cost Index and New work output. It can be seen that this indicates the noted prospects of a much more stable picture in the coming few years.



Source: BCIS - Tender Prices, Building Costs and Material Costs (BCIS TPI, GBCI and Materials Cost Index annual increase 1Q to 1Q, output is based on the whole year on whole year)

3.10. The underlying assumption for such an assessment to be undertaken is that there is a functioning development market. With the overall timelines involved in Local Plans, it has to be envisaged that conditions will change, so that it is not appropriate to prepare the evidence based only upon exceptional circumstances, for example. The trends information above illustrates how it would be unsuitable to run only with data and assumptions reflecting the troughs or peaks of housing market or build costs movements.

**Influences on the VA – Planning environment including climate change response**

- 3.11. Alongside the significant external influence of economic circumstances, the recent period has also been one in which significant changes to the planning system have been proposed and the regulations and standards around more sustainable building have been developing. At this point, these processes, and the uncertainties around them, are set to continue and so remain in place as potential influences on development viability too.
- 3.12. There is a greater and increasing emphasis on carbon reduction, with higher standards now in effect (from June 2022) under Part L of the Building Regulations, reflecting the Future Homes (Interim) Standard and moving towards the full standard set to require that from 2025 new homes will need to be capable of being carbon neutral once the energy grid decarbonises.
- 3.13. That is the Government's timeline. However, we are increasingly seeing, and preparing VAs for, Local Planning Authorities that are aiming to go beyond these requirements and / or do so more quickly – as soon as the progression of their new Local Plans allows.
- 3.14. The emerging SCG LP approach looks set to be another case in point. The Council here has a significantly more comprehensive and ambitious approach and is looking to get in place a more stringent policy expectation to improve the sustainability and energy efficiency of new homes and other buildings.
- 3.15. The council is set to bring forward policies on:
- Climate change mitigation adaptation and resilience
  - Energy management in new development
  - Embodied carbon
- 3.16. Although we have overviewed initial drafting versions only, within the first of these, water usage limited to no more than 110 litres per day per person is included in the policy scope. Although exceeding the Building Regulations baseline (@ 125 lpppd) this is a fairly common position and should not add detectable cost. BREEAM assessments will be required (including for non-residential / mixed-use developments).
- 3.17. The emerging energy management policy will be focused on energy demand as a clearer metric than carbon reduction. The initial drafting shared with DSP notes: *'To reflect the latest best practice, and changes in carbon intensity of grid electricity relative to other*

*fuels, this draft policy uses Energy Use Intensity (EUI) rather than CO2 as the primary metric for assessing compliance, working towards the same overall goal (i.e. zero CO2 emissions from operational energy use in new development). Energy Use Intensity is a measure of energy use per square metre of a given development. It is calculated by dividing the total energy consumed by a building in a single year by the gross floor area of the building.'*

- 3.18. Relevant but not over-stated cost assumptions will need to be made within the VA as the SGC detail and supporting information settles down. The Council has been reviewing wider information and liaising with specialists on this.
- 3.19. In our experience there are wide ranging cost estimates in circulation for achieving similar measures. At this stage, the extra over costs associated with net zero carbon new homes following the expected LP policy approach (using energy efficiency metrics) and reflecting the readily achievable measures on embodied carbon, are not expected to add more than approximately 3 to 8% to build costs depending on development form (and typically significantly less than this in respect of non-residential builds).
- 3.20. In recent viability assessments DSP has included an (extra-over) allowance for meeting the requirements of Building Regulations Part L 2021 (implemented in June 2022) over Part L 2013 given that BCIS figures will not fully reflect the latter until the latest data filters through. Moving ahead (including to VA here) it is likely that it will become unnecessary to make that pre-adjustment to base costs (Part L 2013 – 21). However, the additional uplift in costs associated with moving from Part L 2021 to zero carbon / energy use or other increased energy efficiency / carbon reduction policies will need to continue to be included for plan making purposes in the short term (with assumptions based on review latest available information at the time).
- 3.21. Over time, we can reasonably expect the extra over costs to reduce significantly – as the technologies and knowledge of their use expand and the market for this grows to become the norm in coming years.
- 3.22. At this stage, there is only limited / anecdotal evidence emerging that increased energy efficiency will influence property occupiers' and purchasers' choices in the market. Higher prices are now being supported by more energy efficient commercial premises but it remains to be seen how quickly or how far this effect may be seen in the residential

market. Many housebuilders have already been advertising increased energy efficiency and reduced running costs as a key benefit of their new homes. This may well be an effect to aim to monitor and consider for the VA as well.

- 3.23. Within the overarching sustainability and environmental theme there is also the national introduction of requirements for electric vehicle charging provision, Biodiversity Net Gain (BNG) requirements, more focus on water usage efficiency and (in affected river catchments) Nutrient Neutrality as well as increased emphasis on the accessibility of buildings. Overall, there is a wide range of relatively new and continually developing factors to consider in VAs, with further change seeming highly likely.
- 3.24. All in all, although over time we can reasonably expect the development industry and market to adapt and additional (extra-over) costs currently involved in supporting such matters to reduce, we are in a period of increasing requirements and costs generally. We anticipate that the initial VA related dialogue that is already underway with SGC and beginning to inform the LP progression (and future consideration of a review of the CIL) will need to continue pending the inception of the VA and the activities that will then build on this initial scoping exercise. Run in this way, the VA will be as topical as possible and also be built up in a way that can be updated and added to as may be necessary as the various influences on viability change and further consultation is carried out over the period to the LP examination.

### **Principles and VA methodology**

- 3.25. The following is a brief summary only, aiming to outline the type of approach to and scope of assumptions that we would expect to be appropriate for preparing the Viability Assessment (VA or 'assessment') that will be needed to inform and support the new LP as it progresses from this stage.
- 3.26. Only over the coming period will we begin to see how ongoing changes in the context matters (viability influences) outlined above will play out further and come together, however.
- 3.27. This is the crux of a VA. It considers the strength of the relationship between development values and costs, and how this may vary in different circumstances in the district - as are relevant to the new homes and other delivery proposed in the LP, overall.

Varying circumstances to consider will be likely to include a variety of site and scheme types and sizes, varying local characteristics that might mean allowing for differential policies or differing mitigation or infrastructure requirements; and values as may be influenced by these or some of these matters. The VA will be proportionate, however. The guidance (PPG) recognises that it is not possible or necessary to consider all possible development circumstances or eventualities. The VA is prepared at and responds to the strategic nature of Local Plans.

- 3.28. Ultimately, the development identified in the emerging plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is unduly threatened overall. This is not the same as being absolutely certain that all schemes, viewed individually, will be viable with all requirements. This is important to note because some will be inherently challenging in any event, given their nature. All sites are different. Small changes to assumptions can be seen to have a significant effect on the viability indications. However, an overview is required.
- 3.29. The assessment hinges around being able to monetise the emerging policy set in order to understand the likely impact of policies on viability (at varying levels as appropriate) when considered cumulatively with the usual development costs and any national policy influences.
- 3.30. Viability is not the only factor for the plan makers to take into account, however. There are many others, including the local extensive need for affordable homes, infrastructure and other provision to accompany new development.
- 3.31. Alongside the viability scope indicated by initial appraisals, the extent of needs will usually influence the range of testing that will be appropriate, so that the plan makers can consider any options within their overall task, usually in our experience, of balancing objectives. Typically, this means the VA will be helping the Council's exploration potential policy choices and priorities. Very often there are compromises that need to be considered – “trade-offs” between policy aspirations to be explored to some extent. Usually there is a need for some level of compromise compared with the full list of desired provision (fullest extent of planning objectives). At this stage we would not expect South Gloucestershire to be different in principle and the VA should be able to inform and help guide this process alongside the other evidence that is building.

- 3.32. The VA will use a residual valuation approach to exploring how viability may be expected to look and to vary both in different situations and as the effect of varying policy test levels is considered. Residual valuation is the well-established and extensively tested methodology that DSP and others consistently use. It enables suitable high level development appraisals to be run, normally across hundreds of scenarios or ‘sensitivity tests’ in all.
- 3.33. Alongside allowing for the policy or development costs that will have relatively consistent effects on viability (such as the typical build and development costs and costs of national policies or regulations) the VA will be expected to use this methodology to test and explore how much scope there is to viably support the LP policy elements or infrastructure costs that are generally seen as the main variables. These typically include the amount (% / proportion) and type of affordable housing and the degree to which the plan makers are looking or able to seek development to higher than national housing or other technical standards (for example energy efficiency / carbon reduction, accessibility, level of Biodiversity Net Gain (BNG) etc.).
- 3.34. In brief summary, the scope available for supporting SGC specific policy costs within the new LP would be explored by seeing how much headroom remains in the viability indications, if any, after allowing for all other costs in the appraisals.
- 3.35. The appraisal calculation produces a ‘residual land value’ (RLV) by deducting the estimated cumulative development costs from the estimated development value (gross development value or ‘GDV’). Then, any additional scope to support policy cost that has not been included within the appraisal inputs (assumptions) is considered by comparing the appraisal RLV with an assessment of relevant site value in the context of viability in planning. This is assessed based on existing use, as per the PPG, and known as the benchmark land value (BLV).

### **Benchmark land values**

- 3.36. The BLV levels assumed for the VA, usually a range of them, involve judgement and broadly represent suitable landowners’ returns but are not market value based since that wider view may have a range of influences beyond the key existing use value (‘EUV’) basis. The PPG approach is known as ‘EUV plus’. Within this an allowance (the ‘plus’) is made for an uplift (premium) over the EUV to suitably reflect an owners’ release of land from its current use. The extent to which a premium over EUV is justified will depend on

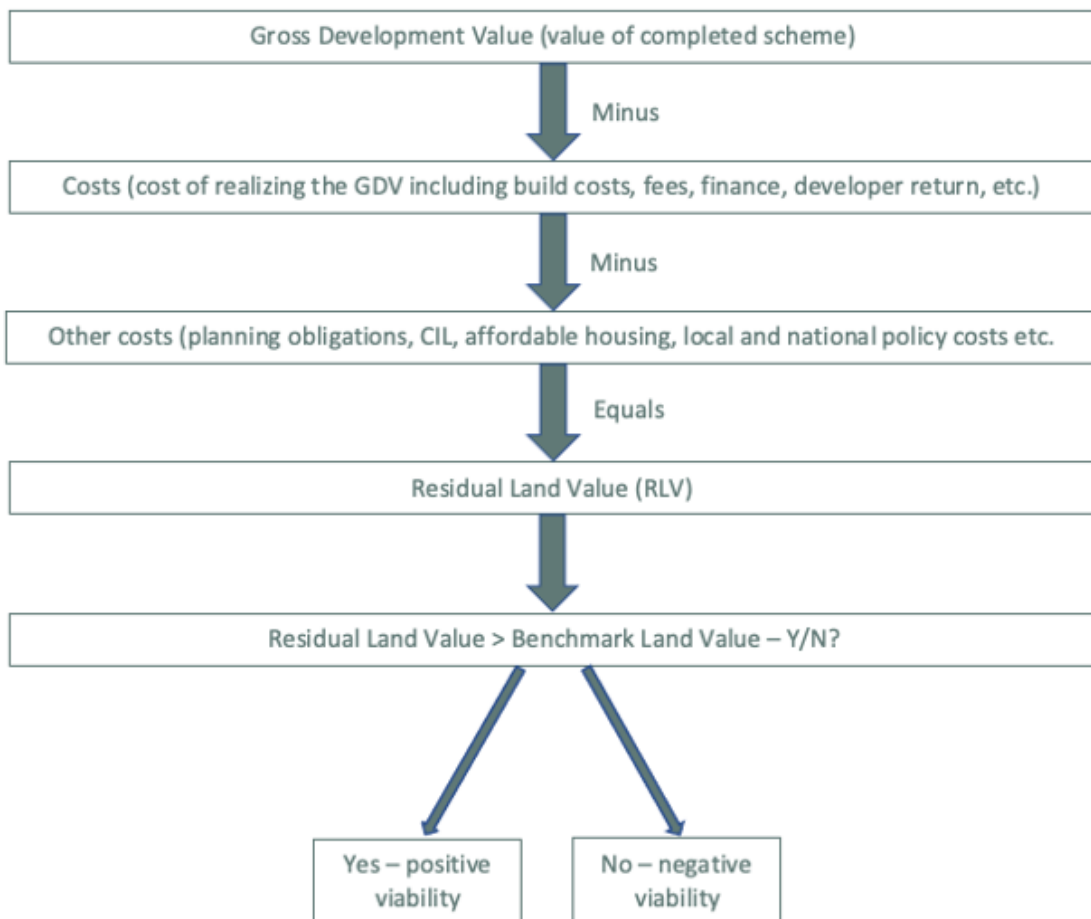


the circumstances and again judgments need to be made on this within the VA, informed by examples as far as possible and by experience. In this and other respects (scope and assumptions making) the PPG provides the closest we have to a “how to” guide for the VA process.

- 3.37. Figure 3 below (see following page) provides an illustration of the residual methodology used in this way. ‘Residual’ refers to the amount left over from the estimated value after meeting the estimated development costs (including profit) and therefore indicated to be available for land cost. The residual output of this calculations is then compared to an assessed benchmark land value (BLV). Later in this section we will note the source or nature of assumptions that we can expect the VA to make, reflecting experience of good practice from a wide range of similar studies.
- 3.38. Appendix I provides details of the WECA SDS typologies viability work that is considered to form a useful starting point in building assumptions – including the use of BLVs in the likely range from £150,000/ha towards an upper £2.5m/ha level; subject to review within the LP VA not being constrained by this – a basis to begin working with.

Figure 4 - Outline of residual land valuation approach

Flow chart diagram indicating approach to residual valuation calculation and relationship of RLV (residual land value) to BLV (benchmark land value) – as is expected be used in the appraisals and results reviewing process for the assessment



(DSP 2023)

3.39. Moving on to the steps likely to be involved in preparing the VA using this appraisal methodology, from experience the following should be suitable a general outline of the approach (although potentially subject to review as LP progression and assessment circumstances evolve). Although the activities can be expected to overlap and some may be revisited / updated as the VA progresses, this is a usual sequence of steps:

- a) Inception - Review VA scope and approach, timings, provisional overview of information sources.

- b) Review and clarifications phase – consider further information as it becomes available to enable meaningful progression of the next project phases; ongoing liaison with SGC and potentially others working with SGC on key evidence studies that the VA will need to reflect. The key information scope needed to inform the VA is likely to include:
- Understanding of the SGC intended LP development strategy and policy proposals / priorities. Purpose: To design the VA and establish both the fixed policy costs and the variables to be assessed, and at what levels / range of levels / combinations to do so. This is normally revisited prior to the point of fixing assumptions ready to run the appraisal (see below)
  - Picture of site supply – focusing on housing as noted above but also considering sample / key new employment allocations or mixed-use site proposals. To include the nature (existing use) of a range of relevant host site types. Purpose: To inform selection of typologies (range of representative development scenarios) and specific site proposals to test.
  - Housing need - both market and affordable, dwelling mix guide, target AH tenure mix guide. Note: Assumed dwelling sizes are typically informed by the ranges set out within the Nationally Described Space Standard (NDSS); with minimum sizes expected to be met. This has been a typical approach within our viability assessments for a number of years. Purpose: To inform the appraisal inputs.
  - Appreciation of other relevant context including SPDs, particular local matters / constraints to be aware of. Purpose: To inform the appraisal inputs.
  - Information on local AH delivery and s106 scope alongside CIL (e.g. £/dwelling or similar indications) covering other matters. Purpose: To inform the appraisal inputs and results review context.
  - Property market and values research and review. Normally using information from Land Registry, wide ranging web searching, information as far as available from stakeholder consultation exercise and any follow up, other

sources reviewed. Purpose: To inform the appraisal inputs and results review context.

- c) Development of provisional assumptions. Appendix I to this VPS report sets out our commentary on this – reflecting on the WECA VA work by BNP.
- d) Stakeholder consultation – usually with a wide range of locally active development industry stakeholders including housebuilders and developers, land and property agents, planning agents / consultants / designers, other local authorities, the Council’s housing, property / economic regeneration officers or others, affordable housing providers (RPs), the HBF (Housebuilders Federation) and other parties as are engaged locally. Further (specifically targeted) consultation with the promoters of key larger / strategic sites to be viability tested.
- e) Further information and assumptions review.
- f) Final settling of assumptions. As proposed by VA provider but suggested also by engaging the local knowledge of SGC without taking up too much officer time.
- g) Appraisals running. Using the residual principles to conduct a range of typology testing (scenarios to be agreed with SGC as representative of a range of development types expected to come forward). Normally, we would expect to test in the range of say 8 to not more than around 12 scheme typologies, with each of these then further sensitivity tested across a range of potential values, affordable housing %s and other policy variables as appropriate.
- h) A more directed set of appraisal testing (using more tailored assumptions) could be expected to be provided for a usually smaller number of larger / strategic site allocation proposals to be selected through discussion with SGC development proposals relating to preferred option(s) using specific information again as far as available.
- i) Further results review - following the above, appraisal results considered and summarised / tabulated appropriately to inform interim reporting. Potential additional sensitivity testing.

- j) Interim / draft reporting – provide further developed findings and recommendations to inform the plan. Frequently we find that information used to build the VA is useful for sharing with representatives of the elected Councillors while the VA is in development – perhaps early on or as it reaches draft findings stage, although this engagement can be considered at any stage. We have found that often it also acts as training on viability and its role in plan making – where this is considered beneficial.
- k) Further clarification phase – address / discuss any arising queries including potential adjustment, any additional sensitivity testing and refining of results presentation etc.
- l) Final reporting – preparation of final full reporting providing fully developed assessment, findings, high level summary and appended information including summary of assumptions, review of the LP policies, tabulated results, sample appraisal summaries and market / values research information.

3.40. We will now provide some further initial commentary on the VA assumptions setting – again, provisional scoping only.

#### **Typologies selection and considering specific sites**

3.41. The outlined approach and assumptions will be used to prepare and review appraisals to firstly assess the viability of a mix of typologies (used to explore the viability of policy positions and general development sites) and more specific appraisals. The latter are usually run once the viability of policies picture has been developed to gain a base understanding of that. They are tailored as far as possible using available information to test that the large sites selected for appraisal (each usually being critical to the Plan delivery overall) on their own) have reasonable prospects of viability. With the relevant policies and costs estimates applied this part of the exercise also acts a further test of the policies viability – under those circumstances.

3.42. Carried out in this way, the VA can also guide on whether any policy differentials should (or could) be considered by SGC from a viability point of view. The Council’s current approach has included a mix of CIL and s106 usage depending on the circumstances for example, as noted above. Although not covering the CIL detail unless tailored to do so, the LP VA could take the review of viability far enough to explore whether a continuation

of CIL charging or Nil CIL rate zoning on the largest sites would be likely to be appropriate. Similarly, the relevance of any other differentials could be considered.

- 3.43. The typologies selected and appraised using the scope of assumptions outlined in Appendix I (and see the brief summary below) are likely to represent a range of schemes from a small number of properties beneath / around the affordable housing policy threshold (10 dwellings) through a scale up the point at which sites become strategic in the local context. Accordingly, the assumed densities (dwelling numbers per ha) and related net developable site areas as well as gross (total) sites area allowing for open space and other infrastructure and the like (and / or contributions reflecting required off-site arrangements) will all be part of the shaping of these typologies for appraisal in due course. In general, the emerging site supply is largely greenfield (GF) based.
- 3.44. Appendix I refers to the nature of the typologies setting process and picks out the suggested use of scenarios selected as a starting point from the WECA viability work by BNP. In our experience of areas with a range broad range of similar characteristics to South Gloucestershire, we could expect the process building of typologies to consider the following – brief summary of provisional indications for review on running the VA:
- Small schemes of 5 – 15 dwellings around the AH policy threshold; houses and / or apartments. Densities 30 – 75dph. Could include both PDL and GF, from urban to rural areas.
  - Schemes of 20 to 150/200 mixed dwellings (houses and apartments) – 40 - 100dph. GF and PDL. Including self-build plots at 100+ dwellings.
  - 30 – 60 retirement living/sheltered and extra care @ c. 125 dph (and possible larger typology c. 200 representing integrated retirement community (IRC). PDL and GF.
  - c. 200 apartments – Build to rent (BtR) @ 200 – 300 dph.
  - 300 - 500+ mixed dwellings – 40 – 50 dph on sites with / sensitivity tested with increased infrastructure. GF.

- And on commercial / non-residential development uses, typologies as far as relevant to the LP, but likely focusing on including as relevant employment land alongside largest mixed typologies as above and / or reflecting site allocations for those.
- Further typologies on non-residential commercial development types as may be relevant to reviewing sustainable construction costs effects for the LP; and for initial CIL review indications if included within extent of VA. Again, see WECA work by BNP. When including, typical expectation is to look at Retail (foodstores, retail park type, town centre / comparison and local convenience stores); Industrial / R&D warehousing / distribution; offices (urban and business park); care home (C2); hotel.
- Purpose built students housing is considered likely to be relevant in South Gloucs, associated with the University of the West of England (UWE) – including at the airfield and Filton. These and any other uses key to the LP development could be within the scope of what is appropriate to consider within the VA.

3.45. An equivalent process will then also be run using more specific information as far as available at the time on the actual sites to be assessed. At this stage it appears that there are unlikely to be more than 2-3 very large sites requiring specific viability appraisal.

3.46. Building up of the typologies and view on the scope of specific site appraisal work that will be appropriate will need to be discussed and agreed with the Council, informed by its further progression work towards the new Local Plan preparation.

### **Market sale housing values assumptions**

3.47. For this scene setting VPS stage we carried out initial overview research on housing value patterns and levels of value across South Gloucestershire. This initially covered 2 years recorded new build sold prices up to April 2023 (the latest available data at the time of review). It was based on the current understanding of 6 localities as follows:

1. North Fringe (of Bristol)
2. East Fringe (of Bristol)
3. Yate and Chipping Sodbury

4. Thornbury
5. Rural areas
6. Severnside (although this yielded no Land Registry data for the period reviewed)

3.48. Subsequently we took the search back one further year (to cover the period April 2020 – April 2023 overall). We also began looking at values in the Bristol Fringe area in a more fine-grained way, following discussion with SGC. For this we considered the following areas:

North Fringe:

Filton, Patchway; Bradley Stoke, Stoke Gifford, Harry Stoke, Frenchay

East Fringe:

Downend, Emersons Green, Mangotsfield, Staple Hill, Soundwell, Kingswood, Warmley, Cadbury Heath, Oldland Common, Longwell Green, Hanham.

3.49. Appendix II includes the summary findings from these exercises.

3.50. Although at only a preliminary rather than full review stage yet, the indications from the above exercise (and again subject to reconsidering and adjustment within the LP VA) are at this stage, viewed overall:

- a) Looking between the localities, on overall review there appears not to be a great deal of variance in values across the area. Varying values may be seen more by specific location and scheme type.
- b) At the current time (recently available data although the very latest may be adjusting as above) the median value in the district, overall, is around £4,300/sq. m (approximately £400/sq. ft.).
- c) Viewed overall in each case, the values indicated for the locality areas considered at this stage are very close to this overall median level. However, the rural areas appear likely to support slightly higher values on the whole. On a closer look, the North Fringe appears to support values at around the typical levels seen overall for the district and while the East Fringe picture looks a little more mixed (with



values both beneath and above the overall median levels but again a similar overall picture).

- 3.51. This picture will need a revisit for the VA, but provisionally it appears that the VA should consider sensitivity testing for the effect of values across the range approximately £3,000 to £6,000/sq. m. (approx. £279 to £557/sq. ft.) overall. This would enable the testing to span either side of the likely core range of values at around £4,000 to £5,000/sq. m (approx. £372 to £465/sq. ft.).
- 3.52. We would expect to run the tests at a number of value levels, probably at 8 to 10 steps, representing points in this range of values so that the findings could be more closely associated with different circumstances once all of this is aligned to the consideration of the localities, site supply and scheme types envisaged within the new LP. This type of approach also enables the results to be considered in a way that is more targeted to location where relevant, and as values move during the evidence gathering period and beyond.
- 3.53. An exercise of this nature would be needed to see whether or to what extent an expanded or revisited view of the geographic areas might reflect in the viability overview and inform differential policy responses. In discussion with SGC, officers have noted a potential need to consider relativities between Yate and Chipping Sodbury, and between the Cotswolds AONB and other rural areas, for example.
- 3.54. For retirement living and extra care / integrated retirement community (IRC) typologies appraisals (run in addition to the general residential typologies and any commercial / non-residential appraisals) we could expect to test the viability at premium values levels – i.e. upper level values within the overall range noted; potentially higher (again, subject to review – as part of assembling more bespoke assumptions for those appraisals). For information at this stage, within a typical approach those more bespoke assumptions usually reflect a specific build cost rate allowance and include other factors such as the enlarged proportion of communal (non-saleable floorspace); empty property costs; a different profile of selling rate (although frequently sales are over a longer period overall a higher sales rate is often seen at the outset, with off-plan sales common); reduced external works; increased costs of sale. For relevant integrated retirement scheme (IRC) typology review, the occurrence of event fees or similar may need to be considered as part of the revenue stream.

- 3.55. All of this should be subject to further review within the scope of the VA, looking again at Land Registry sold prices data on new builds (the most relevant for the purpose) together with other available information. For VAs we also collect data on resale house prices and prices advertised for new developments at the time of building VA assumptions (as adjustments to indicative sale price can be made) and we seek any guides and opinions available through the stakeholders consultation exercise.
- 3.56. Typically, in VA a broadly equivalent exercise is carried out to gather data and make assumptions on commercial / non property values (rents, investment yields, capital values) to inform the appraisal of further relevant typologies or sites to look at their viability. In that case, DSP uses a subscription based commercial property database (Co-Star or equivalent) as the main information source. Again, we use a range of value assumptions in looking at each typology or site and the sensitivity of the outcomes to the values changing. This research, along with reviewing at VOA and former MHCLG data, can also be useful in considering benchmark land values.

#### **Affordable housing revenue (value of AH)**

- 3.57. The affordable homes produce by far the largest impact on viability, of all the policy areas that typically need to be considered. This universal effect is because while these cost broadly the same to develop as the private market homes, in order to be as affordable as possible they generate a much lower level of value (developer receipt). This means a very significant level of subsidy from the development funds. On the relevant blend of AH tenures as per the assessment of local housing need (60% AH as social rent; 40% shared ownership) discussions with SGC suggest that receipt level will probably be at around 55% MV overall. The AH policy will seek higher levels of social rented provision (at 67%) as this key tenure for genuine affordability is to be prioritised.
- 3.58. First Homes are unlikely to be part of the SGC approach, as above (and again see Appendix I). Shared ownership is considered to better meet needs for affordable home ownership locally – as per the Local Housing Needs Assessment (LHNA).

#### **Other build types / plots including build to rent and self-build**

- 3.59. Build to rent (BtR) is a form of development that requires specific appraisal where relevant. SGC will expect any Build to Rent (BtR) schemes to include affordable homes.

Although the affordable proportion would take the form of 'affordable private rent' at 20% in accordance with national guidance, SGC expects these rents to reflect local incomes and be Local Housing Allowance (LHA) based rather than set at higher, much less affordable, levels arising from straight discounts applied to full market rents.

- 3.60. SGC has noted that the Brabazon scheme proposals at Filton, north of Bristol, include a significant number of homes (approx. 1,800) for BtR.
- 3.61. Self-build plots based on 5% of schemes of more than 100 dwellings will need to be factored into the VA. This continues the existing approach which is now resulting in delivery. Likewise, any requirements for gypsy, traveller and travelling show people accommodation (for example pitches provision) may need to be reflected within or associated with larger development allocations.

#### **Other emerging assumptions scope – general development costs**

- 3.62. The tabled review information in Appendix I sets out our initial consideration of assumptions – including as noted both above and further summarised next. Again, all assumptions details to keep under review – to be confirmed or updated.

#### **Housebuilding and related costs**

- 3.63. Again, reflecting established practice, the VA's housebuilding cost assumptions (base build costs – constructing houses and flats) will usually be sourced from average data provided by the Building Cost Information Service (BCIS). We expect to use a range of categories within the BCIS dataset of median costs, selecting maximum 5 year old data as most closely reflecting more onerous recent standards (unless the sample size on that basis is very small); rebased using the South Gloucestershire location factor (102 compared with base 100) in all cases. Categories are selected to reflect the nature of development represented by the scheme typologies and sites that will be appraised. Where flats (apartments) are assumed, allowance is made for the construction of the communal areas - sales area typically c. 85% of the overall build floor area (via a net < gross floor area adjustment or similar).
- 3.64. Relevant BCIS data categories may be 'Mixed Developments' (houses and flats), 'Estate Housing', 'Flats' and 'Supported Housing' (with the latter used alongside a range of other

adjusted assumptions for typologies studied reflecting retirement living / sheltered housing and extra care developments). There are also sub-categories for some datasets – reflecting varying dwelling types and development forms / storey heights.

- 3.65. For the appraisal of strategic or other larger scale development, i.e., involving volume housebuilding, we expect to use equivalent BCIS data but based on the lower quartile cost set reflecting economies of scale. Local characteristics need to be considered but generally we could expect to see this assumption used where sites of upward of 150 – 200 dwellings are involved. This is reflective of assessments that we see and work we undertake at decision making stage as well.
- 3.66. Again, with reference to Appendix I assumptions will be made across a range of further inputs, including the following.
- **External works**
  - Works cost **contingencies**
  - **Professional fees**
  - **Sustainable construction** (net zero carbon currently at approximately +3 to 8% over base build costs depending on circumstances as noted above, with no appreciable further addition to costs for reflecting the envisaged approach to the embodied carbon element).
  - **Biodiversity Net Gain (BNG)** estimated costs based on the Biodiversity Net Gain Impact Assessment - Natural England - Table 19-20)
  - **Electric vehicle charging**<sup>14</sup>
  - **Accessible and adaptable homes** - Building Regulations Part M4(2) and (3)
  - **Site acquisition costs** (representing site securing / land buying expenses, additional to land purchase cost itself).
  - **Costs of development finance**
  - **Costs of marketing and sale** (of completed development)
  - **Development profit**

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<sup>14</sup> Cost indications from Department for Transport (DfT) Residential Charging Infrastructure Provision Impact Assessment (September 2021)

### Taking account of the CIL (and potentially informing CIL review)

3.67. The main focus of full LP VA work is likely to be on residential development. The same is invariably the case in VA work to support a CIL or CIL review. This is for a number of reasons, including:

- The scope of LP policies influencing the viability of development is typically much greater in the case of residential schemes compared with commercial / non-residential developments. Affordable housing, for example, usually represents by far the greatest impact (most expensive policy area to support).
- Allied to this, beyond seeking to encourage the needed forms of commercial / non-residential developments in appropriate places and avoiding unduly burdening them (since their viability is often more mixed or challenging), there are normally few directly relevant policies to assess for viability. The scope of viability consideration is usually limited to building sustainably (enabling energy efficiency – carbon reduction) and, of late, considering very minor cost implications of addressing Biodiversity Net Gain (BNG) from what can be low base on some relevant sites. More on these matters is noted within Appendix I / below.
- Aside from potentially assessing emerging LP allocation sites that are proposed to make significant new employment provision (or any other key commercial proposals that have overall plan relevance locally), the main driver for assessing the viability of non-residential developments is therefore in relation to CIL charging rates testing. However, typically the level of CIL receipts from the relatively low quantum of development that is considered sufficiently viable to clearly support a level of fixed CIL charging is generally small compared with the residential charging picture and the CIL yield from that.

3.71 There needs to be a clear approach to taking account of the cost of CIL and s106 while considering the local viability scope available to support affordable housing and other key planning policy objectives. As considered here, those other objectives include energy efficiency / sustainable construction (climate change response), housing standards including accessibility, biodiversity net gain and other matters that may impact such as

(where applicable) water usage efficiency together with any habitats related or other development mitigation.

- 3.72 As above with a CIL in place (so that charging on the adopted basis at indexed levels is a given unless the schedule is rescinded or reviewed), as starting point in our view the clearest and most appropriate approach to factoring in this is to run the viability appraisals to include the current indexed rates – as the base test. Alongside this, it is also necessary to either make an assessed (typical level informed as far as possible by monitoring information) or contingency allowance reflecting s106 costs that will or may be involved in addition to the CIL charging. Again, all pending / subject to the progression of any alternative system, such as the LURB IL proposals noted in this report.
- 4.1. We find that carrying out this exercise also enables initial views to be formed and shared with the authority around how the existing CIL charging levels look when reflected alongside the emerging new LP policy positions and an updated view of the typical development values and costs.
- 4.2. Depending on the policy priorities and balancing between those, the viability scope offered by the market and variation within that locally (as far as is relevant to where the quantum of development is likely to be most relevant to the LP and the CIL) can then be looked at through sensitivity testing potential CIL cost levels either side of the in use indexed rate(s). While in our experience the context above (1.17 – 1.18) needs to be kept in mind re complexity / information scope to review, this could be done on a sample basis initially to flag up any indicated potential need to reduce rates or potential scope to consider higher rates alongside the emerging LP policy set; latter only where sufficient further viability headroom is indicated to exist.
- 4.3. This would not amount to full CIL rates exploring and testing (separate advice can be provided on the likely nature of that) but nevertheless should give a feel for the scope alongside the new LP policies and indicate how the existing charging schedule might continue performing in viability terms. It can also be used to provide some wider guides where applicable, such as preliminary charging rates parameters to explore further via any CIL (or perhaps IL) VA exercise in due course (whether conducted separately after the LP work or flowing on from that). Certainly, the LP VA research and information can form a basis to work with so that it can also act to begin building viability evidence towards a

CIL review or replacement (or indeed a no change outcome), without committing fully to that or involving lots of extra resource to initially look into it.

- 4.4. Another aspect that in DSP's experience can be considered to provide some further / high level perspective on this at an early stage is looking at CIL rates (both current and potential alternatives) as a proportion of development value. Typically, information on this is set out within our CIL viability assessments, but an initial version of it can be put together at an earlier stage – consistent with this discussion. This can be done with reference to the scale of values or value levels (as noted in this report section) used in the viability assessment. From experience of numerous CIL VAs and examinations it is usually possible to give some guides on suitable charging rates parameters from this. While very important to note that this is not sufficient alone and not a substitute for viability testing, we have often found it useful as another broad measure of the realistic rates scope / secondary “health” check of potential proposed CIL charging rates alongside the viability testing; particularly on residential.
- 4.5. In DSP's many experiences of CIL viability taken through examination (including most recently in the case Worthing as noted at 2.48 above), this further general “health-check” view has been that, as a guide, realistic CIL charging rates should not exceed a range of approximately 3% to 5% of GDV as a maximum. After considering buffering, usually we tend to see appropriate levels of CIL charging, that will remain suitable as the development values and costs inevitably move around (currently highly topical as all set out in this VPS report), may be nearer to c. 2% to 3% GDV equivalent. When viewed on this basis and considered alongside the core local values range based on recent research (see Appendices I and II), this guide indicates that the highest SGC CIL charging rate (as indexed) remains within this range.
- 4.6. In a similar way, it is also worth noting that if needs be the LP VA can be used to test the effect on viability of varying levels of s106 (e.g. leading to any necessary consideration of potential trade-offs with other policy objectives) either alongside CIL or as the single mode of securing infrastructure / contributions in some circumstances.
- 4.7. The starting point for VA should be inputting known or estimated costs. However, where close estimates of s.106 costs are not available, for example, it is possible to run appraisals in a way that uses a fixed land input cost assumption (effectively imports a BLV into the appraisal) or deducts the BLV allowance from the RLV outcome – in order to view

as the output / main variable the surplus potentially available to support s.106 (and / or CIL) in various circumstances.

- 4.8. We iterate that the above provisional guides to the likely assumptions basis are all subject to further consideration – review / updating and alignment to the typologies, sites and policies that will be appraised to reflect the circumstances in the district. This means, however, that at an appropriate and proportionate level the assessment and findings should be able to draw upon an established and tested approach of combining wider experience with a review based on the local characteristics and new Local Plan content.



#### **4. Suggested preliminary viability assessment themes and issues for linking into SGC's Phase 3 consultation (new LP Regulation 18)**

4.1 Looking towards a VA specifically, in the context of the latest LP proposals consultation feedback could usefully be sought on the preliminary assumptions scope outline in this VPS generally. In particular, any comments would be welcomed by SGC on the following key matters / initial thinking. Some numbered suggested questions / comment points (1 – 15) are offered below.

##### **VA typologies – development and site types and distribution / locations**

4.2 The WECA VA work by BNP referenced in Appendix I in combination with the potential basis for typologies testing suggested at 3.44 above.

1. Are there views on potential typologies scoping for the VA?

4.3 Out of the recent “optioneering” around three spatial options (and likely drawing upon a mix of all three into a fourth, preferred option) the emerging direction is moving towards an approach of distributed development across largely smaller / modest sized schemes. It is proposed that development will include more compact forms, and there will be a focus on smaller greenfield developments that do not rely on significant infrastructure and should be able to best support affordable housing, including at the villages.

4.4 The influence of density / built form / net & gross site areas as these assumptions change in conjunction with others will need to be considered. With better land use efficiency than typical housing estates in some cases – e.g. more terraces, mews houses, inclusion of small apartment blocks or similar. Overall, an approach leaning towards some more compact, more affordable (wider market offer) developments.

2. Any views on how more compact forms of development might influence viability / delivery in different circumstances?

3. Could this help support both a wider market offer including more affordable sale homes and greater affordable housing tenure provision?

4. Are their typologies or assumptions that would help challenge or compare with more traditional housing delivery models?

5. And any views / experience of viability on PDL vs GF sites?

4.5 Continuing the historic picture, the significance of PDL development to the overall Plan relevance will be limited.

6. However, are there views on the VA considering regeneration in locations such as Yate town centre and at Bristol Parkway and potentially others?
7. What role might differential policies reflecting / supporting viability have in these and perhaps other strategic site scenarios – particularly perhaps in early development years?
8. Any how might any experience of varying viability by geographic area influence deliverability (owing to the prevailing housing values patterns)? Widening the scope of this, in discussion with DSP possible alternative differentials based on other variable characteristics have been noted by SGC – for example:
9. Influence on viability of varying characteristics within the Bristol fringe (e.g. older / inner vs outer / more suburban); between Yate and Chipping Sodbury; between Cotswolds AONB and other rural areas?

#### **Larger / strategic sites**

4.6 Appraisal of these should use the fullest possible available information, and will involve a number of considerations both for the Council and other stakeholders to explore and within the VA.

4.7 In looking at the viability of all such schemes, the scope (cost and timing) of infrastructure requirements tends to be hugely influential. Assumptions need to reflect a phased approach to the provision of this, unless elements have to be fully provided upfront or very early on. Infrastructure that is wholly required early in the development process is a particular strain on viability as it needs to be financed over an often considerable period pending the sales income starting to come in.

4.8 Only for general information, some examples of the types of infrastructure (or other issues) likely to be most challenging in viability terms owing to costs and / or timing (assuming no other funds are available as is usually the base case) would be:

- Major new public transport provision / alterations – new station, works to railways, works affecting motorways, provision of bus routes.
- Access / traffic capacity - Major highways works – link roads, bridges, tunneling.

- Education provision (particularly on sites of fewer than around 500 dwellings) and for secondary level provision (on any site).
- Leisure provision
- Flood relief mitigation
- High abnormal costs e.g. associated with utilities capacity boosting / new services or diversions, widespread contamination / quarry restoration or similar, underground structures, significant archaeology or other constraints. Note: these and others can also be factors significantly adversely affecting smaller sites delivery.
- An imbalance between more and less viable development uses in a mixed uses scheme proposal.
- Disproportionately large overall site area needing to be purchased (or underused capacity of developable land areas).

4.9 The significant cost of land purchase (viewed here through BLV) requires similar thinking – phased tranches of expenditure assumed where appropriate for schemes running over a number of years.

4.10 A low benchmark land value will be appropriate to consider in these cases (large scale greenfield - farmland). BLVs must not be overstated given their low EUV basis and the level of investment that developers will need to make to deliver schemes.

10. Are there views on BLVs at the levels used in the BNP WECA high level viability assessment, proposed as a basis here (see Appendix I and 3.38 above) – levels from £150,000/ha (across gross i.e. total site area) for the largest GF sites?

4.11 In DSP's experience alternative appraisal models such as the 'master developer land trading' approach are not well established in and less suited to viability in planning – for drawing out findings on the variable effect of policies and making these clear to view and well understood in this context.

11. However, should alternative models be considered?

12. Are there views relating to the 'finance costs' and related commentary within Appendix I?

4.12 Viability still comes under pressure often, with the cumulative costs involved. Nil CIL zoning that SGC has in place is in part reflective of this. It will be appropriate to consider how overall placemaking effects might counteract any general downward influence on the values typically supported where more repetitive, less individual housing is built. A starting

point for VA review might be available values indicators for any new estate type housing in the vicinity, and assuming values no lower than those.

13. Is there experience to be drawn upon re the potential for placemaking to support values and viability on larger developments?

#### **Climate change response (energy efficiency) and relative priorities**

4.13 In striving for net zero carbon new development, the LP will give a very high priority to minimising energy demand as a preferred and definable metric on climate change response – compared with more general carbon reduction measures.

4.14 However, this can be expected to be quite expensive for the time being. The VA process will look into the available cost estimates and their effect. Drawing on information being reviewed by SGC at this time, the extra over costs are estimated to be in the range +3% to +8% added to build costs (including reflecting the emerging approach on embodied carbon at this stage). The Council expects to use information such as that informing the Bristol LP. (Appendix I; noted at 3.19 and 3.65 above).

14. Is there emerging experience or other evidence of costs available to be considered, reflecting meeting similar standards?

#### **Affordable housing**

4.15 The Council has a strong track record of AH delivery under the adopted Plan (alongside its well-established CIL). It seeks to continue this under current and future circumstances. However, development standards and requirements are increasing in various ways and alongside the new policy set there will be a different set of circumstances surrounding AH delivery. As well the key quantum (%) of AH, the tenure (and therefore tenure mix) of affordable homes has a significant influence on viability. As per this report and Appendix I, AH would best tested at up to 50% in some circumstances, with tests looking either side of the baseline requirements and including 67% social rent (SR) with 33% shared ownership (SO).

4.16 With SO preferred over First Homes, the SGC indications are that AH revenue at c. 55% MV overall (blended) should be attainable, and a suitable viability assumption given experience of delivery.

15. Is there similar or different experience of this locally, and what is likely to be found?

4.17 In closing this stage of preliminary review, we reiterate that this report (and appendices) presents an early-stage overview of the context for assessing the viability of the new LP in South Gloucestershire – the scope and direction of VA, together with beginning to build a basis for assumptions.

4.18 DSP will be pleased to continue working with SGC Council as it continues developing the LP evidence base, informing the consideration of matters relating to or likely to affect viability. We will be happy to respond to any initial queries – and to discuss this progress and preliminary review of general points noted here as SGC requires.

**VPS report ends**

**DSP completed November 2023**

**Appendices I, II and III provided in separate documents**