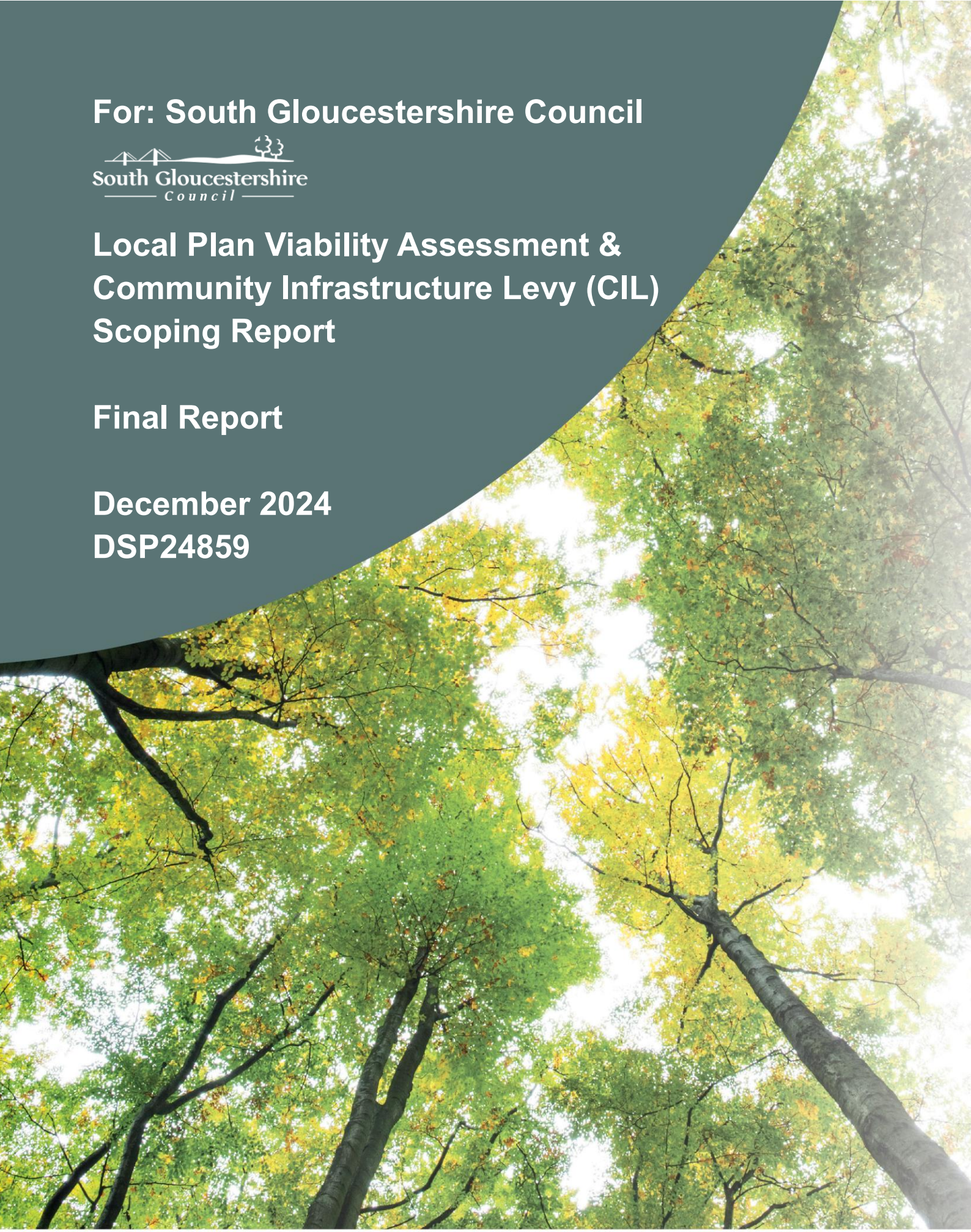
For: South Gloucestershire Council

# Local Plan Viability Assessment & Community Infrastructure Levy (CIL) Scoping Report

## Final Report

December 2024
DSP24859



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# Contents

**High level Summary** ..... **1**
**1.0 Introduction** ..... **8**
1.1 Introduction & Background ..... 8
1.2 South Gloucestershire Council Area - Profile ..... 12
1.3 National Policy & Guidance ..... 15
**2.0 Methodology & assumptions** ..... **25**
2.1 General Approach ..... 25
2.2 Residual Valuation Principles ..... 25
2.3 Stakeholder Consultation ..... 28
2.4 Scheme Development Scenarios - Residential Typologies and SUaVE (Strategic Urban & Village Extensions) Site Areas ..... 29
2.5 Commercial/Non-residential Development ..... 36
2.6 Scheme Revenue (Gross Development Value/GDV) – Residential ..... 39
2.7 Scheme revenue (gross development value) – affordable housing (AH) revenue ..... 46
2.8 Scheme revenue (Gross Development Value (GDV)) – Commercial/Non-residential ..... 49
2.9 Development Costs - Generally ..... 53
2.10 Development costs - build costs ..... 53
2.11 Development costs – Fees, Finance & Profit ..... 56
2.12 Build and development period ..... 59
2.13 Policy areas reviewed alongside affordable housing – Summary ..... 60
2.14 Infrastructure costs provision – Section 106 (s106) ..... 66
2.15 Indicative land value comparisons and related discussion ..... 68
**3.0 Findings Review** ..... **76**
3.1 Initial Review – Preliminary assessment work ..... 76
Initial typologies review ..... 76
Initial SUaVEs (former SUEs) review ..... 79
Preliminary VA work generally ..... 81
Sustainable development strategy – infrastructure and more compact forms of development ..... 82

3.2 Further, final assessment findings – Residential typologies ..... 84
Guide to results tables ..... 84
Findings overview ..... 88
Greenfield development – small to medium scale (non-strategic) ..... 89
Development on PDL (Previously developed land) ..... 90
Build to rent (BTR) ..... 94
3.3 Current testing of SUaVE proposals (Strategic Urban & Village Extensions) ..... 95
3.4 CIL scoping and additional LP context ..... 101
3.5 Main Local Plan findings summary ..... 105
3.6 General rounding up points ..... 107
**Context notes and limitations ..... 112**

## Appendices

**Appendix 1** **Development appraisal assumptions - Typologies**
(Tables 1a – 1f)

**Appendix 2** **Development appraisal assumptions - SUaVEs**
(Tables 2a – 2g)

**Appendix 3** **Residential typologies results**
(Tables 3a – 3o)

**Appendix 3a** **Build to Rent typology results**
(Tables 3aa – 3ac)

**Appendix 3b** **Residential typologies – sample appraisal summaries**

**Appendix 4** **SUaVEs results**
(Tables 4a – 4g)

**Appendix 4a** **SUaVEs – appraisal summaries**

**Appendix 5** **Commercial/non-residential typologies results**
(Tables 5a – 5m)

**Appendix 6** **Market and values research overview report**
(CoStar data extracts provided to rear)

# High level Summary

## Introduction/context

1. The following reporting (together with its Appendices 1 to 6) provides a Viability Assessment (VA), prepared in an iterative way to inform and now support the new Local Plan (LP) for South Gloucestershire through to the Regulation 19 consultation stage and beyond.

2. This assessment looks at the potential for development identified through the emerging new Local Plan (over the period to 2040) to be viable once the policies in the new plan are applied - alongside typical costs of development and national requirements.

3. National requirements include the Building Regulations. Those have tightened in areas including climate change response (carbon reduction/energy efficiency), accessibility, water usage efficiency and electric vehicle charging. They will tighten further. Other newly applicable national requirements now formally include Biodiversity Net Gain (BNG). The typical costs of development include the building works, fees and finance, and costs of sale as well as land value, development profit and other elements.

4. As is usual for this type of assessment, and is the case here, alongside the above, the key local policy variables are:

    - Affordable Housing requirements in various circumstances (referring to both quantum i.e. % and its tenure type) and
    - Level of infrastructure/development mitigation required.

    These are the policy areas and requirements which are the costliest to support from the development finances. They therefore have most influence on viability and are key elements which need to be considered in the mix with other matters (including the need for their provision) and need to be positioned by the Council as plan maker.

5. Accordingly, viability in this context means the financial health of development. Typically, it varies with the site type and nature of development involved. The

viability of development also varies according to the level of values that will likely be achieved on sale of completed schemes and how these values may vary with location and scheme/dwelling types. While various costs of development will be broadly consistent, the variable viability supported by different circumstances often means, in our experience, that there may need to be some consideration of differential policy positions to reflect and respond to this.

## Assessment approach

6. The assessment provision is consistent with the national Planning Practice Guidance (PPG) on 'Viability'. That sets out how viability should be considered in plan making (as addressed here) as well as at the decision taking stage (for development control i.e. planning applications).

7. The PPG section on 'Viability' brings to life the principles in the National Planning Policy Framework (NPPF) that developer contributions and other policy requirements need to be clearly set out and need to be assessed. This aims to ensure that cumulatively (i.e. when applied together and alongside all other costs) the local set requirements will not undermine the deliverability of the plan.

8. Also brought to bear is a long-running track record of 'viability in planning' through a wide variety of projects taken through all stages both at South Gloucestershire Council (SGC) and with highly experienced consultancy Dixon Searle Partnership (DSP) appointed to prepare this assessment.

9. The assessment uses the principles of 'residual valuation' within a well-established and tested assessment methodology, as is now finally reported here following the comprehensive review work, earlier emerging findings weighing up and consistent liaison undertaken for and with SGC. The project has been highly collaborative.

10. Having also allowed for necessary development profit (using a base assumption here for market housing sales at 17.5% GDV – gross development value) the term 'residual' reflects the calculation which deducts all assumed development costs (including tested policy costs) from the estimated sales value (gross development value – GDV).

11. The process (running of a great many development type appraisals) then produces a range of 'residual land values' (RLVs). These have been run based on a range of

development typologies which are test scenarios broadly representing the general nature of expected developments of various types. These reflect housing, mixed and flatted developments appraised at up to 250 dwellings, including scenarios reviewing age friendly housing and Built to Rent. More specific assumptions were then also used to initially assess the potential viability prospects of larger/strategic scale developments, in this case representing at a suitable level for the purpose the new LP's proposed SUaVE (Strategic Urban and Village Extension) sites/areas.

12. The resulting numerous RLVs are then compared with judgments on a range 'benchmark land values' (BLVs) which are assessed to represent existing use value (EUV) of sites plus any necessary premium (uplift) for a landowner - to take a site out of existing use and release it for development. The comparison, across a wide range of scenarios and sensitivity tests at different sales value levels (VLs) and affordable housing (AH) proportions (%s) then informs the degree to which various development circumstances are considered able to support the emerging policy positions. Particularly in respect of affordable housing – a key focus here - alongside all other relevant requirements and costs, and with that tested overall and at 20% to 50% AH depending on circumstances.

13. At these plan preparation stages of review, the sales values of market housing have been considered across an overall range £4,000 to £5,400/$m^2$ on the whole, with the most relevant values (including as estimated for the SUaVEs testing) falling well within the upper end of this range.

14. The influence of BLVs across a range £250,000/ha to £2.5m/ha, overall, has been considered at this stage. The lower end of this represents larger greenfield sites (as has been applied to the SUaVE site areas overall) while, within this overall range, c. £1.3m to £2m/ha is considered the likely most relevant area of BLVs suitable for use in viability in planning for a range of PDL (previously developed land) – most sites in various/former industrial/commercial or other non-residential existing uses.

15. Other assumptions – including on building works and other costs - have been informed by reference to established, recognised sources as typically used in viability assessments such as this, and reflecting experience through to testing of robustness at examination. Consultation with stakeholders has also been carried

out. The following full report and accompanying Appendices set out the methodology and assumptions detail.

16. Run in this way, the assessment considers at an appropriate, proportionate level the varying strength of the relationship between the estimated development values and costs across various locally relevant circumstances. Based on this it aims to guide accordingly on the application of the proposed policies together – their effect on viability. This includes guiding on suggested affordable housing policy differentials where on review of the outcomes DSP suggests those as considerations for the Council.

17. As above, this has been an iterative two-way process, with information continually feeding into and out of the assessment between SGC and DSP.

18. In all cases, the assessment appraisals include the estimated cost of the SGC CIL (Community Infrastructure) Charging Schedule – at the current indexed rates, as a component of the cumulative development costs. Related to this, and mentioned only briefly here, the assessment has also included an initial high-level review of the viability of some non-residential/commercial development typologies. This adds to the information available to the Council's process of developing the new LP, and was also requested to help begin to inform any potential review of the CIL Charging Schedule in due course; i.e. by way of an initial scoping exercise initially exploring towards CIL viability assessment and such refresh.

## Findings - Typologies review

19. Overall, there has been found to be a healthy, relatively strong development viability picture in South Gloucestershire. This appears to reflect local experience, as discussed with the Council over the course of this considerable exercise. The findings continue to suggest that, broadly, the cumulative policy set envisaged within the emerging new Local Plan should mean that sites retain the ability to come forward viably in general.

20. A regular finding by DSP (and others) in such assessments, and found here from earlier stages through to reporting the full exercise has been that an AH policy differential for developments on PDL (lower AH% percentage requirement) should be considered if this is sufficiently relevant to the planned land supply overall. We

have acknowledged this principle and set out what are considered to be the relevant factors and parameters, now resulting in a headline policy position suggested at 30% AH. This is because of typically lower viability on PDL, due to the higher BLVs (as a result of usually higher existing use values) and often higher works costs. As a sub-set of this and again reflecting the nature of the various results together with considering site supply etc., a lower policy headline at 20% AH has been considered for age friendly and Build to Rent (BtR) flatted developments on PDL.

21. On greenfield (GF) sites, the viability has been found to be significantly and consistently stronger, informing and supporting a 40% AH policy headline as a key theme, alongside the meeting of all other policies and standards. The results are such that in discussion the Council has also been minded to consider a 50% AH policy later, not as part of the main policy expected to impact the Local Plan proposals but for potential application outside that, for example on any greenbelt or non-allocated GF proposals.

22. In respect of the CIL scoping information, in any event the existing CIL cost has been factored in (as it has also on the SUaVEs – below) but it has been found that broadly the adopted Charging Schedule (with indexed rates) can continue to operate alongside the proposed new Plan policies. On this, however, the report detail begins to pick up on some suggested areas in which it may be appropriate to consider a review/refresh in due course – provisional information.

## Larger/strategic scale developments - SUaVEs

23. On the same basis, so with the CIL payments assumed included, the Council has been comparing its building picture on specific infrastructure requirements likely to be required additionally through s106 in accordance with established practice (section 106 planning agreements).

24. This is an emerging picture and in DSP's experience it is not usual that the Council's infrastructure information is evolving and will continue to do so.

25. Again, we found there likely to be a good and broad strength of viability overall. In terms of viability scope as reviewed here, it is considered that overall the SUaVE sites/areas are likely to support around 30% affordable housing alongside other

matters and requirements. This reflects a view, when comparing the SGC infrastructure information with the potential headroom (indicative surpluses) from the viability overviewing at this stage, that the SUaVE components (sites/elements/phases) are likely to be able to support in the range 25% to 40% AH, leading to delivery at approximately 30% AH plus overall from these.

## Main findings summary

26. The table below (following page) is taken from the main report summary (at section 3.5 – Figure 19). This picks out the key affordable housing policy findings.

27. As this viability assessment has progressed from the early to latest stages, this has been the focus as the main variable through which the new Local Plan for South Gloucestershire will influence and respond appropriately to viability matters, when factored in alongside the wider (and largely nationally based) development standards.

## Main findings summary – affordable housing scope

| Scheme and site type scenario | Affordable Housing (AH) % considered viable alongside other policies, standards and CIL/comments | | | | | LP headline AH% position supported/ comments |
|---|---|---|---|---|---|---|
| | **20%** | **25%** | **30%** | **35%** | **40%** | |
| **Smaller to medium scale Greenfield (GF) generally** | << Not considered applicable – stronger viability >> | | | | Yes | **40%** |
| **SUaVEs** | << Yes >> | | << Yes, some >> | | Upper parameter. Considered likely viable on some elements. Part of blended approach across/between sites or phases at 25%+ and up to 40% | **30% overall** (reflecting likely mix of components) |
| **PDL** | << Potentially. Mixed results broadly across 0 – 30% AH >> | | | << Unlikely generally. 30+% typically not viable on all-flatted schemes >> | | **30% headline.** 20% all-flatted age friendly and BtR developments only. |
| Any Greenbelt/GF sites outside the Plan | Viability as per GF above. Less than 40% AH not applicable. | | | | | Note: SGC considering higher/potential 50% AH policy layer. |

(DSP 2024)

High level summary ends. Main report body follows.

# 1.0 Introduction

## 1.1 Introduction & Background

*Important note: this assessment was prepared prior to the publication of the revised National Planning Policy Framework (NPPF) December 2024 and associated changes to the Planning Practice Guidance (PPG).*

1.1.1 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).

1.1.2 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[1]. However, joint working initiatives that are relevant to planning for the area continue with WECA and other partners of SGC.

1.1.3 The intention is for the South Gloucestershire Local Plan (SGLP) 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. The submission document will set the overall housing and employment development requirement figures, spatial locational strategy, new site allocations to deliver the strategic objectives alongside a suite of new strategic and local policies.

1.1.4 Leading to the current work in progress on the SGLP development, the Council has undertaken three phases of consultation - Phase 1 'Issues and Approaches' (November 2020 to March 2021), Phase 2 'Urban, Rural and Key Issues' (February to April 2022) and Phase 3 'Towards a Preferred Strategy' consultation between December 2023 and February 2024. A further Regulation 18 consultation on land supply took place between July – September 2024.

[1] Bristol City Council, Bath and North East Somerset Council and South Gloucestershire Council.

1.1.5 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.

1.1.6 As part of the Phase 3 Regulation 18 consultation, the Council instructed Dixon Searle Partnership (DSP) to prepare an initial 'Viability Position Statement' (VPS) in order to start factoring in viability considerations to the further SGLP development.

1.1.7 SGC then subsequently commissioned this full Local Plan Viability Assessment and CIL scoping exercise, as a key element in building the evidence base to inform and support SGLP's further progression and guiding on the viability aspects through to Regulation 19 consultation and ultimately the examination of the Local Plan in due course.

1.1.8 The role of the VPS (completed November 2023 and subsequently published alongside SGC's latest consultation exercise at Regulation 18 stage of the new Local Plan development) was to provide an overview of the context for a subsequent Local Plan viability assessment, broadly scope the methodology, outline a baseline approach to the preparation and use of assumptions and review of key variables and use the third, final Regulation 18 consultation stage to invite feedback on those matters.

1.1.9 Although a full study in its own right, this assessment builds on the VPS backdrop and informs the development of policy (focusing on those policies likely to have direct cost implications for new development) and site viability. The primary aim is to balance policy requirements, such as affordable housing and infrastructure funding, with the viability of developments, ensuring both community needs and commercial considerations are able to be met as a significant scale of sustainable new development comes forward.

1.1.10 This full viability assessment (VA) was commenced for SGC by Dixon Searle Partnership (DSP) in March 2024. A first update of progress and very early findings directions were provided in late June and then further emerging findings discussed with the Council through the Autumn and towards the end of 2024 as the two-way flow of information built and settled further.

1.1.11 Using a well-established methodology consistent with PPG principles and informed by our long experience of the process through to examination stages, this has been conducted through testing a mixture of site typologies and more specific assessment work on key Strategic Urban and Village Extension (SUaVE) site area proposals intended to be allocated through the Local Plan. Ultimately, the development identified in the emerging plan should not be subject to such a scale of obligations and policy burdens that the ability of sites to be developed viably is unduly threatened.

1.1.12 Alongside the production of the new SGLP, the council is considering a review of its Community Infrastructure Levy Charging Schedule (adopted in 2015). This report provides a basis for a review of the CIL if considered necessary, but we understand that a formal CIL assessment will be undertaken separately if required.

1.1.13 A Local Plan must be prepared in accordance with the requirements set out in the National Planning Policy Framework (NPPF) and the accompanying Planning Practice Guidance (PPG). Viability testing is an important part of the plan-making process. 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. The key guidance on how to address this is within the PPG, while other publications also provide reference sources.

1.1.14 This viability assessment has been produced in the context of and with regard to the NPPF, PPG (including crucially on 'Viability' but also consistent with other PPG sections such as on Planning Obligations) as well as other Guidance[2] applicable to studies of this nature. After setting out the assessment context, purpose and general approach within this 'Introduction' section, the following report structure, on the study detail, is presented over two main sections as included below (brief outline here):

- **Methodology** – Approach to the study, residual valuation methodology, assumptions basis and discussion;

[2] Including RICS re-issued April 2023 Professional Standard 'Assessing viability in planning under the National Planning Policy Framework 2019 for England' (formerly introduced March 2021 as guidance effective 1st July 2021); 'RICS Professional statement on Financial viability in planning – conduct and reporting' (1 September 2019) and 'Local Housing Delivery Group – Viability Testing Local Plans' (Harman, June 2012)

- **Findings Review** – Overall results context, consideration of the typology test results, SUaVE site areas review current stage (including the strength of viability in relation to range of AH proportions, CIL charging cost and other key policy considerations including the need for specific infrastructure provision). Summary and viable parameters/recommendations offered – including any potential options/alternatives. Set out in the context of the viability of the whole Plan, i.e. taking account of the associated impact of the Council's emerging policies (including viable affordable housing proportions (%s), and review of the SUaVEs proposals (based on the information available to date).

1.1.15 The testing of Local Plans for viability does not require a detailed appraisal of every site anticipated to be developed over the plan period, but rather a proportionate test of a range of appropriate site typologies that reflect the potential nature mix of sites likely to come forward. The process should however include more specific consideration of any key proposals upon which the Plan relies overall for the delivery of its growth objectives – e.g., particular strategic sites and especially where there has not been more specific work underway already as schemes progress to or reach DM stage.

1.1.16 Equally, the local plan viability assessment does not require an appraisal of every likely policy but rather the emerging policies that may to have a direct quantifiable bearing on the overall development costs. In our experience this type of assessment involves a focus primarily on the viability prospects and potential policies associated with housing development. This is because the scope of the Council's influence over the viability of other forms of development (i.e. non-residential / employment / commercial) through local planning policy is typically much more confined. There is no equivalent to affordable housing policy having such a significant effect, or to the increased range of standards relevant to residential development. In this case, the extent of emerging policy influence on the viability of wider development uses is limited, essentially, to the sustainable construction, biodiversity and development objectives of the new Plan proposals. This assessment also provides a high-level consideration of employment development use and other commercial/non-residential typologies viability, for further context to the new Local Plan and for the purposes of setting out initial scoping for any future review of the Council's CIL Charging Schedule. The latter is provided by way

of reflecting the current CIL charging levels as costs within all appraisal runs, reflecting how the adopted CIL (with rates as have been indexed over its implementation period) plays into the overall viability of developments as reviewed appropriately at this level.

1.1.17 In practice, within any given scheme there are many variations and details that can influence the specific viability outcome. Acknowledging that, this work provides a high level, area-wide overview that cannot fully reflect a wide range of highly variable site specifics.

1.1.18 The point in time at which an assessment such as this is carried out alongside prevailing economic and housing/property market conditions as schemes come forward, can also greatly affect the viability and deliverability of particular developments. It is necessary to consider also that the Local Plan will be delivered over a relatively long timeframe and most likely through varying economic cycles, meaning that taking only an immediate/short term view of assumptions and judgements is not appropriate in this context (whereas it will be more so in most development management 'decision taking' – situations). All in all, there are many variables involved. Such an assessment seeks to take a course through the consideration of these and how they converge in looking at the potential for policy and developments to be viable - at this strategic level.

## 1.2 South Gloucestershire Council Area - Profile

1.2.1 The emerging Local Plan will set out the spatial characteristics of the Plan area. This report section provides an outline only, feeding into the consideration of the local characteristics that are influencing the emerging Plan direction and therefore the review of policies and their viability in the relevant local context. The Council's wider evidence base provides an extensive range of information on the nature of the Local Plan area, and the related planning issues and opportunities.

1.2.2 South Gloucestershire is located in the West of England, bordering the north and east of Bristol. The district has strong transport and economic links to Bristol, as well as connections to Gloucestershire, Wiltshire, and Bath and

North East Somerset. Covering 497 square kilometres, it has a population of over 270,000 with 60% residing in urban areas, 19% in the towns of Yate/Chipping Sodbury and Thornbury, and 21% in rural areas.

1.2.3 The area has experienced significant growth over recent decades, particularly near the M4/M5 junction and in the urban fringes of Bristol. Notable developments include shopping and employment hubs like Cribbs Causeway and residential expansions at Yate/Chipping Sodbury and the East Fringe.

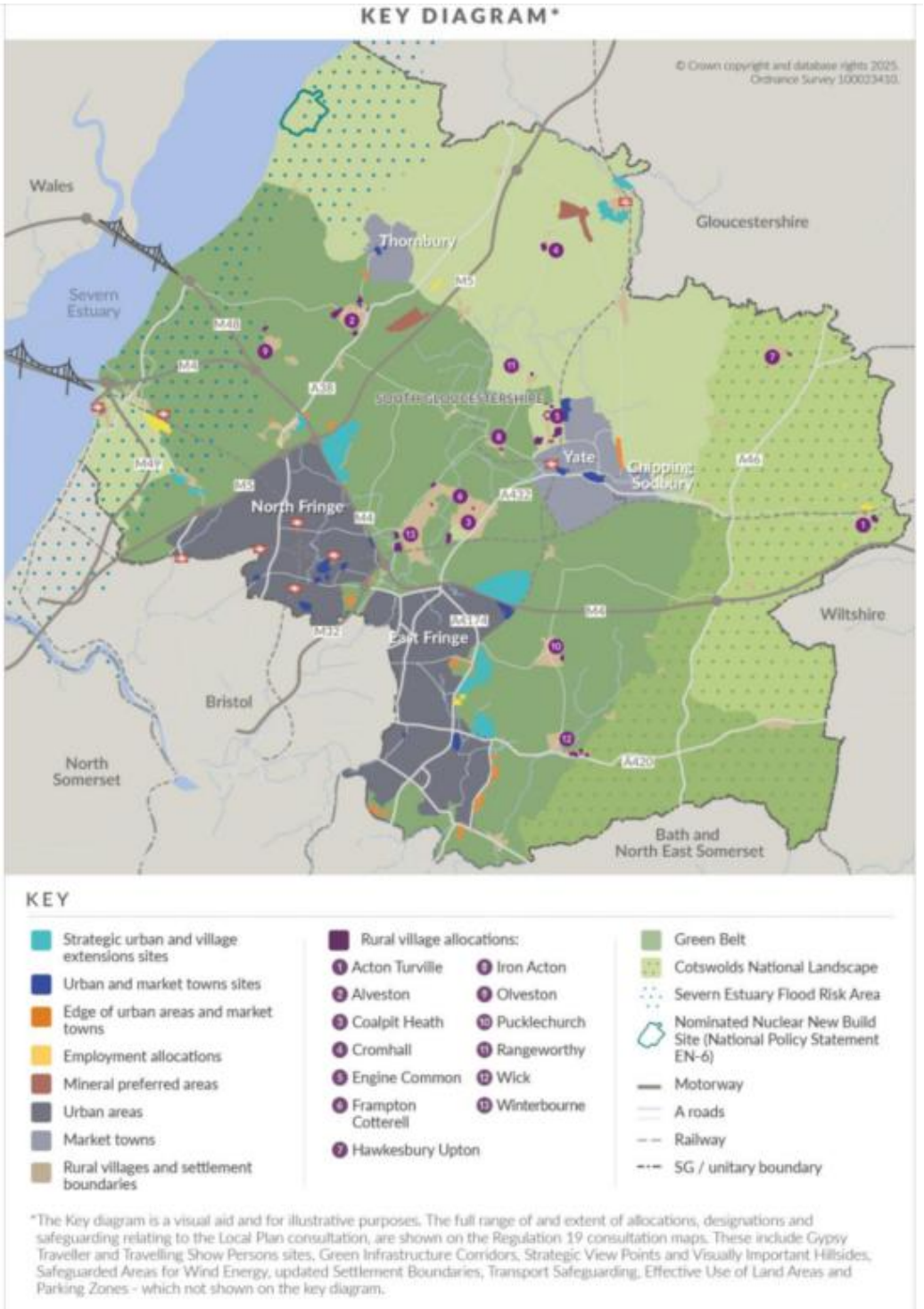
1.2.4 South Gloucestershire features diverse landscapes, from the Cotswolds Area of Outstanding Natural Beauty to the Severn Levels. It also boasts a rich historical and natural heritage, including archaeological sites, historic buildings, and significant biodiversity.

1.2.5 The population structure mirrors the UK average, with a higher-than-average employment rate (86%) and a strong service and manufacturing economy, driven in part by the aerospace industry.

1.2.6 The district is home to distinct communities, each with its own identity and history. Urban areas in the North and East Fringes are rooted in industrial heritage, while market towns like Yate, Chipping Sodbury, and Thornbury blend historic cores with modern development. There are over 30 rural villages, many with mining or manufacturing histories and Avonmouth-Severnside, is a key employment zone.

1.2.7 The new Local Plan will make provision for approximately 22,600 new homes.

## Figure 1: Context Diagram



## 1.3 National Policy & Guidance

1.3.1 The requirement to consider viability stems from the National Planning Policy Framework (NPPF)[3] which says on *'Preparing and reviewing plans'* at para 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.'*

1.3.2 NPPF para 34 on *'Development contributions'* states*: '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 deliverability of the plan.'*

1.3.3 The national Planning Practice Guidance (PPG) on 'Viability', published alongside the NPPF, provides more comprehensive information on considering viability in plan making, with CIL viability assessment following the same principles. The PPG on Viability states:

> *'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 of site or types of development…Viability assessment should*

[3] At the time of writing up Stage 1 an updated NPPF (September 2023) had just been published. Latest update 20 December 2023.

*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'.*

1.3.4 The PPG states that site promoters should engage in plan making and should give appropriate weight to emerging policies. The latest revision to the PPG (paragraph 006) increases the emphasis on viability at the plan-making stage; therefore, if a planning application is submitted which proposes contributions at below the level suggested by policy, the NPPF expectation is that the applicant will need to demonstrate what has changed since the Local Plan was adopted.

1.3.5 However, the PPG (paragraph 010) is clear in stating that: '*In plan making and decision making viability helps to strike a balance between the aspirations of developers and landowners, in terms of returns against risk, and the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission'*.

1.3.6 The Council adopted a CIL Charging Schedule which came into effect on 1 August 2015. The Charging Schedule sets out rates on residential and non-residential / commercial development. The CIL charging rates had a base date of August 2015. Indexation applies to the rates relevant to all permissions issued since 2015, in accordance with the CIL Regulation 40. At the point of carrying out this study, the new approach to indexation (updating of the adopted rates by reference to the 'All-in Tender Price Index' as a standard national approach) has led to SGC's 2024 charging rates increasing as set out in the table below, alongside the 2015 adopted levels:

**Figure 2: SGC CIL charging rates**

| Development Type | CIL charge £/sqm (2015) | CIL charge £/sqm (2024) |
|---|---|---|
| Residential | | |
| Communities of North & East Fringe of Bristol, Yate/Sodbury and Severn Beach | £55.00 | £80.29 |
| (Small sites that fall below affordable housing threshold) | £100 | £145.98 |
| Rest of South Gloucestershire | £80.00 | £116.78 |
| (Small sites that fall below affordable housing threshold) | £130.00 | £189.77 |
| Cribbs Patchway New Neighbourhood1 (CPNN) & East of Harry Stoke New Neighbourhood (EoHSNN) (all types of development within these areas) | £0 | £0 |
| Residential Care Homes (class C2) & Extra Care facilities (Class C2/C3) and sheltered retirement (class C3) | £0 | £0 |
| Agricultural Tied Houses | £0.00 | £0.00 |

| Other Uses | Prime Locations | Non-Prime Locations | Prime Locations | Non-Prime Locations |
|---|---|---|---|---|
| Offices (class B1a) | £30 | £0 | £43.79 | £0 |
| R&D, Light Industrial, General Industrial, storage & distribution (classes B1b, B1c, B2 & B8) | £0 | £0 | £0 | £0 |
| Retail (classes A1-A5) inc retail warehouse clubs | £160 | £120 | £233.56 | £175.17 |
| Hotels (class C1) | £90 | £0 | £131.38 | £0 |
| Student Accommodation | £60 | £0 | £87.59 | £0 |
| Sale or display for sale of motor vehicles | £90 | £90 | £131.38 | £131.38 |
| All other uses | £10 | £10 | £14.60 | £14.60 |

(DSP 2024 – sourced from SGC material)

1.3.7 As well as testing the viability of the emerging Local Plan policies, sites and strategies, the Council wishes to understand whether its adopted CIL Charging Schedule is likely to continue to be suitable, i.e. with charges at a level that will to apply appropriately to relevant development types and locations, and ensure the ability of developments to come forward viably with the policy burdens and other obligations proposed for inclusion in the emerging Local Plan. Although a formal CIL assessment may be required in due course, we have included sensitivity testing within this study in order to provide the Council with information on the CIL and the impact of variable rates on overall development viability across various uses.

1.3.8 The CIL regulations came into force in April 2010 and have been revised on a number of occasions since. The most recent revisions (and so the basis for the associated guidance) - The Community Infrastructure Levy (Amendment) (England) (No. 2) Regulations 2019 – came into force on 1st September 2019. Notable changes were made within the PPG, reflecting a Written Ministerial Statement (WMS) released on 19th February 2024. This set out the following (included here for ease of reference):

> "Can differential rates be set by scale of development, such as small and medium sized residential developments?
>
> Charging authorities may also set differential rates by scale. Rates can be set by reference to either floor area or the number of units or dwellings in a development. Given the significant financial pressures on small and medium sized developers, the government has introduced measures to help them. This includes existing national policy set out in paragraph 65 of the National Planning Policy Framework which states that authorities should not seek affordable housing contributions from residential developments that are not major developments, other than in designated rural areas (the so-called 'small sites policy').
>
> Therefore, when setting and revising CIL rates, charging authorities should consider the impact of such rates on small and medium sized developers. Rate setting in this context must be considered alongside the small sites policy and its aim to support small and medium sized developers particularly. As set out in the Written Ministerial Statement of 19 February

2024, higher residential CIL rates should not be set for developments which are not major developments on the grounds that these sites are not required to provide affordable housing contributions, because doing so erodes the underlying policy objective of the small sites policy."

Paragraph: 024 Reference ID: 25-024-20240219. Revision date: 19 02 2024

1.3.9 The relevant extract from Michael Gove's WMS of 19th February 2024 is provided here, again for ease of reference:

"Support for SME housebuilders

Our changes ensure more homes are built – but we are determined in particular to support the SME housebuilders who play such a vital role in our communities. To that end, we have expanded the £1billion ENABLE Build guarantee scheme to increase the amount of finance available to SMEs by covering loans issued by non-bank lenders and seeded portfolios. We are also helping to tackle SME access to land by introducing SME-only sales of Homes England land, with pilots starting in the South-East and Midlands later this year and developing a pipeline of future small sites by parcelling Homes England land.

In addition, a number of Community Infrastructure Levy (CIL) charging authorities, have set higher rates for minor sites (of less than 10 units, and lower in designated rural areas) to reflect the fact that affordable housing is not sought on these sites. This is not within the spirit of the Government's policy on small sites. The Government will be updating CIL guidance to make clear that CIL-charging authorities should consider the impact of CIL rates on SME developers and should not set higher residential CIL rates on minor development. This will apply to new and revised charging schedules".

1.3.10 Since the publication of the WMS discussed above and the subsequent changes / additions to the PPG, there has been a change of Government in July 2024. The new Government has consulted on changes to the NPPF but as these are subject to the results of the consultation exercise and potential

change, we have needed to rely on the existing NPPF and associated Guidance. Indeed, the PPG has not been updated in this regard.

1.3.11 The full CIL Regulation details are not repeated in full here, but we have summarised below some of the key aspects: -

- Local Authorities in England and Wales may put a CIL in place to raise funds from new development in their area to deliver the infrastructure needed to support that development (in this case Buckinghamshire Council would be the prospective charging authority).
- CIL is a charge placed on development according to floor area (£ per square metre (£/sq. m)).
- Development is exempt from CIL if the gross internal area of new build is less than 100 sq. m, except for new dwellings and residential annexes which are CIL liable regardless of their size.
- Full relief from CIL is available for self-build residential extensions, annexes and dwellings.
- The funds raised are to be allocated towards infrastructure needed to support new development in the charging authority's area.
- Charging Authorities must allocate a 'meaningful proportion' of the levy revenue raised in each neighbourhood back to those local areas.
- Where a neighbourhood development plan (NDP) is in place, the neighbourhood will be able receive 25% of the revenues from the CIL arising from the development. The proportion would be paid directly to the neighbourhood planning bodies and could be used for community projects. The PPG provides further information on spending of Levy receipts including distribution to local neighbourhoods.
  Also see https://www.gov.uk/guidance/community-infrastructure-levy.
- Where an NDP is not in place, but CIL is still charged, the neighbourhood will receive a capped share of 15% of the levy revenue arising from development in their area.
- Affordable housing and, typically, development by charities will not be liable for CIL i.e., in respect of residential development, usually only the market dwellings will be liable to pay CIL at the rate(s) set by the charging authority. The relief available to charities is in respect of development solely for charitable purposes – any other development by charities would be subject to the CIL charging in the normal way.

- As reflected above, the CIL rate or rates should be set at a level that ensures development within the authority's area (as a whole, based on the plan provision) is not put at serious risk.

1.3.12 The Council has been working with infrastructure providers and agencies in considering and estimating the costs of the local requirements associated with supporting the anticipated local plan level of growth to be accommodated across the district as a whole through the development of an Infrastructure Delivery Plan (IDP). The IDP will identify both the current and future infrastructure requirements of the district and as a live document is continuously updated and kept under review.

1.3.13 Infrastructure is taken to mean any service or facility that supports the council area and its population and includes (but is not limited to) facilities for transport, education, health, social infrastructure, green infrastructure, public services, utilities and flood defences. In the case of the current scope of the CIL, affordable housing is assumed to be outside that and dealt with in the established way through site specific planning (s.106) agreements.

1.3.14 The CIL Guidance contained within the PPG goes on to state that the levy rate(s) need to be set so that they do not threaten the ability to develop viably the sites and scale of development identified in the relevant Plan (Local Plan in England). Paragraph 10 of the Community Infrastructure Levy guidance in the PPG states:

> "an authority must strike an appropriate balance between additional investment to support development and the potential effect on the viability of developments… this balance is at the centre of the charge-setting process' and 'in meeting the regulatory requirements, charging authorities should be able to show and explain how their proposed levy rate (or rates) will contribute towards the implementation of their relevant plan and support development across their area".

1.3.15 Paragraph 20 of the Community Infrastructure Levy guidance in the PPG goes on to state:

‘a charging authority should use an area-based approach, involving a broad test of viability across their area, as the evidence base to underpin their charge. The authority will need to be able to show why they consider that the proposed levy rate or rates set an appropriate balance between the need to fund infrastructure and the potential implications for the economic viability of development across their area.’

1.3.16 Although we have not set out fully the sections of the PPG viability guidance that are relevant in assessing viability in (for both CIL and plan-making), some of the key points are summarised below:

- ‘Appropriate available evidence’ must be used to inform the charging rate(s);
- An appropriate range of site types (or ‘typologies’) should be tested based on the range of site types likely to come forward for development over the plan period;
- Costs within the viability assessment should be based on evidence reflective of local market conditions (see paragraph 012 of the ‘Viability’ PPG);
- Land value should be based on the Existing Use Value of the site, plus a premium (known as the ‘EUV plus’ approach);
- There is no requirement for the charging authority to directly mirror the rate(s) proposed within the viability study;
- A ‘viability buffer’ should be included so that the charges are able to support development through economic cycles;
- Differential rates can be applied if appropriate in relation to geographical zones (including for strategic sites) and/or by varying type and scale of development, although undue complexity should be avoided noting specifically that:
  - “In all cases, a charging authority that plans to set differential rates must ensure they consider if rates are set in a way which constitutes a form of subsidy under the UK’s new subsidy control regime. Any subsidy which is so provided must be compliant with the requirements and duties set out in the Subsidy Control Act 2022”.
- Stakeholders should be appropriately consulted to inform the viability assessment process;

- The viability assessment should be proportionate, simple, transparent and publicly available.

1.3.17 Within this assessment, allowances have been made for the cost to developers of providing affordable housing, CIL and complying with other planning policies fully (based on assumptions relevant to testing options for the Local Plan and going on to consider emerging policy proposals). This is whilst factoring-in the usual costs of development (build costs, fees, contingencies, finance, costs of sale, profit and land value) so that an overview of the cumulative effect of the estimated costs of development can be made.

1.3.18 The consideration of the collective planning obligations (including affordable housing and other infrastructure requirements) is key and cannot be separated from other matters influencing viability. The level of each will play a role in determining the potential for development to bear this collective cost. Each of these cost factors influences the available scope for supporting the others, which links back to 'striking a balance' between the various planning objectives whilst reflecting the market drivers of development.

1.3.19 Further relevant information is contained in the publication 'Viability Testing Local Plans – Advice for planning practitioners' published in June 2012 by the Local Housing Delivery Group chaired by Sir John Harman (known as the 'Harman' report[4]). That sets out a stepped approach as to how best to build viability and deliverability into the plan preparation process and offers guidance on how to assess the cumulative impact of policies within the Local Plan, requirements of SPDs and national policy. It provides some still useful practical advice on viability in plan-making and its contents should be taken into account in the Plan making process.

1.3.20 The previous Government introduced what could be or could have been significant reforms to the planning system through the Levelling Up and Regeneration Act 2023. This included the potential introduction of a nationwide Infrastructure Levy, streamlining of local plan making, introduction of national development management policies, brownfield development focus,

[4] 'Local Housing Delivery Group – Viability Testing Local Plans' (Harman, June 2012)

changes to permitted development rights and updates to the NPPF including changes to the method for calculating housing need.

1.3.21 At the time of writing, the new Labour Government was consulting on potential changes to the National Planning Policy Framework and wider planning reforms including consulting on a requirement for sites released from the greenbelt to provide higher proportions of affordable housing, mandatory housing targets, brownfield and new town development, streamlined planning processes, lifting restrictions on green energy infrastructure and support for private renters. We are aware that there are no longer any plans to introduce an Infrastructure Levy.

1.3.22 Planning and in particular national policy are constantly evolving processes, with the current environment for these being especially uncertain and fluid – potentially subject to significant further change. A viability assessment such as this, however, is necessarily carried out at a point in time based on knowledge of the system and policies in place at that time or – to the extent that may be practical - taking into account likely changes to policy moving forward (for example through further sensitivity testing or commentary). It needs to be acknowledged however that no study can cover every future eventuality and as far as possible there is a need to avoid re-starting projects at great cost. It therefore needs to be accepted that there may be cases where an update to an assessment such as this may be appropriate to consider or required as the Plan moves forward to Examination.

1.3.23 Information on the assumptions used in this assessment is provided in Chapter 2 below and within the appendices to this report at Appendix 1 and Appendix 2.

# 2.0 Methodology & assumptions

## 2.1 General Approach

2.1.1 The assessment as described in this report has involved an ongoing approach to informing the development of policies of the Local Plan (LP) and all conducted based on dialogue with the Council – with information feeding into and out of the study. To recap, a number of stages to this process have taken place since initial appointment in summer 2023 starting with the production of a Viability Position Statement published in December 2023 to coincide with the Council's 'Phase 3 - Towards a Preferred Strategy' local plan consultation. The VPS was commissioned in order to introduce the consideration of LP viability related matters at an early stage in the plan making process and formally introduce the topic of development viability to the LP preparation dialogue through the consultation process.

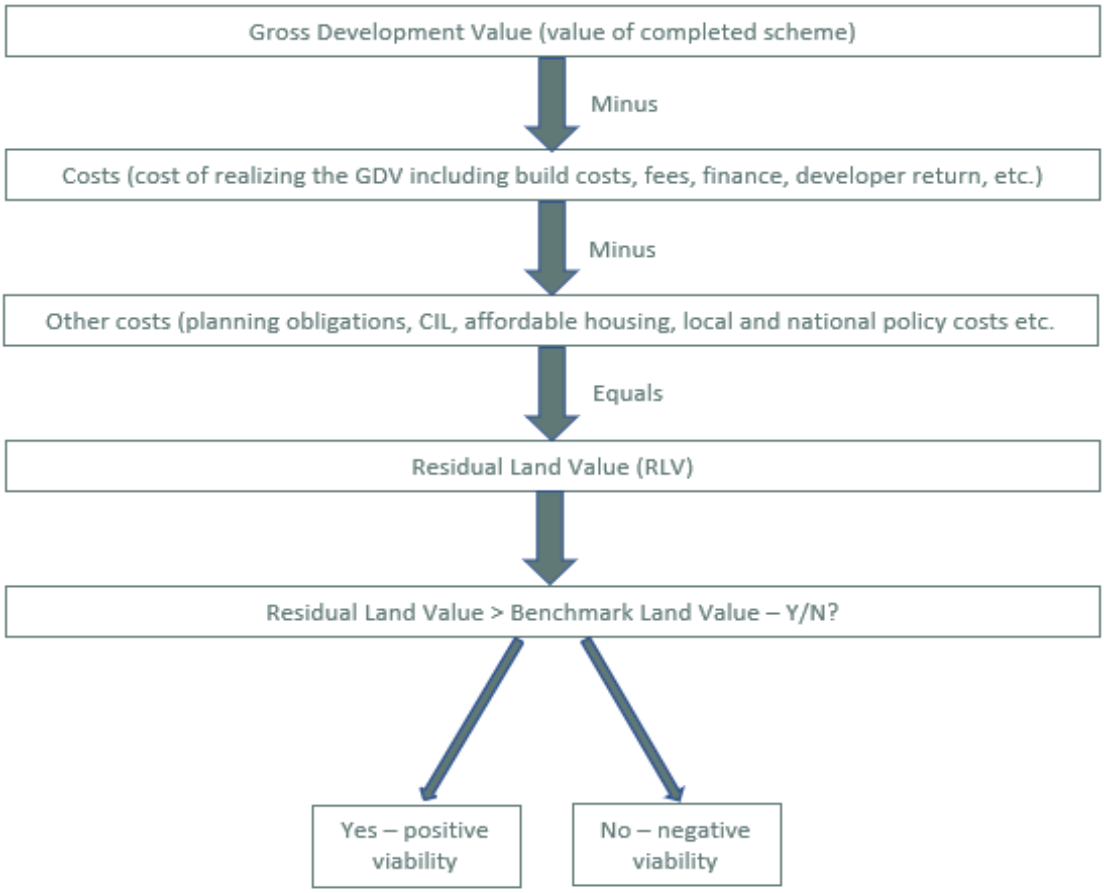
2.1.2 Following the completion of the VPS, DSP were commissioned to carry out this full local plan viability assessment and CIL scoping exercise. As noted earlier, this has been carried out throughout 2024. To a degree this process is an ongoing and evolving one with viability modelling feeding in to decision making processes around viability of sites and policies with various stages of interim modelling and reporting and Councillor workshops leading to this final report. A single report like this however does not truly reflect the work that the Council and DSP put in to ensure that a robust and viable set of sites and policies can be delivered – it has been an ongoing 2-way process. This report does however set out the key assumptions used to model viability in the local plan context and provides our findings and parameters scoping / recommendations from which the Council is able to inform final decisions on specific policy choices and balances, reflecting its local circumstances and comprehensive wider evidence bas as well.

## 2.2 Residual Valuation Principles

2.2.1. The most established and accepted route for studying development viability at a strategic level, including for whole plan viability (but also used for site-specific viability assessments) is residual valuation. This is also consistent

with the relevant guidance described above. Figure 3 below sets out (in simplified form only) the principles of the residual valuation calculation, which is the methodological basis of the appraisals sitting behind our results and findings at all stages.

**Figure 3: Simplified Residual Land Valuation Principles**




(DSP2024)

2.2.2. Having allowed for the costs of acquisition, development, finance, profit and sale, the appraisal results show the sum that is potentially available to pay for the land – i.e. the residual land value (RLV).

2.2.3. This assessment is consistent with the NPPF and accompanying PPG on Viability, with the NPPF no longer containing any reference to competitive returns to a 'willing landowner' and 'willing developer'. The emphasis has moved away from a market value based approach to land as may have been used or carried greater influence in the past. The PPG on Viability has for

some time now made it clear this benchmark land value (BLV) should be based on Existing Use Value (EUV) and states:

> *'To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to fully comply with policy requirements. Landowners and site purchasers should consider policy requirements when agreeing land transactions. This approach is often called 'existing use value plus'* ['EUV+'].'

2.2.4. The NPPF and associated PPG on Viability indicate a greater link than previous between the role of strategic level viability work such as this assessment and the decision making (development management of planning applications/delivery) stage. The national approach has moved more towards a general acknowledgement that the main role of viability should be at the plan making stage.

2.2.5. However, and consistent with our experience in practice to date, it appears likely that there will still be a role for planning application stage / site-specific viability reviews but that it is '*up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage*'[5]. An indication of the types of circumstances where viability could be assessed in decision making is also included in the PPG. These include: '*for example where development is proposed on unallocated sites of a wholly different type to those used in viability assessment that informed the plan; where further information on infrastructure or site costs is required; where particular types of development are proposed which may significantly vary from standard models of development for sale (for example build to rent or housing for older people); or where a recession or similar significant*

[5] https://www.gov.uk/guidance/viability#standardised-inputs-to-viability-assessment (Paragraph: 006 Reference ID: 10-006-20190509 Revision date: 09 05 2019

*economic changes have occurred since the plan was brought into force*'[6]. There may be the potential for the development of some site typologies or sites identified by the Council to need to overcome abnormal issues and support added costs. The national approach recognises that within this picture and / or at certain stages in the economic cycles there could be sound reasons for site-specific viability evidence to be brought forward at the delivery stage in such circumstances; as a part of ultimately settling the development details and exact degree of support that can be maintained for planning obligations to secure infrastructure.

2.2.6. The range of assumptions that go into the RLV appraisals process is set out in more detail in this chapter. Further information is also available within Appendix 1 (generally site typologies assumptions) and Appendix 2 (SUaVE assumptions).

## 2.3 Stakeholder Consultation

2.3.1 National policy and guidance reflects the need for and value of stakeholder engagement. This engagement process was conducted in the first instance through the publication of the VPS which then formed part of the Council's Phase 3 consultation exercise. Further stakeholder consultation was then undertaken specifically relating to this study by way of a survey seeking information and views with which to help test our emerging assumptions, followed up with key participants as appropriate. The approach generally involved seeking input or examples based on local experience.

2.3.2 The surveys were issued as follows: -

- Development Industry – via the VPS and Phase 3 consultation.
- AH Providers – a range of locally active affordable housing providers, identified through the Council's housing enabling work, were engaged for input. While general feedback was welcomed, these organisations were

[6] https://www.gov.uk/guidance/viability#standardised-inputs-to-viability-assessment (Paragraph: 007 Reference ID: 10-006-20190509 Revision date: 09 05 2019

specifically surveyed to provide insights specifically into affordable housing revenue expectations when developers construct and transfer homes to registered providers (RPs), as well as the assumptions underlying these transactions.

- Site promoters – a specific survey was issued to site promoters of key sites within the SUaVE site areas tested for this assessment. These were followed up with meetings between DSP and those promoters that wished to engage in the process and further dialogue as appropriate in the latter stages of this assessment period.

2.3.3 A comprehensive log is maintained of all stakeholder interactions, including parties contacted, reminders, responses, and overall engagement levels. While specific feedback details are excluded from the published report due to confidentiality, this input, along with council-provided data, independent research, and expertise, informs the assumptions, analysis, and judgments at all assessment stages.

## 2.4 Scheme Development Scenarios - Residential Typologies and SUaVE (Strategic Urban & Village Extensions) Site Areas

2.4.1 The scenarios (typologies) considered and appraised as part of this assessment reflect the variety of different types of development that are likely to be brought forward through the planning process across the plan area. They include a mix of residential test scenarios that cover a range of site sizes, types, host site typologies, and reflect the Council's goals for optimising land use, quality, and density through compact forms of development.

2.4.2 While this cannot be and does not need to be an exhaustive exercise as the guidance recognises, in order to adopt a relevant range of residential development typologies, we have considered with SGC the broad nature of the housing supply expected to come forward over the emerging plan period.

2.4.3 A wide range of housing development typologies was assessed across various value levels (VLs) to capture differences in residential sales values by location and type within the Local Plan area. This sensitivity testing approach also explored how market fluctuations, such as rising or falling values, might

affect development viability over time. It considered the influence of location, development type, and scale on this key assumption.

2.4.4 A summary of the residential scheme typologies is shown at Figure 4 below, with the full detail set out in Appendix 1.

**Figure 4: Residential Site Typologies**

| Scheme Size Appraised | Type | Site Type - Description* | |
|---|---|---|---|
| 5 | Houses | PDL | Market Towns / Rural Areas |
| 5 | Houses | GF | Rural Areas |
| 10 | Houses | PDL | Market Towns / Rural Areas |
| 15 | Houses | GF | Market Towns / Rural Areas |
| 15 | Flats | PDL | Market Towns / Rural Areas |
| 25 | Houses | GF | Market Towns / Rural Areas |
| 25 | Flats | PDL | Market Towns |
| 50 | Mixed (Houses/ Flats) | GF | Urban Fringe / Market Towns |
| 50 | Mixed - Higher Density (Houses/ Flats) | PDL | Urban Fringe / Market Towns |
| 75 | Flats | PDL | Urban Fringe |
| 100 | Mixed (Houses/ Flats) | GF | Urban Fringe / Market Towns |
| 150 | Flats | PDL | Urban Fringe |
| 250 | Mixed (Houses/ Flats) | GF | Urban Fringe |

(DSP 2024)

2.4.5 On completion of the assessment the typologies above have been supplemented with a review of a 200 flats block appraised specifically and using tailored inputs as Build to Rent (BTR) - as per the assumptions included within Appendix 1 (Table 1d) and further results at Appendix 3a.

2.4.6 In addition to the use of the site typologies approach, this assessment considers the viability of a set of specific larger Strategic Urban and Village Extension (SUaVE) proposals. These have been discussed further with SGC informing more specific appraisal, albeit whilst acknowledging that at this stage this remains relatively early in the context of the overall progression of proposals and envisaged timelines, should the allocations be confirmed. The

SUaVE appraisals have considered site 'areas' rather than necessarily each specific site making up the potential allocation so that the impact of shared infrastructure requirements can be considered. The SUaVE modelling also takes a slightly different approach to that used for the general site typologies in that the maximum residual surplus or deficit is calculated (after finance) at varying affordable housing proportion sensitivity tests (25% - 40%) by fixing the land value and profit assumptions in the appraisal. This surplus (or deficit) can then be compared to the infrastructure requirements identified by the Council (as known at this stage) for each SUaVE area. The Council is then able to identify the likely viable level of affordable housing within each SUaVE area based on the estimated infrastructure ask. The main assumptions applied in testing the SUaVEs at this stage are noted in Appendix 2.

2.4.7 The reason the modelling has been carried out like this is because at the stage of running the modelling, there was uncertainty over the cumulative level of infrastructure ask and associated costings (and timings) and in some cases, overall housing numbers. This information was (and is) being updated by the Council and infrastructure providers as this viability assessment was being carried out – a continually evolving picture. This approach therefore provides the Council with maximum flexibility to consider the results of the modelling exercise. It is expected that further refinement may be required in due course.

2.4.8 A summary of the SUaVE areas tested is shown in Figure 5 below. As above, further details are provided in Appendix 2.

### Figure 5: SUaVE Areas Tested – Summary

| SUaVE Area | Sites | Reference No.s | Tested Indicative Dwellings Capacity | Approx. Site Area (Gross – Ha) |
|---|---|---|---|---|
| Almondsbury | Land South of Gloucester Road, Almondsbury | EPS-SV1 SDA | 350 | 15.92 |
| Easter Compton | Land south of the B4055, Land Between Over Lane and the B4055 & Land off Blackhorse Hill, Easter Compton | EPS-PSB1 / SG280; EPS-PSB2 / SG401 & EPS-PSB4 / SG825 | 260 | 18.04 |
| North Lyde | Land North of Lyde Green | EPS-BV13 / SG459 | 2,000 | 161.92 |
| Woodlands | Golf course, Trench Lane, Almondsbury (SG114 - Woodlands Garden Community) / Land south of Gaunt's Earthcott Lane (SG727) / Land off Gaunt's Earthcott Lane (SG786) / Land South of Trench Lane (or Cemex Floors, London Road) (SG942) | EPS-FC14 (SG114) / SV5 (SG727) / SV7 (SG786) / SG942 | 2,130 | 125 |
| Carsons Green & Rockhouse Farm | Land at Shortwood (SG209) / Land south of Shortwood Hill Mangotsfield (SG346) / Lower Shortwood (SG868) | EPS-BV3 (SG209) / BV6 (SG346) / BV9 (SG868) | 1,980 | 120 |
| North Warmley | Land north of A420 & south of Goose Green (SG897) / Cemex Floors London Road (SG990) / 15 & 17a London Road Warmley (SG465) | EPS-BV14 (SG897) / SG990 / EPS-PW1 (SG465) | 1,090 | 60 |

(DSP 2024)

2.4.9 The SUaVE areas testing has been based on information as far as available at the point of latest appraisals – as provided to DSP by the Council and supplemented via the stakeholder consultation exercise where possible at the assumptions fixing stage. The assumed total (gross) site areas and indicatively expected dwelling numbers for the current exercise are as shown above, and again see Appendix 2. It should be acknowledged that the estimated dwelling numbers and other assumptions have continued to move around to some extent, which is typical and to be expected in DSP's experience. This movement has continued, including to our knowledge beyond the point of running appraisals, and further movement in assumptions can be expected as well – without undermining the review and appraisal work undertaken to date. A case in point is on the infrastructure requirements associated with the proposed SUaVEs and therefore also the initial/emerging and still developing estimated budget costs of those. This reflects in the approach taken at this stage to include within the appraisal assumptions the CIL cost, but exclude for now the moving specific infrastructure cost estimates, with SGC then able to compare the potentially available appraisal surpluses with its view of those costs as further information is built and firmed up.

2.4.10 As part of considering both the site typologies and specific (SUaVE) sites, and seeking to make these as representative as possible of the emerging policy approach, an assumption is made in relation to dwelling mix, for which we have adopted the principles set out in Figure 6 below and Appendix 1. These dwelling mix principles are based on information provided to DSP by SGC using emerging evidence supporting the Local Plan based on the latest Local Housing Needs Assessment (LHNA) 2023.

**Figure 6: Dwelling Mix Assumptions[7]**

| Property Type | Market Units | Affordable Units |
|---|---|---|
| 1-bed flat | 5.0% | 15.0% |
| 2-bed flat | | 20.0% |
| 2-bed house | 15.0% | 20.0% |
| 3-bed house | 60.0% | 35.0% |
| 4-bed house | 20.0% | 10.0% |

(DSP 2024)

2.4.11 In all cases, assumptions are made using a “best fit” approach for both the mix of market and affordable dwellings, combined with target affordable housing tenure assumptions. This approach accounts for rounding effects and the practical limitations of representing every aspect within a single scheme, particularly in smaller developments or those with lower proportions of affordable housing.

2.4.12 The assumed scheme mixes are hypothetical and not exhaustive, as many variations may occur, including different combinations of dwelling sizes tailored to specific site characteristics, localised demand, and requirements. Details of the affordable housing assumptions for each test scenario are outlined below. Appendix 1 provides additional information, summarising the dwelling mix criteria used where possible and outlining revenue levels associated with different affordable housing tenure types.

2.4.13 The dwelling sizes assumed in this study, based on gross internal area (GIA), follow the Nationally Described Space Standard (NDSS) as outlined in Figure 7. SGC intends to adopt this standard in the new Local Plan. While actual developments will feature a wide range and mix of dwelling sizes varying by scheme and location, this high-level study tests a sample of scenarios and assumptions rather than all possible variations. This approach is sufficient to provide an appropriate overview, consistent with the guidance.

[7] Based on: ORS: South Gloucestershire Local Housing Needs Assessment (December 2023)

**Figure 7: Residential Dwelling Sizes**

| Unit Sizes (sq. m.)* | Affordable | Market |
|---|---|---|
| 1-bed flat | 50 | 50 |
| 2-bed flat | 61 | 61 |
| 2-bed house | 79 | 79 |
| 3-bed house | 93 | 93 |
| 4-bed house | 106 | 130 |

Notes: Age friendly housing – dwellings assumed 1-beds at 50m$^2$; 2-beds at 75m$^2$; extra care-type dwellings assumed at 65m$^2$ (1-bed) and 80m$^2$ (2-bed)

(DSP 2024)

2.4.14 Since there is a relationship between dwelling size, value and build costs, it is the relative levels of the values and costs that are most important given the nature and purpose of this study (i.e. with values and costs expressed and reviewed in £/sq. m. terms); rather than necessarily the specific dwelling sizes to which those levels of costs and values are applied in each case. With this approach, the indicative 'Value Levels' (VLs) used in the study can then be applied to varying (alternative) dwelling sizes, as can other assumptions. Although methods vary, an approach to focussing on values and costs per sq. m. also fits with a key mode that developers and others tend to use to assess, compare/analyse and price schemes. It provides a more relevant context for considering the potential viability scope across the typologies approach, as part of considering relative policy costs and impacts, and is also consistent with how a CIL is set up and charged (as prescribed under the regulations).

2.4.15 The above dwelling sizes are expressed in terms of gross internal floor areas (GIAs) for houses (with no floor area adjustment – i.e. 100% saleable floorspace). For flats, the additional cost of constructing communal/shared non-saleable areas also needs to be taken into account. For example, the general needs flatted typology development tests assume a net:gross ratio of 85% (i.e. 15% communal space). The age-friendly housing scenario testing assumes a lower proportion of saleable floorspace compared with typical general needs flats, at 75% (i.e. 25% communal) which is then further reduced

through the selected assumptions to 65% saleable (35% communal) for the extra care-type development typologies.

2.4.16 We consider these to be reasonably representative of the types of homes and other space coming forward within the scheme types likely to be seen most frequently providing on-site integrated AH, although again we acknowledge that all such factors will likely vary to some extent from scheme to scheme. It is always necessary to consider the size of new build accommodation in looking at its price per sq. m. rather than its price alone.

2.4.17 At this level of strategic overview, we do not differentiate between the overall value assumed per sq. m. for flats and houses although in reality we often observe an inverse relationship between the size of a property and its value when expressed in terms of a £ sales value rate per unit area (£/sq. m or £/sq. ft. or shown as £/$m^2$ or £/$ft^2$).

## 2.5 Commercial/Non-residential Development

2.5.1 To provide wider information for the LP and related delivery, but also relating to the scoping exercise on CIL carried out as part of this assessment, this study also initially considers a wider range of potential commercial/non-residential development typologies. These scenarios have been developed and checked against wider information and research analysis, including the local commercial market offer – existing development and any new schemes/proposals. Figure 8 sets out the various scheme types (typologies basis) appraised for this aspect study, provided as additional information covering a range of non-residential development uses in order to test the likely impact on viability of both current adopted and indexed CIL contributions as well as sensitivity testing higher and lower levels. Although necessarily primarily associated with informing a potential future review of the CIL charging schedule rather than the LP directly, this is appropriate because the setting of the CIL charging rates is the main scope of direct influence the Council has over the viability of such developments.

2.5.2 As above, this area of the assessment is however also complementary to considering the Local Plan review - it provides a review of the potential viability

of commercial and other non-residential developments in that wider context too. Within each of the SUaVE site areas, where employment/commercial development is proposed, at this stage this is accounted for through the sale of serviced land parcels (subject to land buy-in and site servicing costs). This is because at this stage the non-residential proposals are not defined sufficiently to allow meaningful modelling (e.g. at this stage, there are no planning applications with planning uses, floor areas, building heights etc defined). This is a fairly typical stage to have reached in our experience. As mentioned above, further refinement may be required in due course.

2.5.3 As set out at Figure 2 above, in addition to the charges levied on residential developments, the Council currently charges CIL on non-residential development types – with applicable rates £/sq. on chargeable development (in 2024, as indexed) of between £0 and £233.56/sq. metre.

2.5.4 The commercial/non-residential aspects of this study adopt the same (residual valuation) methodology as described earlier in this report, considering the variable strength of the relationship between the development values and costs associated with different scheme types. Appendix 1 provides more information on the scope of assumptions used to assess the typologies outlined in Figure 8 below.

**Figure 8: Commercial / Non-residential Development Typologies**

| Use Class / Type | Example Scheme Type |
|---|---|
| Large Retail | Large Foodstore/Supermarket - out of town |
| Large Retail | Retail Warehouse |
| Town Centre Retail | Comparison shops (general or non shopping centre) |
| Small Retail | Convenience Store - various locations |
| Business - Offices - Town Centre | Office Building |
| Business - Offices - Out of town centre or Business Park | Office Building |
| Business - Industrial or Warehousing | Smaller / Move-on type industrial unit including offices - industrial estate |

| Use Class / Type | Example Scheme Type |
|---|---|
| Business - Industrial or Warehousing | Larger industrial / warehousing unit including offices - industrial estate |
| Business - Industrial / Warehousing | Distribution Centre |
| Hotel (budget) | Hotel - edge of town centre / edge of town (60-Bed) |
| Residential Institution | Nursing Home (65-Bed) |
| Purpose build students housing | Cluster flats and studios typologies considered |

(DSP 2024)

2.5.5 Following the same principles and general process as the residential scenarios, a variety of sources were researched and considered in support of setting the assumptions. This includes information on rents, yields, sales comparables, land values and other development assumptions. The sources of information include CoStar Commercial Real Estate Intelligence resource, the VOA Rating List, other web-based review as well as feedback as available from the development industry consultation. Supplementary information sources included articles and development industry features sourced from a variety of construction related publications; and in some cases, property marketing details.

2.5.6 Collectively our research enabled us to apply a level of “sense-check” to our proposed assumptions, whilst necessarily acknowledging that this is high level work and that a great deal of variance is seen in practice from scheme to scheme. The full research review is provided within Appendix 6 to this report.

2.5.7 In addition to the key set of commercial uses tests as set out above, further consideration was given to other forms of development that may potentially come forward locally. These include for example facilities that are non-commercially driven (community halls, medical facilities, schools etc.) and other commercial uses such as motor sales/garages, depots, workshops,

surgeries/similar, health/fitness, leisure uses (e.g. cinemas / bowling) and day nurseries.

2.5.8 Clearly there is potentially a very wide range of such schemes that could be developed over the life of the Local Plan, and any revised/future CIL charging schedule(s). As an overriding point, alongside viability, it is also relevant generally for both Plan and CIL purposes to consider the likely frequency, delivery and distribution of these over the Plan and Charging Schedule periods.

2.5.9 Where it can be quickly seen that the build cost (even before all other costs such as finance, fees, profits, purchase and sale etc. are allowed for) outweighs or is close to the completed value, it becomes clear that a scenario is not financially viable in the normal context that has been discussed above. This helps determine the scope of the typologies and appraisals that are necessary to run. The review process would be expanded to include this information for a full CIL VA exercise – not included at this stage.

## 2.6 Scheme Revenue (Gross Development Value/GDV) – Residential

2.6.1 Market housing sale values are a key component of the appraisal assumptions. To ensure a proportionate yet robust evidence base, data is gathered from a variety of sources, as outlined below. Our practice is to consider all available sources to inform our independent overview - not just historic data or particular scheme comparables, including:

- Previous viability studies as appropriate;
- Land Registry;
- Valuation Office Agency (VOA);
- Property search, sale / market reporting and other web resources;
- Development marketing websites;
- Any available information from stakeholder consultations

2.6.2 A framework needs to be established for gathering and reviewing property values data. An extensive residential market review has been carried out in

order to consider and appropriately reflect, at a level suitable for strategic assessment, the variation in residential property values seen across the Local Plan area. This data was collected by both parish / ward, postcode and settlement areas reflecting locality areas across South Gloucestershire:

1. North Fringe of Bristol
2. East Fringe of Bristol
3. Yate and Chipping Sodbury
4. Thornbury
5. Rural areas
6. Severnside

2.6.3 The analysis was later extended to include, and focused more granularly on, Bristol Fringe areas following discussions with SGC. The refined analysis included:

- 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.

2.6.4 The data was analysed using both sold and asking prices for new-build and re-sale property. We considered this to provide the most appropriate and reflective framework for this data collection exercise, and the subsequent analysis to inform assumptions. Further information was collected from responses to the site promoter stakeholder surveys in those cases where respondents provided an indication of likely current values in a particular SUaVE area.

2.6.5 This research enables us to view how the value patterns and levels observed will overlay with the areas in which the most significant new housing provision is expected to come forward over the plan period. It must be acknowledged that the scope of the data available for review varies through time and by location. In some instances, data samples are small (e.g., relating to a particular period or geography) and this is not unusual. Consistent with the above principles and the need to overview the information for the study

purpose, it is important that the available indications are reviewed collectively in setting the values assumptions.

2.6.6 Overall, this research indicates that generally there is actually not a huge amount of variance across South Gloucestershire although obviously different values can be seen within individual developments dependent on design, orientation etc., at opposing sides of roads, within settlements or localities and based on other variables – as well as variations between settlements and areas of course. Values patterns are often indistinct and especially at a very local level. However, in this study context we need to consider whether there are any particular variations that are considered relevant to influencing varying viability between wards/settlements or other geographical areas in a broader overview sense, including relating to the types and locations of development that are considered most relevant over the emerging plan period.

2.6.7 On the basis of our research and using our tested assessment approach, we have applied assumed property 'Value Levels' (VLs) to each typology from VL1 (lowest) to VL11 (highest). These VLs reflect an overall range between £4,000/$m^2$ to £5,400/$m^2$, representative of varying new-build sale prices likely to be seen by varying location in the Local Plan area. Necessarily but also appropriately for the assessment purpose, we consider the key new build property values – i.e., the most relevant range to housing delivery overall here – to be within the range £4,200/$m^2$ (VL2) up to £4,600/$m^2$ - (VL6) with flatted development also likely to see values above typical base levels (as the inverse relationship between property size and value when expressed on a £/$m^2$ basis is seen). This is not to say that values do not and will not fall outside these levels – i.e. the VLs considered broadly represent the key part of the overall range that may be seen. Appendix 1 provides a broad indication of the likely range of new build values by area / settlement. Appendix 6 provides more detail on the values research exercise undertaken.

2.6.8 It should also be noted that house price data is highly dependent on specific timing in terms of the number and type of properties within the dataset for a given location at the point of gathering the information. Again, in some cases, small numbers of properties in particular data samples (limited house price information) can produce inconsistent results. This is not specific to South Gloucestershire. However, these factors do not affect the scope to get a clear

overview of how values vary typically, or otherwise, between ward areas in this case, given the varying characteristics of the area.

2.6.9 However, with this a key variable and its relevance perhaps likely to increase with the market currently changing, to provide a wide range of sensitivity tests that reflect both recent/current values as well as provide as an ability to consider the potential effect of higher and lower values, we carried out our modelling across the full range of values sensitivity tests; again, as shown in the appendices.

2.6.10 The values research was undertaken during the course of 2024 alongside responses received to our stakeholder survey.

2.6.11 Following a period of market turbulence, high inflation (particularly relevant to the construction industry), high interest rates and a stagnating housing market, a period of relative stability appears to have returned to the housing market. At the point of finalising the information review for this report (Winter 2024), the latest Nationwide house price index (November 2024) reported UK house prices rising 1.2% month on month with annual growth of 3.7% from 2.4% in October 2024 – the fastest rate since October 2022. It goes onto report that house prices are now just 1.1% below the all-time peak.

2.6.12 The Royal Institution of Chartered Surveyors (RICS) in their UK Economy Property Market Update (November 2024) state: “Accompanying the recovery in buyer demand, house price growth appears to have gained momentum over the past few months. Indeed, the RICS house price net balance rose to +16% in October, a noticeable increase from the reading of -16% seen as recently as July. Moreover, the twelve-month house price expectations series posted a net balance of +47% in the latest iteration of the survey, signalling a firmly positive outlook. Given the RICS sentiment data typically offers a six-month lead over the house price indices produced by various sources, this implies growth will accelerate in the months ahead. As it stands, the latest figures from the Nationwide house price index point to a 2.5% annual increase at the national level, while the Land Registry’s data is marginally firmer at 2.7% (Chart 8). The Lloyds index, meanwhile, signals even stronger momentum, with their estimate suggesting prices have risen by 4.3% over the past year.

By way of contrast, Rightmove's measure of asking prices shows a flatter trend, increasing by just 0.8% compared with this point last year".

2.6.13 In their November 2024 news article[8] Savills expect growth overall to be 3% in 2024 nationally, growing by 3-5% per annum for the next 5 years (23.4% overall). Regionally they suggest growth of 2.5% in the south west in 2024 with 3 – 5% growth each year over the next 5 years leading to 21.6% growth overall.

2.6.14 More locally, the latest residential property market trends in South West England highlight a cooling but resilient market, shaped by a combination of high mortgage rates, cost-of-living pressures, and steady demand in key areas with the following observations made:

- Overall house prices have seen modest increases in many parts of the region and South Gloucestershire seems to see a general trend that matches the Savills reporting of about 2.5% over the latest 12 months of available Land Registry data (September 2023 – September 2024).
- Prime locations like Bath, Bristol, and Exeter continue to command strong prices due to demand for urban living, while rural and coastal areas remain attractive for second-home buyers.
- Buyer demand is slowing slightly compared to the post-pandemic peak, but remains steady in well-connected towns and cities with good amenities.
- Family homes in suburban and semi-rural areas remain in demand, driven by lifestyle shifts post-COVID.
- Limited housing stock continues to underpin prices, with new listings failing to keep pace with demand in some areas.
- Developers are cautious about new projects due to rising construction costs and market uncertainty.
- The rental sector remains highly competitive, with rents rising significantly due to limited supply and strong demand from students, professionals, and relocators.
- Cities like Bristol and Exeter report some of the fastest rental growth in the region.

[8] https://www.savills.co.uk/insight-and-opinion/savills-news/369036-0/average-house-prices-to-increase-by-23.4--over-the-next-five-years

- Rising mortgage rates have slowed activity, particularly among first-time buyers, who are facing affordability challenges.
- The South West residential market is expected to remain stable, though subdued, heading into 2025. Affordability challenges may temper price growth, but the region's desirability and quality of life are likely to support long-term demand.

2.6.15 Figure 9 below includes the average house price movements over the previous 12 months of available data – latest available HPI overview (all property types in South Gloucestershire).

**Figure 9: HPI Data for South Gloucestershire**

**Average price by type of property in South Gloucestershire**

All property types | Detached houses | Semi-detached houses | Terraced houses | Flats and maisonettes

See data graph | See data table | Download this data | Compare with location ...

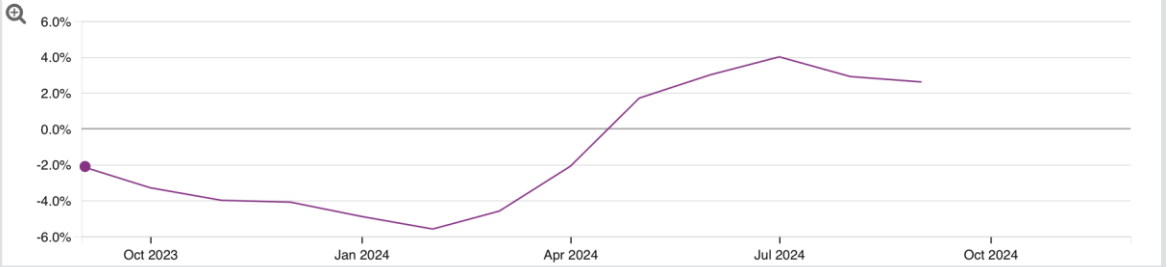
| Date | All property types |
|---|---|
| Sep 2023 | £336,946 |
| Oct 2023 | £336,436 |
| Nov 2023 | £336,981 |
| Dec 2023 | £334,995 |
| Jan 2024 | £329,454 |
| Feb 2024 | £324,265 |
| Mar 2024 | £325,393 |
| Apr 2024 | £334,053 |
| May 2024 | £342,466 |
| Jun 2024 | £346,977 |
| Jul 2024 | £347,560 |
| Aug 2024 | £347,961 |
| Sep 2024 | £345,576 |

print this table

**Percentage change (yearly) by type of property in South Gloucestershire**

All property types | Detached houses | Semi-detached houses | Terraced houses | Flats and maisonettes

See data graph | See data table | Download this data | Compare with location ...



Source: https://landregistry.data.gov.uk/app/ukhpi/browse?from=2023-09-01&location=http%3A%2F%2Flandregistry.data.gov.uk%2Fid%2Fregion%2Fsouth-gloucestershire&to=2024-12-01&lang=en

2.6.16 Construction costs over the same period are forecast to grow but at a lower level than house price growth as Figure 10 illustrates:

**Figure 10: Summary of BCIS forecasts (Tender Price Index & Materials Costs)[9]**

| Percentage Change 3Q on 3Q (output is whole year on whole year) | | | | | | | |
|---|---|---|---|---|---|---|---|
| BCIS Forecast | 2022 to 2023 | 2023 to 2024 | 2024 to 2025 | 2025 to 2026 | 2026 to 2027 | 2027 to 2028 | 2028 to 2029 |
| TPI | +3.5 | +2.3 | +3.8 | +3.5 | +3.5 | +3.9 | +3.1 |
| Materials costs | -0.8 | +1.0 | +3.3 | +2.2 | +3.3 | +2.5 | +3.2 |

(DSP sourced from BCIS 2024)

2.6.17 On market conditions, movements and values, the key point to reiterate is the Local Plan timeline which is projected to run to 2040. This drives the long-term strategic overview that is needed, across which it is appropriate to make more typical assumptions reflecting potentially a middle line through various economic cycles. Again, it is not appropriate to assume only the downside risks and inputs related to deteriorating or poor economic conditions and a tougher housing market for development (such as has been experienced generally, to a varying degree, while progressing this assessment).

2.6.18 We have not made any particular values uplift allowance for scheme marketing and values benefitting from the latest and forthcoming new dwellings meeting higher standards. Information on this remains limited and mostly anecdotal still, but again we could reasonably expect the influence of this on viability to be positive over time. Longer term, it should not be necessary to consider accommodating still relatively high extra over costs without considering other effects.

[9]https://online.bcis.co.uk/Briefing/Briefing/3770?returnUrl=%2FBriefing&returnText=Go%20back%20to%20briefing%20summary&sourcePage=Help#1.%20Executive%20summary

2.6.19 As noted in the report Appendices, a higher range of sales values have been tested in the case of the age-friendly and extra care typologies based on research carried out alongside the general needs residential property market information. This was based on comparable information where available and also by reference to the Retirement Housing Group (RHG) paper "A Briefing Note on Viability (May 2013 Amended February 2016)" which states the following: "Practitioners should use local market values for newbuild retirement housing where they exist. Where they do not exist the following formula is an indicative guide to the price of lower value units which are likely to be affordable by most local homeowners. Methods of price setting for retirement housing vary by location. In medium and low value areas the price of a 1 bed sheltered property = approx 75% of price of existing 3 bed semi-detached house. A 2 bed sheltered property = approx 100% of price of existing 3 bed semi-detached in high value areas with a high proportion of flats the price of a 1 bed sheltered property is linked to the price of high value flats, normally with a 10-15% premium. Extra Care housing is 25% more expensive than sheltered: if a sheltered 1 bed flat sells for £100,000 then an extra care 1 bed flat will sell for £125,000".

2.6.20 Judgments were made by DSP based on experience of the premium values that are more likely to be supported by these more specialist scheme types (and indeed from experience, with substantially higher than typical values very often needed but achievable in support the viability of such developments).

## 2.7 Scheme revenue (gross development value) – affordable housing (AH) revenue

2.7.1 In addition to the market housing, the development appraisals also include affordable housing tested at various levels within the modelling.

2.7.2 A key part of the purpose of this assessment has been to ensure a robust and deliverable policy set and provide information to the Council on an appropriate and viable level of affordable housing to seek from development through the emerging Local Plan. On this basis, we tested a range of affordable proportions against the residential development typologies. It is also important to note that not every potential percentage iteration has been tested on every

typology (or SUaVE). From our results analysis, it is possible to see where the likely viability lies and also to consider positions between results sets. In summary the testing for this study covered the following range:

- General sites of 10 or more dwellings: tested with 20%, 30%, 35% and 40% AH on-site reflecting PDL (previously developed land i.e. brownfield) and greenfield (GF) sites.
- For SGC's information and policy setting context, further sensitivity testing was also carried out at 50% affordable housing (sample typology approach) at this stage.
- On the SUaVE areas, affordable housing has been tested at 40%, 35% and 25%.
- Tenure mix of 67% social rent / 33% shared ownership (general needs affordable housing);
- Tenure mix of 60% social rent / 40% shared ownership (age-friendly affordable housing).

2.7.3 The AH revenue that is assumed to be received by a developer is based only on the capitalised value of the net rental stream (for AR or SR) or capitalised net rental stream and capital value of retained equity (shared ownership - SO). The starting assumption pending any review of viability and funding support which becomes available at a later stage for specific scenarios/programmes is that the AH is developer funded rather than part grant funded. We have therefore made no allowance for grant or other public subsidy or equivalent.

2.7.4 The value of the AH (level of revenue received by the developer) is variable by its very nature and is commonly described as the 'transfer payment' or 'payment to developer'. These revenue assumptions are based on DSP and the Council's extensive experience in dealing with AH policy development and site-specific viability issues and consultation with local AH providers. The AH revenue assumptions were also underpinned by RP type financial appraisals – looking at the capitalised value of the estimated net rental flows (value of the rental income after deduction for management and maintenance costs, voids allowances etc.).

2.7.5 The assumed transfer values for the rented affordable units assumed are shown in Appendix 1.

2.7.6 In practice, as above, the AH revenues generated would be dependent on property size and other factors including the AH provider's own development strategies and therefore could vary significantly from case to case when looking at site specifics. The AH provider may have access to other sources of funding, such as related to its own business plan, external funding resources, cross-subsidy from sales/other tenure forms, or recycled capital grant from stair-casing receipts, for example, but such additional funding cannot be regarded as the norm for the purposes of setting viability study assumptions – it is highly scheme-dependent and variable and so has not been factored in here. It follows that the transfer values assumed could therefore be a conservative estimate in some cases and in reality on some schemes an affordable housing provider (e.g. Registered Provider – housing association or similar) could include their own reserves and if so thus further support or improve viability and/or affordability.

2.7.7 Discussion with wider SGC officers including in the housing team informed the placing of the AH revenue assumptions. On regular liaison throughout the study period, SGC confirmed its ongoing experience of good local demand from AH Providers (RPs – Registered Providers) for homes secured from developers through the usual s106 route.

2.7.8 In terms of wider experience, as a more general point and whilst not directly or certainly not only viability related, in the past months DSP has been informed of an increasing number of instances where there has been reduced or poor take up of s106 AH by RPs, however. At this stage it is not clear to us whether this is due in some part to the type or specification etc. of the affordable homes being offered to RPs in some instances, or largely/entirely due to a more general lack of demand because of a retrenchment, financially, by RPs given increased costs of development and borrowing together with historic rental growth controls. However, we also note that DSP's experience (elsewhere) has included re-reviewing a few consented scheme examples where developers with confirmed s106 provisions have contacted Councils (as the local planning authorities) to seek the removal or reduction of AH from s106 agreements in order to secure funding from Homes England as an alternative. Further background to this is that, to date, Homes England grant funding has not been made available for s106 affordable homes. As a high-

level characteristic, the VA process (generally, not just in this case) necessarily assumes funds are available to purchase the affordable homes that flow from this planning-led route, much as it assumes a reasonably functioning, active housing market more generally. SGC has confirmed that the above noted RP AH demand issues have not been experienced in South Gloucestershire to date.

## 2.8 Scheme revenue (Gross Development Value (GDV)) – Commercial/Non-residential

2.8.1 By way of context, as noted at 2.5 above, this element of the VA has been included for completeness – for the purposes of both providing further Local Plan reviewing context, and the initial CIL scoping exercise.

2.8.2 The value (GDV) generated by a commercial or other non-residential scheme varies enormously by specific type of development and location. We use the terms 'commercial'/'non-residential' generally – i.e. reflecting development use types that are not residential.

2.8.3 In order to consider the viability of various commercial development types, a range of assumptions are needed. Typically, these are made with regard to the rental values and yields that would drive the value of completed schemes within each commercial scheme appraisal. The strength of the relationship between the GDV and the development costs was then considered using the following methods:

- For the main commercial scheme typologies under review, consistent with those considered in most of our strategic level viability assessments, residual valuation methodology - as per the principles applied to the residential typologies, or;

- A simpler method adopting a value vs cost comparison for other commercial typologies clearly indicating a poor relationship between the two - resulting in full appraisals being unnecessary e.g. for surgeries, community centres, and a range of other development uses either typically

provided by public agencies or generally non-commercially viable uses as stand-alone scenarios.

2.8.4 Broadly the commercial appraisals process follows that carried out for the residential scenarios, with a range of different information sources informing the values (revenue) related inputs. Data on yields and rental values (as far as available) was collated from a range of sources (also see Appendix 6 for more detail).

2.8.5 Figure 11 below shows the range of annual rental values considered appropriate for testing within each scheme typology – as far as considered appropriate at this CIL scoping exercise stage. These were then capitalised based on associated yield assumptions to provide a GDV for each scheme development, dependent on the combination of yield and rental values applied. As a general point on this element of the VA, the work has been taken (and therefore the stated assumptions/ranges used) as far as has been considered appropriate at this stage. DSP's intention is that the provided information, including the results as far as generated at this stage (and displayed within Appendix 5) has been set up in a way that could be revisited in due course, including any necessary further updating, in order to more closely assess and separately firm up on any revised CIL charging rates considerations and recommendations.

**Figure 11: Assumed rental value – key commercial typologies**

| Use / Type | Example Scheme Type | Values Range - Annual Rents £ per sq. m | | |
|---|---|---|---|---|
| | | Low | Mid | High |
| Large Retail | Large Foodstore / Supermarket - out of town | £230 | £250 | £270 |
| Large Retail | Retail Warehouse | £250 | £275 | £300 |
| Town Centre Retail | Comparison shops (general/non shopping centre) | £190 | £220 | £250 |
| Small Retail | Convenience Store - various locations | £140 | £170 | £200 |
| Business - Offices - Town Centre | Office Building | £150 | £180 | £210 |

| Use / Type | Example Scheme Type | Values Range - Annual Rents £ per sq. m | | |
|---|---|---|---|---|
| | | Low | Mid | High |
| Business - Offices - Out of town centre /Business Park | Office Building | £190 | £220 | £250 |
| Business - Industrial / Warehousing | Smaller / Move-on type industrial unit including offices - industrial estate | £100 | £115 | £130 |
| Business - Industrial / Warehousing | Larger industrial / warehousing unit including offices - industrial estate | £80 | £95 | £110 |
| Business - Industrial / Warehousing | Distribution Centre | £60 | £90 | £120 |
| Hotel (budget)*** | Hotel – edge of town centre / edge of town (60-bed) | £4,500 | £6,300 | £7,100 |
| | | Annual net room rates (after deducting operating costs, operating profit and occupancy) | | |
| C2 - Residential Institution | Nursing Home (65-bed) | £170,000 | £200,000 | £230,000 |
| | | Capital Value per unit (assuming 100% Market housing) | | |
| Student Accommodation | 100% Cluster type Accommodation with en-suite (300 rooms) | £200 | £250 | £300 |
| | | Weekly room rents | | |
| Student Accommodation | 100% studio-type accommodation | £170 | £210 | £250 |
| | | Weekly room rents | | |

(DSP 2024)

2.8.6 As above, the rental values were tested at three levels representative of low, medium/mid and high test values considered relevant to each scheme type across the study area. This enables us to assess the sensitivity of the viability findings to varying value levels, much like the residential appraisals. These are necessarily estimates and based on an assumption of new build development rather than older stock. This is consistent with the nature of the CIL regulations in that refurbishments/conversions/ straight re-use of existing property will not attract CIL contributions (unless floor-space in excess of 100 sq. m. is being added to an existing building; and providing that certain criteria on the recent use of the premises are met).

2.8.7 The quality and quantum of available information in this regard varies considerably by development type. Again, we do not consider this to be a specific SGC factor and it does not detract from the viability overview process that is appropriate for this type of study.

2.8.8 These varying rental levels were capitalised by applying yields of between 5% and 8% (varying dependent on scheme type). As with the level of rental value, varying the yields enabled the exploration of the sensitivity of results given that in practice a wide variety of rentals values and yields could be seen. This approach also means that it is possible to consider what changes would be needed to rents or yields to sufficiently improve the viability of non-viable schemes or, conversely, the degree to which viable scheme assumptions and results could potentially deteriorate whilst still supporting the collective costs, including CIL.

2.8.9 It is worth noting here that small variations in assumptions can have a significant impact on the GDV available to support the development costs (and thus the viability of a scheme) together with any potential CIL funding scope. We consider this very important bearing in mind the balance that must be found between the desirability of infrastructure funding needs and the potential effect on viability. While it is relevant to assume new development and appropriate lease covenants etc. rather than older stock, using overly positive assumptions in the local context could act against finding that balance.

2.8.10 This approach enabled us to consider the sensitivity of results to changes in the capital value (GDV) of the non-residential typologies and allowed us then to consider the indications currently emerging for the CIL Scoping exercise - moving towards also reviewing the effect of the non-residential CIL charging rates for the study area, again including any potential adjustment areas that might warrant further review, moving ahead and reflecting the confirmed new Local Plan in due course. As with other elements of the study, the adopted assumptions will not necessarily match scheme specifics or the actual drivers for developments being progressed, and therefore we need to keep in mind whether and how frequently local scenarios are likely to indicate viable results (including as values vary). Reflecting this provisional exercise only, some initial CIL Scoping related findings are provided within the points at Chapter 3 – Findings review.

## 2.9 Development Costs - Generally

2.9.1 Total development costs can vary significantly from one site or scheme to another. For these strategic overview purposes, however, these cost assumptions have to be fixed by typology to enable the comparison of results and outcomes in a way which is not unduly affected by how variable site-specific cases can be. Although the full set of cost assumptions adopted within the appraisals are set out in detail in Appendix 1 to this report, a summary of the key points is also set out below

2.9.2 Each cost assumption is informed by data and supporting evidence from such sources as follows in accordance with relevant sections of the PPG:

- Building Cost Information Service (BCIS);
- Locally available information as far as available following the stakeholder consultation process;
- Other desktop-based research;
- Professional experience.

2.9.3 For site typology testing, we have not allowed for abnormal costs - these are highly specific and can distort comparisons at this level of review. Contingency allowances have however been made for all appraisals. This is another factor that should be kept in mind in setting policy and reviewing CIL charging rates and ensuring those are not set to the 'limits' of viability. In some circumstances and over time, overall costs could rise from current / assumed levels. The interaction between values and costs is important and whilst any costs rise may be accompanied by increased values from assumed levels, this cannot be relied upon.

## 2.10 Development costs - build costs

2.10.1 The base build cost levels outlined below are derived from BCIS, following the approach recommended by the PPG guidance on Viability. These figures are considered to represent 'appropriate data' and have been adjusted using a South Gloucestershire location factor. The assumed costs for each development type (e.g., houses, flats, mixed-use, and non-residential) are detailed in Appendices 1 and 2 and are summarised in Figure 12. These costs

reflect the selected BCIS median average rates. For larger sites within the SUaVE areas modelling, the lower quartile 'mixed developments' build cost rate has been applied to reflect the likely economies of scale achieved in such developments.

**Figure 12: Base Build Cost Data**

| Development Type (median unless stated) | | Base BCIS Build Cost £/sq. m.* |
|---|---|---|
| **Residential** | Build Costs Mixed Developments - generally (£/sq. m) | £1,397 |
| | Build Costs Mixed Developments - generally (£/sq. m) – Lower Quartile | £1,253 |
| | Build Costs Estate Housing – 2-storey (£/sq. m) | £1,336 |
| | Build Costs Estate Housing – 3-storey (£/sq. m) | £1,406 |
| | Build Costs Flats - 3-5 Storeys (£/sq. m) | £1,582 |
| | Build Costs Flats - 6+ Storey (£/sq. m) | £1,888 |
| | Build Costs (Supported Housing - Generally) (£/sq. m) | £1,680 |
| **Others** | | |
| Large Retail | Large Foodstore / Supermarket - out of town | £1,580 |
| Large Retail | Retail Warehouse | £918 |
| Town Centre Retail | Comparison shops (general/non shopping centre) | £1,418 |
| Small Retail | Convenience Store - various locations | £1,418 |
| Business - Offices - Town Centre | Office Building | £2,498 |
| Business - Offices - Out of town centre /Business Park | Office Building | £1,965 |
| Business - Industrial / Warehousing | Smaller / Move-on type industrial unit including offices - industrial estate | £995 |

| Development Type (median unless stated) | | Base BCIS Build Cost £/sq. m.* |
|---|---|---|
| Business - Industrial / Warehousing | Larger industrial / warehousing unit including offices - industrial estate | £725 |
| Business - Industrial / Warehousing | Distribution Centre | £725 |
| Hotel (budget)*** | Hotel – edge of town centre / edge of town (60-bed) | £2,438 |
| C2 - Residential Institution | Nursing Home (65-bed) | £1,932 |
| Student Accommodation | 100% Cluster type Accommodation with en-suite (300 rooms) | £2,180 |
| Student Accommodation | 100% studio-type accommodation | £2,180 |

***The above costs exclude external works and contingencies (these are added to the above base build costs).*

(DSP 2024 sourced from BCIS)

2.10.2 BCIS build costs exclude external works/site costs, contingencies, and professional fees, which are accounted for separately. An allowance for external works has been applied across the assessment, varying by scheme type, ranging from 7.5% to 15% of the base build cost. These allowances are informed by a variety of information sources and cost models and are generally set above minimum levels to accommodate the potentially variable nature of such works.

2.10.3 Specifically, site works and infrastructure costs of £500,000 - £600,000/ha have been assumed for the range of site typologies tested with more specific, higher allowances assumed for large scale greenfield development and sites within SUaVE areas where applicable.

2.10.4 In this broad viability assessment, it is not feasible to account for all potential variations in additional costs. Build costs can vary widely. We have made reasonable assumptions based on relevant guidance and professional experience, focusing on typical new build schemes rather than high-specification, complex, or bespoke developments requiring specialized construction techniques or materials. As with other aspects of viability assessment, there is no single definitive figure; judgments are necessary. It is

important to emphasize that, in practice, build cost assumptions are highly site-specific.

2.10.5 Just as there may be instances where costs are higher than assumed, there are also likely to be cases where base costs, external costs, or other elements are lower. In line with the need to maintain balance and account for the variability of scheme-specific factors in practice, our aim is to establish assumptions that are both appropriate and realistic. This approach avoids making overly optimistic assumptions in all areas to ensure a fair assessment of viability.

2.10.6 An allowance of 5% of build cost has also been added in all cases (residential and commercial/non-residential typologies) to cover contingencies (i.e. unforeseen variations in build costs compared with appraisal or initial stage estimates). This is a relatively standard allowance in our experience, although we do see some assumptions at lower levels. We have seen variations, again, either side of this level in practice, with higher levels usually relevant only for some types of conversions.

2.10.7 The interaction between costs and value levels may need reconsideration in future Local Plan reviews as base build costs typically change over time. Further sensitivity tests have also been run as part of the SUaVEs representative appraisals exercise at this stage, providing insights into how build cost variations affect scenario outcomes. Details are included in the assumptions and results appendices.

## 2.11 Development costs – Fees, Finance & Profit

2.11.1 Alongside those noted above, the following costs have been assumed for the purposes of this study and vary slightly depending on the scale and type of development. Other key development cost allowances for residential and commercial scenarios are as follows (see Figures 13 and 14 below). Appendices 1 and 2 provide the detail.

### Figure 13: Residential Development Costs – Fees, Finance & Profit

| Residential Development Costs – Fees, Finance & Profit | Cost Allowance |
|---|---|
| Professional & Other Fees | 8 - 10% of build cost |
| Site Acquisition Fees | 1.5% Agent's fees |
| | 0.75% Legal Fees |
| | Standard rate (HMRC scale) for Stamp Duty Land Tax (SDLT) |
| Finance | 6.5% p.a. interest rate (assumes scheme is debt funded and represents costs including ancillary fees) – Local Plan overview assumption rate, through various market cycles. |
| Marketing Costs | 3% of GDV sales agent & marketing fees. |
| | £750/unit legal fees. |
| Developer Profit | Open Market Housing – based on range described in PPG of 15% - 20% of GDV. Base 17.5% assumed for Local Plan overview. |
| | Affordable Housing – 6% GDV (AH revenue on SR, AR & SO); 10% GDV on BTR. |

(DSP 2024)

## Figure 14: Non-Residential/Commercial Development Costs – Fees, Finance & Profit

| Development Costs | Cost Allowance |
|---|---|
| Sustainability Allowance / other enhancements addition contingency (% of cost) | 5% |
| Professional Fees (% of cost) | 10% |
| Contingencies (% of cost) | 5% |
| Site preparation/servicing | £550,000/ha |
| Biodiversity Net Gain (BNG) (£ per ha) | £47,885 per ha<br>*(based on Scenario C, Table 15 of the Government's Impact Assessment - Net Gain Delivery Costs (non-residential)* |
| Finance rate p.a. (including over lead-in and letting / sales period) | 6.5% |
| Purchaser's costs | 5.75% |
| Marketing, letting & sales costs | 3.00% |
| Developer Profit (% of GDV) | 15% |
| **Yields** | Variable applicability - sensitivity tested across range at 4.5% to 8.0% |
| **Site Acquisition Costs** | |
| Agents Fees (% of site value) | 1.50% |
| Legal Fees (% of site value) | 0.75% |
| Stamp Duty (% of value - HMRC scale) | 0 to 5% |

(DSP 2024)

## 2.12 Build and development period

2.12.1 The build period assumed for each test scenario has been based on BCIS data utilising the Construction Duration calculator by entering the scheme typology details modelled in this study. This has then been sense-checked using our experience and informed by site-specific examples where available. The build periods and sales rates noted in Appendices 1 and 2 exclude lead-in times. Sales periods are off-set accordingly (i.e. running after the commencement of and beyond the assumed construction period).

2.12.2 In the case of the SUaVE appraisals, the timing assumptions used by DSP directly reflect the draft trajectory information provided to us by SGC per site. These were sense checked and considered to be broadly in line with our recent experience of prudent, appropriate assumptions. Details are provided in Appendix 2, including a current stage version of the Council's trajectory estimates as per Table 2g, the final table there (provided by SGC).

2.12.3 Within the appraisal timings, the site-wide works and infrastructure costs are assumed to start prior to the main construction (housebuilding) in a site preparation phase, as a mix of font loaded and then overlapping cost.

2.12.4 As the SUaVE appraisals have been undertaken at this stage on the principle of 'infrastructure off', with the appraisals resulting in a surplus (or deficit) against which total infrastructure costs (when known) need to be compared, the surplus has been spread across the development and therefore financed accordingly.

2.12.5 We consider the assumed timings as outlined above to be appropriate given the context of the assessment at a time when much of the site-specific detail is still in the early stages of being considered and will be going through significant further working up.

## 2.13 Policy areas reviewed alongside affordable housing – Summary

2.12.1 A number of the Council's proposed policies have an impact on development viability, both directly and indirectly. As discussed previously, part of this assessment process was to test whether and to what degree those policies and potential future s106 planning obligations could be absorbed by development whilst maintaining development viability (and therefore viability of the Plan overall). The direct impacts are those policies which ultimately result in a specific fixed cost assumption within the appraisal modelling (including the specific site testing) and those key elements not already considered (e.g. AH proportions, dwelling mix etc.) are discussed below. Some do not add or add significantly to the typical costs of development or costs that, at the time of completing the assessment key stages in the second half of 2024, are now resulting from or expected to relate to national level policy or requirements.

2.12.2 At the time of building up this reporting, policy wording and numbers had not been fully finalised and as such the sub-headings below relate to emerging policy titles, where known, and broad policy areas (as above, those that are likely to have a cost impact on development and that are outside normal, established development costs).

- **Nationally Described Space Standard (NDSS)**
  The dwelling size assumptions used in the viability testing are set out earlier in this report and in Appendix 1, consistent with the NDSS ranges to meet the requirements of the Council's objectives. (Source: Technical Housing Standards - former DCLG, 2015). External residential space expected to be provided as part of normal costs of development.

- **Accessible Homes** (Building Regulations Part M4 (2) and (3))
  Accessibility is incorporated into Part M of the Building Regulations with all buildings now being built to a minimum of M4(1) 'visitable dwellings' with further enhanced requirements to M4(2) 'Accessible and adaptable dwellings' and M4(3) 'Wheelchair user dwellings' optional with implementation via policy but subject to evidence of need as well as viability. The Government has previously consulted on making Part m4(2) mandatory. South Gloucestershire policy proposes the following

- all new housing will be required to meet M4(2) accessible and adaptable dwellings standard;
- All market housing for major development (10 or more dwellings) should provide 4% of dwellings to meet the M4(3) (2a) standard (wheelchair adaptable housing);
- Affordable housing for major development should provide 10% of dwellings built to meet M4(3) (2a) (wheelchair adaptable housing);
- For specialist accommodation for older people, all dwellings irrespective of tenure will be required to meet Building Regulation M4(3) (2a) standard (wheelchair adaptable housing).

Costs are based broadly on the Government's 'Raising accessibility standards in new homes'[10] consultation document (estimates of costs), Housing Standards Review (2014)[11] supporting evidence plus allowances for build cost inflation and DSP experience. Costs are as set out in Appendix 1.

- **Green infrastructure/open space requirements**
  GI can be achieved through not only open space, amenity and allotments etc. but it is also achieved as part of wider scheme elements. Natural England describe GI as including "street trees, green roofs/walls, parks, private gardens, allotments, sustainable drainage systems, through to wildlife areas, woodlands, wetlands and natural flood management functioning at local and landscape scale" and "linear GI includes roadside verges, green bridges, field margins, rights of way, access routes, and canals and rivers". Overall, we consider there is a cross over between the provision of on-site GI, BNG, open space and blue infrastructure etc. and the range of assumptions made within the assessment (Appendix 1 and 2) is appropriate reflecting the corresponding costs of meeting such requirements.

- **Water efficiency**
  Whilst not specifically requiring compliance with the building regulations optional standards on water use efficiency (water usage not exceeding 110 litres per person, per day (lpppd)) draft policy does require that all development

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

proposals must include measures to show how they will utilise water efficiently. Meeting the 110lpppd requirement comes with a de minimis cost and as such we assume all development complies.

- **Climate change & sustainable design and construction**
  A new Approved Document Part L published on 15th December 2021 came into effect on 15th June 2022. Approved Document Part L supports Part L of Schedule 1 to the Building Regulations 2010 by providing guidance and requirements relating to the conservation of fuel and power in buildings, and onsite generation of electricity. Part L is in two parts - Volume 1 relates to new dwellings, and extensions to and work on existing dwellings and Volume 2 relates to other buildings. The recent changes to Approved Document Part L form part of the government's move toward net zero carbon, including through the proposed Future Homes Standard and Future Buildings Standard which will see a phased reduction in energy use. The new Part L represents approximately a 31% reduction in energy use in dwellings compared to the previous Part L (2016 amendments), and 27% in non-residential buildings. This is an interim step prior to the full Future Homes and Future Building Standard which are due to be implemented in 2025, but significant uncertainty remains as to whether the current Government will proceed on this basis.

  The Future Homes Standard (FHS) is due to be implemented in 2025 and intends to achieve 75% lower carbon emissions from new homes compared to current Part L Building Regulations. The first phase of Government consultation states that from 2025 new homes will be "zero carbon ready" i.e., no further retrofitting for energy efficiency will be required to achieve "zero carbon" status, as the electricity grid continues to decarbonise.[12]

  The emerging Plan sets out strategic objectives for both mitigation of and adaptation to the impacts of climate change. As part of this, the Council's emerging policy requires that all development proposals must minimise heating and cooling energy demand and associated emissions of greenhouse gas emissions, using layout, orientation and built form and net zero energy (or Passivhaus equivalent) fabric efficiency standards; maximise on-site

[12] MHCLG: The Future Homes Standard 2019 Consultation document and summary

renewable energy generation with the objective of meeting annual energy demand; minimise embodied carbon and make efficient use of natural resources and; ensure proposals have been designed to be resilient to the effects of a changing climate.

Equally, emerging policy on energy management in new development requires that all proposals for residential and non-residential development must achieve a space heating demand equal to or less than 20kWh/m2/yr in bungalows and detached dwellings, and equal to or less than 15kWh/m2/yr in all other building types; and a space heating demand equal to or less than 20kWh/m2/yr in bungalows and detached dwellings, and equal to or less than 15kWh/m2/yr in all other building types; and all proposals for non-residential development must achieve targets specific to the particular use (not set out here).

Various cost allowances have been made as set out in Appendix 1.

- **Electric vehicle charging points**
  Emerging policy requires that all new buildings will require provision of electric vehicle charging facilities in line with Building Regulations Part S: Infrastructure for Charging Electric Vehicles (or any future updates).

  Cost allowances assumed within this study are set out in Appendix 1 representing the typical costs of complying with policy on new sites building in the policy from the design process onwards. This is based on the Department for Transport Residential Charging Infrastructure Provision Impact Assessment (September 2021).

- **Biodiversity Net Gain (BNG)**
  There is a national requirement to deliver minimum net gain of 10% BNG and the Council are not intending to exceed the national minimum requirement (although emerging policy does explicitly require that new development, unless exempt, will provide at least 10%. For the purposes of this assessment, we have assumed 10% net gain within all of the modelling undertaken to date. Assumes Scenario C (worst case) as set out in the Impact Assessment[13]

[13] DEFRA: Biodiversity net gain and local nature recovery strategies Impact Assessment (October 2019)

associated with the Government consultation on BNG – 2021 assessment work as a proxy to the uplift to the cost of achieving biodiversity units to £20,000 per unit (from £11,000 per BNG unit assumed within the Impact Assessment). Appendix 1 provides more detail. It should be noted that where a cost allowance (rather than physical provision) is made, this is a proxy for the cost of achieving the relevant requirements; suitable for a high level assessment such as this where site specific allowances cannot be made for site typologies. As with the discussion above on green and blue infrastructure, there is a cross-over between requirements for provision of on-site GI, BNG, open space and blue infrastructure etc. with multi-function spaces and the range of assumptions made within the assessment. We are therefore of the view that allowances made for BNG to be at the upper end and potentially an over allowance.

- **Self and Custom-build**
  The Council has an adopted policy that requires all developments of 100 dwellings or more to provide 5% of those dwellings as serviced plots for self and custom build homes. We understand that the Council intend to roll forward this policy into the new local plan.

  From DSP's experience of this type of development, we consider the provision of plots (serviced and ready for development) for self or custom-build has the potential to be sufficiently profitable so as not to provide a significant drag on the viability of a scheme in general. Broadly, we would expect this activity to be at least neutral in viability terms, with the exact outcomes dependent on site-specific details, as with other aspects of the development process. We offer the comment that, in practice, many self-builders will look to satisfy their own specific aims through the market – finding either an individual plot, re-build opportunity, conversion or similar. With an assumption pitched at £150,000/plot, however, this envisages a potentially more widely affordable route into this model of home ownership. Appendix I provides more detail.

- **Meeting Gypsy, Travellers & Travelling Showpeople' Needs**
  By way of confirmation, no particular policy detail or basis for allowances have been reflected at this stage.

- **(Future) Building Safety Levy (BSL)**
  The Building Safety Act 2022 introduced powers to impose a levy on certain new residential buildings in England, to raise revenue to be spent on building safety. This levy has been confirmed as due to be implemented as a mandatory national measure and is understood as planned to capture contributions from a wide spectrum of residential developments. However, this appears to be more about generating a fund for remedial works relevant to only a portion of older development and the method of calculating the levy has yet to be confirmed. Therefore, its approximate cost (for example per dwelling or per square metre of development or similar) is not known. Accordingly, and in any event consistent for now with the uncertainty as to whether/how this should be reflected in viability assessment, at this stage no extra assumption has been made within the VA.
  In our view, it is not likely to a significant issue in terms of the Local Plan viability overall and we can reasonably envisage that it will become a general matter embedded within the development process. If so, it should not weigh or certainly not weigh heavily on the viability of developments of a wide variety, carried out by a wide range of developers. Overall, it appears that this should not further significantly affect the other policy objectives that are expected to be supported.

- **Habitats Regulations Assessment (HRA)** – Potential mitigation
  At the point of finalising this VA, the Council has received evidence regarding the potential geographic area within which mitigation measures (funded by developer contributions) are likely to be required. This is in relation to Severn Estuary 'European Marine Sites' (EMS), which consists of Special Areas of Conservation (SACs), Special Protection Areas (SPAs) and a globally important wetland Ramsar site.
  More specifically, it is now understood that developers may have to contribute towards: SAMMS (Strategic Access Management and Monitoring), on-site developer led SANGs (Suitable Alternative Natural Greenspace), or off-site infrastructure including SANGs.
  However, SGC does not as yet have information on the projects and costs that this could entail. We understand that the Gloucestershire authorities levy a sum of about £1,000 per dwelling towards the SANGs, and that this approach is being promoted/extended into South Glos.

With the costs not known at this stage, in a similar vein to the above on the BSL, a specific assumption has not been made to date.
DSP has experience elsewhere of mitigation contributions required in response to similar protections. At around a typical level of say £500 - £1,000 per relevant dwelling overall, this is likely to represent a very small proportion of the overall development costs/infrastructure packages – indicatively likely less than +1% of the base housebuilding cost for example. At this level, and potentially like the BSL, this is therefore likely to have an effect that is within typical variances/tolerances (general movements) within the range of influences in any event
Again, in our view, it is not likely to a significant issue in terms of the Local Plan viability overall and we can reasonably envisage that it will become a general matter embedded within the process of developments continuing to come forward. Overall, it appears that this should not further significantly affect the other policy objectives that are expected to be supported.

- Overall, however, as part of the likely general movements in values and costs, and inherent uncertainties in the development process, collectively this all influences the degree to which in our view the core findings scope should be considered by SGC rather than there be a push for higher still positions on affordable housing or other matters.

- **Note on Nutrient Neutrality**
  Experience has shown that related mitigation costs can be very significant where they apply. As a further note for completeness, however, as far as we aware there are no requirements for this form of mitigation in South Gloucestershire. This means that although the Government has very recently confirmed proposals to introduce a levy approach covering this in a more standardised way (details not yet known) this does not appear set to impact as a further cost on development here.

## 2.14 Infrastructure costs provision – Section 106 (s106)

2.14.1 As discussed earlier in this report, SGC currently has a CIL in place as implemented in August 2015 with the charging rates now indexed in accordance with Regulation 40 using the Tender Price Index (TPI). These

indexed rates were tested through the initial stages of this assessment alongside other planning obligations and policy costs with the final typology and SUaVE testing including the indexed CIL rates across all scenarios as well as sensitivity testing a full range of potential CIL rates to aid future review of the Council's CIL Charging Schedule.

2.14.2 As is the case here, even with CIL in place, there remains a requirement for developments to provide some site-specific mitigation measures (for example potentially relating to matters such as open space, highways work and any other particular requirements needed to make a development acceptable in planning terms). However, care needs to be taken not to add costs assumptions to the degree that those might overlap between this s.106 and what is to be provided for via CIL.

2.14.3 In order to settle upon a suitable assumption to include for s106 (alongside the included estimates of the CIL cost) for the site typologies testing, DSP reviewed information made available by SGC on a breakdown from its monitoring data for the period March 2023 to March 2024. Across the 16 schemes sample, excluding an outlier example (at approx. £23,300/dwelling on a scheme of 30 dwellings) overall the total s106 sums ranged from an equivalent of (rounded figures) £2,750 to £17,000 per dwelling. Of these, for half of the developments (8 no. schemes) the total s106 cost recorded was lower or significantly lower than £5,000/dwelling, however. For a further 3 no. schemes the total s106 costs equated to approx. £5,150 to £6,300/dwelling, with the remaining schemes requiring highly variable s106 sums within the above noted overall range.

2.14.4 Overall, this appeared a highly site/scheme specific factor with no real/clear correlation between s106 levels and scheme size, etc., and therefore a judgment needing to be made on overall reasonably reflective assumptions covering the range of information at the appropriate, proportionate level of this assessment. Accordingly, the results of this exercise informed the making of an allowance for s106 (and to reiterate, made alongside the current CIL) of £8,500 per dwelling within the houses and mixed dwellings (houses and flats) typologies/mixes, and £5,000 per unit in the flatted only (all flatted) typologies testing (see Appendix 1).

2.14.5 In terms of the SUaVE areas testing, as we have discussed above at 2.4.5 to 2.4.9 (and see Appendices 2 and 4), the modelling was undertaken on the basis of an 'infrastructure off' approach with the resultant residual surpluses / deficits compared to the latest list of s106 infrastructure requirements. CIL has been included at the higher indexed rate, however, as noted.

## 2.15 Indicative land value comparisons and related discussion

2.15.1 In order to consider the likely viability of any development scheme, the results of the appraisal modelling (the RLVs viewed in £/ha terms) need to be measured against an appropriate level of land value. This enables the review of the strength of the results as those change across the range of value levels, affordable housing policy targets (%s) and other planning obligations.

2.15.2 The process of comparison with land values is, as with much of strategic level viability assessment, not an exact science. It involves judgements and well-established acknowledgements that, as with other appraisal aspects, the values associated with the land will, in practice, vary from scheme to scheme.

2.15.3 The levels of land values selected for this context are known as 'benchmark land values' (BLVs). They are not fixed in terms of creating definite cut-offs or steps in viability but, in our experience, they serve well by adding a filter to the results as part of the review. BLVs help to highlight the changing strength of relationship between the values (scheme revenue (GDV)) and development costs as the appraisal inputs (assumptions) change.

2.15.4 As noted above, the PPG on viability is very clear that BLVs should be based on the principle of existing use value plus a premium to incentivise the release of the site for development. Land value in any given situation should reflect the specifics of existing use, planning status (including any necessary works, costs and obligations), site conditions and constraints. It follows that the planning policies and obligations, including any site specific s106 requirements, will also have a bearing on land value where an implementable planning consent forms a suitable basis for an alternative use value (AUV) based approach that could be in place of the primary approach to considering

site value (benchmark land value – BLV), which is now always “EUV plus” (existing use value plus) consistent with the PPG on Viability.

2.15.5 As part of our results analysis, we have compared the wide scope of resulting residual land values with a range of potential BLVs used as ‘Viability Tests’, based on the principles of ‘existing use value plus’ (EUV+). This allows us to consider a wide array of potential scenarios, outcomes and the resulting viability trends seen in this case. The coloured shading within the results tables appended to this report provide a graded effect intended only to show the general tone of results through the range clearly viable (most positive – boldest green coloured) to likely non-viability scenarios (least positive, where the RLVs show no surplus or a deficit against the BLVs).

2.15.6 The land value comparison levels (BLVs) are not fixed or even guides for use on scheme specifics; they are purely for this assessment purpose. Schemes will obviously come forward based on very site-specific circumstances, including in some cases on sites with appropriately judged land values beneath the levels assumed for this purpose.

2.15.7 As part of the process of developing appropriately robust BLVs, we have reviewed other available evidence, including previous viability studies at a strategic level, site-specific assessments where available. In addition, we have also had regard to the consultation responses and published Government sources on land values for policy appraisal[14] providing industrial, office, residential and agricultural land value estimates for locations across the country.

2.15.8 It should be noted that the *residential* land value estimates of the (former) MHCLG require adjustment for the purposes of strategic viability testing due to the fact that a different assumptions basis is used in our study compared to the truncated valuation model used by the MHCLG. This study assumes all development costs are accounted for as inputs to the RLV appraisal, rather than those being reflected within a much higher “serviced” i.e. “ready to develop” level of land value.

[14] MHCLG: Land value estimates for policy appraisal – most recent version 2019 published August 2020

2.15.9 The MHCLG model provides a much higher level of land value for 'residential land' as it assumes the following:

- All land and planning related costs are discharged;
- Nil affordable housing requirement – whereas in practice the requirement for AH can impact land value by up to around 50% on a 0.5ha site with 35% AH.
- Nil CIL;
- No allowance for other planning obligations;
- Full planning consent is in place – the risk associated with obtaining consent can equate to as much as a 75% deduction when adjusting a consented site value to an unconsented land value starting point;
- Lower quartile build costs;
- 17% developer's profit.

2.15.10 The above are additional assumptions that lead to a view of land value well above that used for comparison (benchmarking purposes) in viability assessments. Overall, the assessment approach (as relates to all land values) assumes all deductions from the GDV are covered by the development costs assumptions applied within the appraisals. In our view this would lead to a significantly reduced residential land value benchmark when taking into account all of the above factors.

2.15.11 As set out in the results appendices, we have made indicative comparisons with BLVs in a range between £150,000/ha and £2,500,000/ha plus overall, enabling us to view where the RLVs fall in relation to those levels and to the overall range between them. Below, we will consider further the relevance of this range first to GF sites and then to PDL.

2.15.12 Following a review of evidence from other viability studies locally we have assumed a base EUV+ based land value benchmark for greenfield sites, of £250,000 per gross hectare, aligning with typical minimum option pricing for greenfield development land. This is consistent with the circa 10 times multiple of EUV commonly used in our and other practitioners strategic local plan viability assessments. The approach offers a substantial premium above the existing use value for agricultural land which can be anywhere up to £25,000

per hectare, providing a strong incentive for landowners to bring their land forward for development.

2.15.13 For smaller greenfield development sites we assume that a slightly higher greenfield BLV of approximately £500,000/ha will need to be met as might apply to a narrower band of smaller, more general greenfield sites of potentially up to our 250 unit typology for example. In our view and experience, certainly the c. 250 dwelling typology outcomes could also be considered relative to the £250,000/ha GF BLV as well as the higher (smaller sites) GF BLV at £500,000/ha. This means that viewing the RLVs of the 250 dwellings tests in the context of a £500,000/ha represents a fairly cautious approach in our view; lower BLVs could be appropriate at that scale of (greenfield) development.

2.15.14 This reflects the viability in planning policy principles within the PPG as opposed to a more market orientated approach that may be influenced by comparison with older (pre-PPG) deals and include more emphasis on 'hope value' or similar, rather than being purely EUV plus based. We need to bear in mind that especially for bulk GF land, the stated BLV figures should not be regarded as a minimum or absolute cut-off. Indeed, gross land area figures may include areas of land where for example lower values may be appropriate in support of ancillary provision, undeveloped mitigation land such as SANG or similar.

2.15.15 Above the base level of BLV £250,000/ha, and generally reflecting smaller, non-strategic scale development, we would expect an EUV+ of up to £500,000/ha could be applicable for greenfield/amenity land use releases. The commentary above reflects this. We consider this as part of the context for the review of the Appendix 3 typologies results as well as in making assumptions for reviewing the SUaVEs viability prospects (see Findings Review – section 3 – below). VA work undertaken in the region has noted a £150,000/ha BLV as potentially relevant, as our late 2023 VPS information included. While it is not appropriate to rule out a lower BLV than the £250,000/ha applied in this assessment, and particularly perhaps for application to some parts of the larger sites (such as the SUaVEs), we have not relied on a lower BLV at this stage.

2.15.16 With regard to previously developed land, typically we would expect to see a higher benchmark land value threshold needing to be met or exceeded in order to indicate likely site viability in the context of this study. In our view a range of £600,000 to £2.5m would be suitable. Sites in the range £600,000 to £1.3m are likely to be representative of lower value existing uses, such as former community uses or other redundant uses such as low grade commercial / yards etc.

2.15.17 RLVs meeting or exceeding BLVs the range £1.3m to £2.5m/ha are representative of sites likely to be in existing medium to higher value employment uses or are indicative of scenarios that come with more certainty and, as the RLV increases, more confidence of a viable outcome across a wider range of testing. In some PDL scenarios, we also need to be mindful that EUV+ based BLVs will be higher; hence the overall range used for viewing the results context - as set out below and seen in use within the Appendix 3 typologies results tables. Overall, within the main range £1.3 to 2.5m/ha, in our view the BLV test level at £2m/ha is a good broad marker for considering viability on PDL here, with reasonable confidence and unless dealing with lower valuer existing uses.

2.15.18 Figure 15 below shows, with some explanatory notes, the range of selected BLVs which have been used as ‘viability tests’ (filters) for the viewing and provision of the results interpretation / judgments – as per the results in the Appendices 2 tables where these BLV levels are also shown as part of the ‘key’ or notes.

## Figure 15: Range of BLVs (Indicative 'viability tests')

| PDL Development Sites | |
|---|---|
| **Indicative non-viability** | RLV beneath Viability Test 1 (RLV <£600,000/ha) |
| **Potential viability on lower PDL** | Viability Test 2 (RLV £600,000 to £1,300,000/ha) |
| **Viable indications - Medium value PDL** | Viability Test 3 (RLV £1,300,000 to £2,000,000/ha) |
| **Viability indications - Medium to higher value PDL** | Viability Test 4 (RLV £2,000,000 to £2,500,000/ha) |
| **Viability indications - higher value PDL** | Viability Test 6 (RLV >£2,500,000/ha) |

**BLV Notes:**

| EUV+ £/ha | Notes |
|---|---|
| **£600,000** | Garden / amenity land, low-grade PDL (e.g. former community uses, yards, workshops, former industrial etc.) |
| **£1,300,000** | |
| **£2,000,000** | PDL - industrial/commercial |
| **£2,500,000** | Upper PDL/residential land values |

| Greenfield Development Sites | |
|---|---|
| **Indicative non-viability** | RLV beneath Viability Test 1 (RLV <£150,000/ha) |
| **Potential/marginal viability (GF Only)** | Viability Test 2 (RLV £150,000 to £250,000/ha) |
| **Marginal viability (GF Only)** | Viability Test 3 (RLV £250,000 to £500,000/ha) |
| **Indicative positive viability** | Viability Test 4 (RLV >£500,000) |

**BLV Notes:**

| EUV+ £/ha | Notes |
|---|---|
| **£150,000** | Greenfield Enhancement - reflecting larger scale development |
| **£250,000** | |
| **£500,000** | Greenfield Enhancement (Upper) - reflecting smaller scale development |

(DSP 2024)

2.15.19 It is important to note that all RLV results indicate the potential receipt level available to a landowner after allowing, within the appraisal modelling, for all development costs (as discussed earlier). This is to ensure no potential overlapping / double-counting of development costs that might flow from assuming land values at levels associated with serviced/ready for development land, with planning permission etc. The RLVs and the indicative comparison levels (BLVs) represent a "raw material" view of land value, with all development costs falling to the prospective developer (usually the site purchaser).

2.15.20 Matters such as realistic site selection for the particular proposals, allied to realistic landowner's expectations on site value will continue to be vitally important. Site value needs to be proportionate to the realistic development scope and site constraints, ensuring that the available headroom for supporting necessary planning obligations (securing AH and other provision) is not overly squeezed beneath the levels that should be achieved.

2.15.21 The PPG[15] states the following:

> *'To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to comply with policy requirements. This approach is often called 'existing use value plus' (EUV+)…*
>
> *Benchmark land value should:*
>
> - *be based upon existing use value*
> - *allow for a premium to landowners (including equity resulting from those building their own homes)*
> - *reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees*

[15] https://www.gov.uk/guidance/viability#standardised-inputs-to-viability-assessment Paragraph: 014 Reference ID: 10-014-20190509 Revision date: 09 05 2019

*Viability assessments should be undertaken using benchmark land values derived in accordance with this guidance. Existing use value should be informed by market evidence of current uses, costs and values. Market evidence can also be used as a cross-check of benchmark land value but should not be used in place of benchmark land value. There may be a divergence between benchmark land values and market evidence; and plan makers should be aware that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners.*

*This evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.*

*In plan making, the landowner premium should be tested and balanced against emerging policies. In decision making, the cost implications of all relevant policy requirements, including planning obligations and, where relevant, any Community Infrastructure Levy (CIL) charge should be taken into account.*

*Where viability assessment is used to inform decision making under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan. Local authorities can request data on the price paid for land (or the price expected to be paid through an option or promotion agreement).'*

2.15.25 An alternative route to considering BLV on larger sites such as these (bulk land releases) could be to adopt a higher rate for the expected development area and a significantly lower level of value to the non-development areas that provide much of the green infrastructure including any mitigation land. That approach could be expected to produce a similar overall assumption on BLV.

# 3.0 Findings Review

## 3.1 Initial Review – Preliminary assessment work

3.1.1 Reflecting the phased assessment approach to date, first in this section we will outline the key points from the preliminary assessment work (emerging findings) based on the information available and initial exploratory appraisals run at the time. Although the information available for use and therefore some assumptions have moved on since this earlier work, it provided useful scene setting and has continued to do so as the details have been revised and the assessment developed and finalised to this current reporting stage (end 2024).

3.1.2 This was undertaken in order to generate some initial indications for review and to help inform next steps as part of an iterative approach overall.

### Initial typologies review

3.1.3 Based on some initial typology appraisal runs representing small to medium developments at up to 75 dwellings, in late June 2024 DSP presented to the Council the following high-level emerging findings (extracted from DSP material used for a SGC Councillors' and key officers' liaison and updating and session at the time):

**Context:**

- Assessment conducted in stages, currently focusing on residential development typologies with initial testing of key strategic sites taking place in the coming weeks.
- Viability Position Statement prepared by DSP in 2023
- Extensive research/analysis underpins the assessment relating to sales values assumptions, emerging policy review, costs assumptions - cumulative costs picture
- Sales values based on new build and re-sale data sourced from Land Registry, RightMove, Zoopla, Housemetric, stakeholders etc.
- Range of values from £4,000 to £5,400/sq. m. (across the district) with typical new build values circa £4,300 to £4,500/sq. m.

(DSP 2024)

**Approach:**

- Stakeholder consultation with development industry and Registered Providers via survey – questions on development costs, policy costs, sales values, the housing market generally.
- Site promoter consultation in relation to key strategic sites – via survey and virtual meetings to understand more detail about each site, assumptions, abnormal works, land ownership etc.
- Typology testing and assumptions framework prepared with initial sample appraisal testing complete pending full modelling – to be further informed by today's session and further discussion with officers
- Strategic viability assessment needs to consider market cycles / negative and positive influences on viability rather than just the current view (whether that is positive or negative).

(DSP 2024)

- Initial stage appraisal testing focussed on the following typologies, applying the residual land valuation methodology:
  - 25 units (greenfield site type)
  - 50 units (greenfield site type)
  - 50 units (PDL site type)
  - 75 Flats (PDL site type)
- As noted earlier – important to acknowledge **fixed development costs** that cannot be 'flexed' and **key policy requirements (not fixed)** with potential to vary
- The fixed development/policy costs and the variable policy requirements must be viewed cumulatively – important for considering viability overall.

(DSP 2024)

**Development/policy cost influences** – to carry forward and revisit as part of ongoing review:

- Charts highlight affordable housing having the greatest viability impact in comparison with other policy requirements and development costs.
- Social rent the most affordable to tenants but least viable form of AH – SGC has good track record of securing social rent; to continue.
- Other considerable influences are CIL (fixed cost) and climate change response – we understand the latter is a key policy priority for the Council.

(DSP 2024)

**And with the preliminary VA work leading to – as emerging indications:**

- With current stage emerging policy requirements applied fully, the sample modelling points towards a policy differential (or differentials) for affordable housing, potentially between site types (PDL/GF)
- 40% affordable housing is viable on straight-forward (non-strategic) greenfield sites (modest scale without significant infrastructure)
- PDL sites show some challenging viability prospects in comparison to greenfield sites – typical in our experience owing to higher existing use values (land value) and other cost factors often relevant >> AH differential is a key finding.
- PDL sites likely supporting a lower level of not more than around 30-35% affordable housing, dependent also on development type.

(DSP 2024)

3.1.4 On the main variables review, much of the focus was on affordable housing (AH). This was the case from the outset and continued as a key theme through the assessment, with the potential viability scope for it in varying circumstances explored iteratively throughout.

## Initial SUaVEs (former SUEs) review

3.1.5 In respect of the Strategic Urban and Village Extension (SUaVE) proposals, our earliest indications (spring 2024) were that depending on the level of infrastructure requirements, we might expect a lower overall proportion of affordable housing to be supportable than on more straightforward sites – potentially in the region of 30 – 35% (but TBC).

3.1.6 On the strength of this, albeit preliminary only, DSP went on to explore the potentially viable parameters for AH by testing the proposed strategic allocations (formerly known as SUEs – Strategic Urban Extensions) with a base 40% AH included, initially. This did not appear to rule out the prospects

of viable development, and certainly not across the picture, although again dependent on how the infrastructure requirements and their estimated costs settled out.

3.1.7 In further developing the review of viability prospects for the SUaVEs, and as the SGC picture on infrastructure began to build further, these were run on the basis of testing AH% levels at 40%, 35% and 25% while in each case also applying the adopted CIL charging cost (assumed at the higher of the two indexed rates in all cases at this stage). The approach of exploring parameters has continued to be used in completing the assessment to the current stage – as will be reported further below.

3.1.8 This approach results in a potential surplus that (based on all the assumptions made) is considered likely to be available to cover costs that are not within the appraisal at this stage. Reflecting SGC's evolving picture on infrastructure requirements detail, DSP has been asked to indicate the surplus levels resulting from these various tested AH levels (with an estimate of the CIL cost also included) - i.e. on an "infrastructure off" basis, except for the assumed included CIL.

3.1.9 In building assumptions and running these appraisals, we have used a combination of the SGC supplied information (taking a lead as far as possible from the Council's indicated development trajectories and building draft infrastructure matrix) along with the emerging policies, SGC overview information, supplemented with the varied stakeholder consultation responses as far as available and with DSP research and judgements. In order to get to this point within the required timescale, it has been necessary to place assumptions as DSP considered best when sometimes looking at varied information between sources, or gaps in information (not usual in our experience at this stage, as noted above).

3.1.10 This does mean, however, that in some cases assumptions included here on dwelling numbers, site areas and potentially other matters are probably best regarded provisional/subject to subsequent confirmation or, perhaps, some further updating. Therefore, in at least some cases, it may be appropriate to consider a further review and appraisals run once more complete/settled

estimates of these matters become available and, crucially, in respect of estimated infrastructure costs allied to the appropriate scales of development.

3.1.11 Therefore, in these results tables (continued in development to latest version Appendix 4), at each AH% test the total amount currently indicated to be available to support s106 costs (and any other matters such as any abnormal costs or extended work not currently factored in) is shown per AH% test in £s (total across the assumed scheme) in the upper section of each set of test results, and in £/dwelling terms in the lower section.

3.1.12 This exercise again found 40% AH not to be ruled out as a starting point position on the SUaVEs, with likely suitable parameters for suitable policy being 30 – 40% AH. This appears consistent with some of the (albeit limited) site promoter feedback received through the stakeholder consultation undertaken within the VA process, and it would mean both need and viability weighing into policy placement, rather than a more cautious and viability weighted headline position of say 30-35% on such developments. As an early indication, however, it could be seen that 40% AH may become tight or potentially prove too much on some SUaVE elements (and particularly as the picture on infrastructure expands) and this led to a view that higher still AH proportions would likely not be workable, hence greater than 40% AH has not been appraised. Again, further review of the infrastructure requirements and the estimated costs of those are likely to more closely inform the final policy placing judgments. Further information on the completed SUaVEs VA review (to end 2024) is provided below.

## Preliminary VA work generally

3.1.13 Overall, the early information provision aimed to help inform a view on the relative costs of different requirements, and how these might need to trade-off against each other in some cases as part of making choices within an overall balance. DSP noted that typical experience showed there is usually a need for some level of compromise against the full list of desired objectives.

3.1.14 This provided an initial feel of the emerging findings that were to be revisited and tested across the wider emerging LP circumstances, dependent on being

able to review further information to support firmer assumptions as the LP development and viability assessment moved on. This was also informed by our wider experience of what new housing development of a likely relevant local value level is generally found able to viably support, in terms of the cumulative effect of the typical development/national standards and the emerging local policy costs.

3.1.15 At each stage of viability testing, we have to use the information available to that point. This influenced the way in which we conducted this first very high level look at the potential varying strength of development value:costs relationships and as noted through the latest assessment work this remains a relevant theme.

3.1.16 As part of the wider early stakeholder consultation exercise, when viewed overall the responses received from housebuilders and others in the main broadly aligned with the market views and range of considerations/assumptions being made by DSP, befitting the necessary making of an overview. As always in considering the local picture and this type of assessment, it must be acknowledged that in practice the development values and costs will be location/site and scheme specific to a significant extent.

3.1.17 In respect of the scope of policy costs, noted overall was the balance needing to be struck between specific obligations and additional costs on viability and the deliverability of development, with the importance of the Council considering competing pressures linked to making policy choices.

## Sustainable development strategy – infrastructure and more compact forms of development

3.1.18 As the VA progressed and more refinements reflecting latest available information were possible, it was possible to give further consideration to and reflect key themes that have been behind the Council's development of the new LP development strategy and nature of proposed site allocations. These include striving for more compact forms of development and looking to allocate as much development as possible to areas/sites which lead to a

relatively limited reliance on significant new infrastructure – all under the scope of promoting and supporting a strategy having strong prospects for its deliverability and sustainability.

3.1.19 At the relevant level of review conducted here, i.e. envisaging developments generally rather than having particular scheme mixes or designs to assess, as further discussions with SGC continued the above noted themes have been reflected as far as possible. This has been through further refining the assumptions made on housing mixes/types, development densities, and aligned or blended use of most appropriate BCIS build cost categories, in the later stages of the assessment.

3.1.20 On this, in October 2024 DSP was provided with a draft emerging version of study work by The Urbanists, commissioned by SGC and comprising an analysis of the new neighbourhoods delivery/progress on densities etc. to date together with a 'Proof of concept'. The latter explores how the use of the developed areas of sites could be further optimised to support the efficient use of available land overall and the capacity of given site areas, overall, to accommodate new housing and other facilities/uses. "Stacking" of measures to meet multiple land use/standards criteria is usually possible in practical terms and therefore it is important not to significantly overstate allowances and unduly depress the viability view as a consequence. However, this cannot be specifically/accurately reflected in early stages high level appraisals, and pressure is often growing on the extent of non-developed site area typically becoming involved in meeting the various wider development requirements. For example, on green infrastructure (GI) to accommodate BNG and drainage infrastructure. As well as schemes providing other uses, and developments meeting higher energy/carbon reduction standards which will also require more compact forms of development including terraced/mews housing and similar.

3.1.21 The benefits of more compacts forms of delivery appear clearer in respect of the targeted more efficient use of land, and therefore generally for site capacities. Whilst at this level of review the direct effects seen on viability are not very distinct, the VA work has begun to show that more compact forms of development where appropriate are capable of supporting similar or higher (i.e. typically not reduced) residual land values and therefore sustained or

improved scope for supporting development and infrastructure costs. The proviso to this is that, as the results have consistently shown (see below as well), this is not seen often when introducing a greater proportion of flats to mixes or looking at all-flatted development. As the VA findings have continued to show overall, flatted development typically supports lower or significantly lower viability outcomes than housing/mixed dwellings schemes; and this effect is amplified on previously developed land.

## 3.2 Further, final assessment findings – Residential typologies

(To end 2024)

### Guide to results tables

3.2.1 The following commentary reflects the VA review exercise having since been expanded and updated from the above noted preliminary stages. This has led to the results for the completed, full range of typologies (as set out in Appendix 1 and discussed above) which are provided within Appendix 3 (Tables 3a to 3o). We will first guide on the use of these results tables, and then go on to provide an overview of the further findings from this exercise.

3.2.2 The individual results (figures) shown are in each case the residual land value (RLV) outcome of the appraisal that uses the combination of affordable housing proportion tested (AH%) value level (VL), adopted CIL cost level(s) as shown across the top; and with a series of alternative trial CIL charging rates also sensitivity tested – at increasing trial intervals moving from top to bottom of each set.

3.2.3 As can be seen, an increasing trial rate of CIL gradually places further pressure on viability (the RLVs fall as the tested CIL cost increases). On the face of it this appears not particularly significant in some cases, but it is necessary to keep considering the cumulative costs and potential impacts on other matters potentially such as affordable housing delivery if it becomes too ambitious. Also observed on the effect of CIL is how it plays out in scenarios which are inherently less viable (i.e. start at a lower viability base before introducing CIL or more CIL) whereby even at relatively low levels it can have an impact that

cannot be readily supported without other effects and can quickly reach that point even at low charging levels.

3.2.4 At this stage, the key is that the South Gloucestershire Charging Schedule (with indexing of rates applied) has been reflected in all appraisals undertaken. When comparing scenarios, it is also worth noting a quirk of CIL as regards viability, in that its cost to a scheme typically falls (receipt level reduces) as the included AH% increases, being collected on the market sale homes only. With a lower proportion of homes allocated as affordable, the CIL cost/receipt rises.

3.2.5 The RLVs are first shown as absolute (£) figures in the upper unshaded (white) section of each tabled set. These are then also displayed beneath within the coloured results sections in £/hectare (£/ha) terms using the stated assumed built densities (leading to assumed net development areas) and then to the overall (gross) site areas. The latter are applied as a form of filtering in conjunction with the various benchmark land value (BLV) levels considered – as per 2.15 above and shown in the 'Key' and 'BLV notes' at the foot of each set of tables. The filtering/colour shading is intended to highlight main trends in the results and the differences between the various sets as the key variables (as per the table rows and columns) and their interactions are considered. The filtering does not represent cut-offs or specific minimums/maximums when interpreting the results. As can be seen, there is a great deal of variation overall, and small looking changes in assumptions can have some significant looking effects, so that a wider overview of all this is needed, with judgments having to be made as well.

3.2.6 For each typology there are sets of results, moving downwards with each table set, at the tested affordable housing (AH) levels of 20%, 30%, 35% and 40%.

3.2.7 Given the strength of the 40% AH results in a greenfield (GF) site setting (reflecting the preliminary findings and see the further commentary on this below), extended sensitivity testing has been undertaken on the 100 mixed dwellings typology - at 50% AH. Those further results are provided within an additional table section at Table 3k.

3.2.8 As the tested AH% increases, as seen moving down through the results sets in each case, this is a key factor (the main single factor in terms of policy over

which the Council has an influence) in determining overall viability outcomes. This is why from the preliminary testing stages and various balancing discussions through to the final testing stages the focus has essentially been on how much affordable housing can expect to be accommodated in combination with the wider policy set and existing CIL. The higher the AH% goes, the results reduce and the pressure on viability increases. Broadly, the tables show this as they include reducing areas/proportions of the bolder green shading (indicating stronger results) which becomes replaced with more marginal and likely non-viable scenarios as per the lighter green through orange and then white (non-shaded) areas within the RLV £/ha display sections.

3.2.9 Moving from left to right within each table, the tested VLs (i.e. the tested market sale values (GDV levels)) behind the results increases as per the VL test steps set out. As expected, the use of an increasing VL assumption, seen on moving to the right, supports higher RLVs that, typically, can gradually in turn support the meeting of a wider range of BLV levels, instilling greater confidence in the outcomes.

3.2.10 Following the information included within Appendices 1 and 6, we have indicated within the results table columns the parts of the overall VLs range that we consider likely to be most relevant as general base assumptions for key localities. However, we need to stress that individually sites and schemes can be highly variable and even within close proximity of each other. Variable values will tend to be seen within individual developments too, depending on plot location and orientation, type and specification, etc. The purpose of the sensitivity testing overall is to encompass the likely variability and enable a view on how sensitivity or otherwise the outcomes are likely to be to particular assumptions – or changed in assumptions – on values or other matters.

3.2.11 For illustration here only, the above noted tables features and general results characteristics are seen in the following example – extract from Table 3i (50 Mixed dwellings on PDL – Higher density):

## Figure 16: Illustration of (extract from) residential typologies results tabling

| 30% AH | Value Level 1 | Value Level 2 | Value Level 3 | Value Level 4 | Value |
|---|---|---|---|---|---|
| VL Location (Median) | | Yate / Severnside | North Fringe | East Fringe / Thornbury | Rura |
| CIL Test £ per sq. m. | £4,000 | £4,200 | £4,300 | £4,400 | £4 |
| | | | | | |
| Indexed Rate £80.29 | £1,779,050 | £2,243,620 | £2,475,904 | £2,709,445 | £2,9 |
| Indexed Rate £116.78 | £1,673,831 | £2,138,400 | £2,370,685 | £2,604,221 | £2,8 |
| £0 | £2,010,568 | £2,475,137 | £2,707,422 | £2,940,962 | £3,1 |
| £25 | £1,935,850 | £2,400,745 | £2,633,192 | £2,866,896 | £3,0 |
| £50 | £1,861,133 | £2,326,353 | £2,558,963 | £2,792,830 | £3,0 |
| £75 | £1,786,415 | £2,251,960 | £2,484,733 | £2,718,764 | £2,9 |
| £100 | £1,711,698 | £2,177,568 | £2,410,503 | £2,644,697 | £2,8 |
| £125 | £1,636,980 | £2,103,176 | £2,336,273 | £2,570,631 | £2,8 |
| £150 | £1,562,263 | £2,028,783 | £2,262,044 | £2,496,565 | £2,7 |
| £175 | £1,487,545 | £1,954,391 | £2,187,814 | £2,422,499 | £2,6 |
| £200 | £1,412,827 | £1,879,999 | £2,113,584 | £2,348,432 | £2,5 |
| £225 | £1,338,110 | £1,805,606 | £2,039,354 | £2,274,366 | £2,5 |
| £250 | £1,263,392 | £1,731,214 | £1,965,125 | £2,200,300 | £2,4 |
| £275 | £1,188,675 | £1,656,821 | £1,890,895 | £2,126,233 | £2,3 |
| £300 | £1,113,957 | £1,582,429 | £1,816,665 | £2,052,167 | £2,2 |
| £325 | £1,039,240 | £1,508,037 | £1,742,435 | £1,978,101 | £2,2 |
| £350 | £964,522 | £1,433,644 | £1,668,206 | £1,904,035 | £2,1 |
| £375 | £889,805 | £1,359,252 | £1,593,976 | £1,829,968 | £2,0 |
| £400 | £815,087 | £1,284,860 | £1,519,746 | £1,755,902 | £1,9 |
| £425 | £740,369 | £1,210,467 | £1,445,516 | £1,681,836 | £1,9 |
| £450 | £665,652 | £1,136,075 | £1,371,286 | £1,607,769 | £1,8 |
| £475 | £590,934 | £1,061,683 | £1,297,057 | £1,533,703 | £1,7 |
| £500 | £516,217 | £987,290 | £1,222,827 | £1,459,637 | £1,6 |
| | | | | | |
| Indexed Rate £80.29 | £1,701,700 | £2,146,071 | £2,368,256 | £2,591,643 | £2,8 |
| Indexed Rate £116.78 | £1,601,055 | £2,045,426 | £2,267,612 | £2,490,994 | £2,7 |
| £0 | £1,923,152 | £2,367,523 | £2,583,708 | £2,813,095 | £3,0 |
| £25 | £1,851,683 | £2,296,365 | £2,518,706 | £2,742,249 | £2,9 |
| £50 | £1,780,214 | £2,225,207 | £2,447,703 | £2,671,403 | £2,8 |
| £75 | £1,708,745 | £2,154,049 | £2,376,701 | £2,600,557 | £2,8 |
| £100 | £1,637,276 | £2,082,891 | £2,305,699 | £2,529,711 | £2,7 |
| £125 | £1,565,807 | £2,011,733 | £2,234,696 | £2,458,865 | £2,9 |
| £150 | £1,494,338 | £1,940,575 | £2,163,694 | £2,388,019 | £2,6 |
| £175 | £1,422,869 | £1,869,417 | £2,092,692 | £2,317,173 | £2,5 |
| £200 | £1,351,400 | £1,798,259 | £2,021,689 | £2,246,327 | £2,4 |
| £225 | £1,279,931 | £1,727,102 | £1,950,687 | £2,175,480 | £2,3 |
| £250 | £1,208,462 | £1,655,944 | £1,879,684 | £2,104,634 | £2,3 |
| £275 | £1,136,993 | £1,584,786 | £1,808,682 | £2,033,788 | £2,2 |
| £300 | £1,065,524 | £1,513,628 | £1,737,680 | £1,962,942 | £2,1 |
| £325 | £994,055 | £1,442,470 | £1,666,677 | £1,892,096 | £2,1 |
| £350 | £922,586 | £1,371,312 | £1,595,675 | £1,821,250 | £2,0 |
| £375 | £851,117 | £1,300,154 | £1,524,672 | £1,750,404 | £1,9 |
| £400 | £779,648 | £1,228,996 | £1,453,670 | £1,679,558 | £1,9 |
| £425 | £708,179 | £1,157,838 | £1,382,668 | £1,608,712 | £1,8 |
| £450 | £636,710 | £1,086,680 | £1,311,665 | £1,537,866 | £1,7 |
| £475 | £565,241 | £1,015,522 | £1,240,663 | £1,467,020 | £1,6 |
| £500 | £493,772 | £944,365 | £1,169,661 | £1,396,174 | £1,6 |

(DSP 2024)

## Findings overview

3.2.12 In addition to the typical variability and nuances on values, development costs and BLVs, there are other key matters to consider when reviewing outcomes and aiming to allow for other unknowns that may also influence viability to some degree. Although appropriate assumptions have been made from recognised sources and consistent with tested experience, and contingencies and sensitivity testing included, there are potential further influences from abnormal costs and from some (albeit fairly narrow) further emerging standards/requirements. For example, we have noted other emerging influences including some likely HRA related mitigation costs (re potential SANG/SAMM contributions) and the forthcoming Building Safety Levy (commentary within 2.13 above).

3.2.13 At this stage, the Council's information on infrastructure requirements and estimated costs remains under development too. The picture is building but yet to be fully settled, as DSP often finds to be the case, and it is usual that this will continue to evolve.

3.2.14 All in all, when weighing up practically supportable mixes and balances of measures and requirements to best suit the local circumstances and the needs and viability overall, it will be important to bear in mind these factors alongside the variability of the results.

3.2.15 In each case, it is possible to interpolate between results positions to gauge the broad effect of using intermediate assumptions, whether on AH%, VL and trial CIL rate, and when looking at the effect of different combinations of these. In looking at the effects of different requirements and costs, the results display therefore also allows for different combinations of the tested variables producing broadly comparable outcomes to be seen.

3.2.16 For completeness, we note that whilst some earlier testing within this VA included assumptions on First Homes, reflecting previous national policy requirements, these are no longer included in the modelling following discussion with SGC. The affordable home ownership element of the tested AH is assumed in the form of shared ownership – as per the commentary in section 2 above and the assumptions summarised in Appendix 1.

3.2.17 Sample residential typology appraisal summaries are included at Appendix 3b.

## Greenfield development – small to medium scale (non-strategic)

3.2.18 On viability, the assessment shows the picture remains relatively straightforward on these site types, which given the nature of available land are expected to be relatively significant and productive in terms of contribution to the overall supply.

3.2.19 The full typologies results sets (at Appendix 3 Tables 3b, 3d, 3f, 3h, 3k and 3m) continue to support the above noted preliminary findings that in conjunction with all other requirements/policies/standards 40% AH should be supportable on the small to medium scale greenfield scenarios. On these, we envisage relatively straightforward developments beneath the category of 'strategic' i.e. those that will not typically require some significant particular infrastructure, and that will usually be progress-able and able to be viably completed in a relatively short timescale under normal market circumstances.

3.2.20 While as above at Table 3k we have further sensitivity tested to 50% AH on a greenfield scenario, and as above an intermediate position (through interpolation for now) could potentially also be considered, we are unable to specifically recommend higher than 40% AH as a general policy position at this stage. This is when bearing in mind site and scheme variability, the points offered around remaining unknowns (as per 3.2.12 above) and from a practical point of view. Practically, even though theoretically the 50% AH results still look workable or even strong, the potential effect on deliverability probably needs to be considered as well. By this we mean the potential influence on the incentive involved in investing in, progressing and bringing schemes to the market (also sufficiently respecting the commercial drivers) in combination with meeting all other policies and increasing development requirements that will be in play cumulatively. The Council may wish to further consider this, however, in conjunction with the evidence on affordable housing need and how that will be most closely met with the available circumstances.

3.2.21 Overall, on small to medium scale greenfield developments (general, non-strategic schemes) our headline recommendation continues to be 40% AH as a suitable baseline alongside all other requirements.

3.2.22 Should the Council consider any element of policy over 40% AH (for example at the initially tested 50% or an intermediate level), in our view this would probably be best limited to sites that are not planned for at this stage – i.e. any schemes that come forward on land that is not allocated within the new Plan. It appears that such an approach would not be inconsistent with latest national planning policy (as per the newly updated NPPF (December 2024) para. 67). Given this and the strength of the viability results using current assumptions, we understand that the Council may also consider whether this principle should apply locally to any greenfield land (more generally) that is not allocated, i.e. as well as any Greenbelt proposals. Again, our above comments on potential deliverability/practicalities would also be relevant to consider in our view. However, we assume that this would be more in the context of ensuring the actual delivery of higher than typical affordable housing, in very particular circumstances, as opposed to going through viability exercises (for example) to ensure the deliverability of planned for development.

## Development on PDL (Previously developed land)

3.2.23 As was identified and discussed with SGC through the preliminary stages, the viability prospects for schemes on PDL (i.e. brownfield land) are much more mixed, however – more complex. This is a typical finding for our Local Plan VA clients across most of DSP's projects (and has also been found by others), with resultant differential AH policies having been considered, recommended, submitted and taken through examination on a number of occasions. In our experience and given the findings here, this should be considered amongst the final decisions of the Council on policies settling for the new Local Plan.

3.2.24 Tables 3a and 3c in Appendix 3 represent small developments of houses only and although the results are inferior to the above noted GF scenarios, they still indicate reasonable viability prospects overall, when including affordable housing alongside the other requirements. However, as can clearly be seen,

the picture changes much more significantly for all the other typology tests on PDL.

3.2.25 There is a very marked difference in the overall strength of viability findings – as the results provided across Tables 3c, 3e, 3g, 3i, 3j, 3l, 3n and 3o show - compared with the above noted GF results tables. Within these PDL scenarios, however, there are effectively two sub-sets of results in terms of their general strength. The houses and mixed housing (houses and flats) typologies represented by Tables 3c and 3i show results notability inferior to those seen throughout the GF testing but also significantly better than seen across the testing of all-flatted developments (schemes of flats only) – of all types reviewed.

3.2.26 This leads to the following overview of the viability scope and parameters/positions for AH policy headlines. It takes the consideration of this further, now enabling a more directed look the preliminary finding that PDL schemes on the whole could be expected to support less AH, having noted earlier on that this would be unlikely to exceed 30-35%.

3.2.27 Upon further review and now taking account of the latest assumptions set and context, in our view the suitable parameters for policy applying to PDL developments are 20 - 30% AH when this wide range of potential site and scheme types is considered overall. This represents some tightening of the preliminary stage indications, and the overview reflects taking account of need and balancing the viability considerations with that; not viability alone or looking only at the most challenging viability outcomes from amongst the mixed results set.

3.2.28 In DSP's view, how this element of the policy is placed, how it will be framed and whether there will be further differentiation within its scope will be dependent on the likely type and frequency of schemes to be hosted on PDL, their nature and contribution to the new LP supply overall. Above all, we strongly recommend that a differential or differentials are considered.

3.2.29 As part of the balancing of objectives as best possible and weighing up alongside other evidence (including on needs and s106 infrastructure - with the

existing CIL already allowed for) we suggest that the following are considered by SGC as part of the relevant context:

a. Developments of houses and mixed dwelling types on the whole will likely be significantly more viable than all-flatted developments (developments of flats only).

b. For developments of houses/mixed dwelling types, a 30% AH policy headline could be appropriate.

c. For all-flatted developments, the realistic parameters for achievable outcomes look more like 0 – 30% AH, i.e., whereby within this range 20% AH would be a positive position for seeking optimal contributions, but even then, probably not regularly deliverable on such schemes on PDL as far as we can see from the assessment outcomes.

3.2.30 Overall, differentiating for PDL is in our view an important policy theme to consider (as it is in many areas we work in) and doing this in a way which relates as well to flatted schemes as other types, from a viability perspective, would see this placed at 20% and not at the 30% end of the noted parameters. This, in our view, would still represent a positive and suitably challenging rather than understated position. However, this all depends on the roles of different types of housing, sites and developments within the new Local Plan scope.

3.2.31 Therefore, a “one size fits all” type approach may be considered too blunt. If so, it may also be appropriate to consider more than one layer of differential for these site types (for example at 30% (houses/mixed) and 20% (all-flatted) AH, and in which case still weighing needs with viability, again rather than weighing towards viability alone. It will be for the Council to consider what weight to place on viability alongside other factors.

3.2.32 As part of the further two-way information flow, in finalising this assessment and owing to these findings the Council has been looking in more detail at the likely scale of new dwellings supply from significant all-flatted general market schemes. Of the approximately 23,000 dwellings being planned for, an estimated 650 or so are thought likely to come from developments of all flats; i.e. limited to the order of circa 3% of the supply.

3.2.33 We can also offer the comment that were all-flatted developments to be differentiated for within an overall PDL approach set to better represent their viability prospects, or as a layer of policy, then this would also reflect the typically more challenging viability of other forms of apartments schemes too, including developments providing a more specialist offer. For example, such as the age friendly housing schemes (sheltered/retirement living and extra care) that will form part of the overall supply and market offer, and any potentially also including any new Build to Rent blocks that come forward. Given the above noted dwellings supply context, an alternative to further differentiating for all developments of flats only on PDL could be to differentiate more specifically for relevant age friendly developments (using a suggested 20% AH basis) and applying the same headline to BTR (more on the latter below) – again assuming PDL. The Council is able to make judgements on how to draw together the viability overview with other matters, and with various routes possible and potentially appropriate in the local circumstances in our view.

3.2.34 Experience in South Gloucestershire has been that affordable housing needs contributions have been addressed in a vast majority of cases via financial contributions rather than on-site AH delivery. We acknowledge that this reflects DSP's and our clients' wider delivery experience across a range of areas too. The detail of this is not for addressing within this study or specifically within Local Plan Policy as far as we can see, with a policy approach setting out the starting point / equivalent or basis for considering proposals and the ensuing calculations – basis as suggested above.

3.2.35 In general, there will potentially be a need to adapt where flexibility is needed in the operation of policies. It seems likely, and not only in this district, that a range of matters considered here might take a while to bed in. This has continued to be a typical observation. It does not undermine our South Gloucestershire new Local Plan overview that on the whole the policy aims should be supportable together subject to final settling and are set to be reasonably placed over the longer run that is relevant (the emerging LP period runs over 15 years to 2040).

3.2.36 As an additional point for SGC's consideration, developments on PDL, and especially all-flatted schemes of various types, are the most likely to need the consideration of viability at decision making stage. On the practicalities of these matters, DSP's continued experience has been that despite the NPPF aiming

to front-load the consideration of viability (at plan making stage) examination Inspectors have recognised the uncertainties and practicalities. They have generally supported or even looked for the inclusion of policy acknowledgments on the potential further role of viability. This reflects the factors and unavoidable uncertainties that we have mentioned, including the variability of sites and schemes, and the degree to which viability can move around.

3.2.37 A combination of these policy tools should avoid the need for a further policy differential for specialist schemes in our view. Furthermore, with increasing demand as the population ages and ongoing developments in planning and housing, it might also be the case that we see different/more mixed provision models appearing. It could also be the case that such development comes forward on GF sites or as part of larger GF developments (when the appropriate lower BLVs would then be applicable).

3.2.38 For completeness, some further commentary is provided on 'Build to rent' below, with the viability of this typology also explored through specific assumptions and appraisals.

## Build to rent (BTR)

3.2.39 Given the city fringe, smaller towns and villages/rural areas context here, at this stage it is not clear to what extent the local market will demand/support significant levels of further Build to Rent (BTR) development. Usually this comes forward at scale only in urban centres or other locations with very good transport links and a variety of local facilities on offer, as part of the lifestyle and provided amenities that support rents typically at premium levels.

3.2.40 However, across much of our wider work we are seeing this as a sector that is growing and becoming more established generally. Accordingly, for SGC's information the Appendix 3 results are now also supplemented with a high-level review of the viability of BTR development – see Appendix 3a (Tables 3aa to 3ac).

3.2.41 The results tables set out the main variables reviewed and the combinations of those that again produce varying RLV levels for comparison with the BLVs – i.e.

having applied the same general principles on results review used in overviewing the general residential typologies.

3.2.42 The potential affordable housing content has been explored at 0% (i.e. 100% market housing basis), 10% and 20% AH. This is within the parameters noted in the national guidance ('Build to rent' section of the PPG) because our findings have been that 20% AH – as 'Affordable Private Rent' – is the maximum likely to be viable based on our review of current information. It was not necessary to test this further.

3.2.43 Therefore, although the considerations and assumptions are different, in terms headline findings on affordable housing scope – for setting any particular policy or clarifying expectations from BTR schemes – the parameters are as per those found for general market apartments developments (broadly as per 3.2.26 – 3.2.30 above). Overall, again, we consider that a 20% affordable housing (not higher) baseline would be appropriate for this development type.

## 3.3 Current testing of SUaVE proposals (Strategic Urban & Village Extensions)

3.3.1 The assessment results for the appraised Strategic Urban and Village Extension areas are included as Appendix 4 with one table set (4a to 4f) provided per SUaVE area. These are based on the more specific assumptions made at this stage per area as summarised in Appendix 2, combined with the relevant general assumptions (on housing mix principles, dwelling sizes and general development cost sources (Appendix 1). The Argus Developer software generated base appraisal summaries (for each appraised SUaVE area and range of AH% tests) are included as Appendix 4a.

3.3.2 As a closer understanding of the estimated specific infrastructure requirements and their costs is still being built up by SGC, these have continued to be appraised to this point using a "s106 infrastructure off" approach. The usual costs of development and policy costs, including the cost of affordable housing have all been reflected, as has the CIL which has been applied at the higher of the two prevailing rates. The stated BLV level for current purposes (at £250,000/ha) has also been applied to the assumed gross (overall) site areas so that this assumed land cost is financed within the appraisal cashflows.

3.3.3 For each SUaVE, AH has been tested at 40%, 35% and 25% in each case, so that there are three sets of results per SUaVE within Tables 4a to 4f. This approach has led to the results displayed in the form of total £ surpluses and £/dwelling surplus amounts which are shown to vary as the tested AH% alters, and/or other sensitivities are considered. The other sensitivities applied are to the assumed value level (VL again stated in £/sq. m overall assumption for market housing sales) and upward/downward movements in construction costs. The 'BASE TEST' positions on these are shown, and these resulting surplus sums have also been financed with the appraisals.

3.3.4 Surplus results using the assumptions combinations shown are shaded green in the results tables, and those scenarios indicating deficits (usually resulting from a reducing VL and/or increased test construction cost) are shown with red figures within the pink shaded areas. As can be seen, the scope of reported deficits using current assumptions reduces as the tested AH reduces (results moving from upper set of 40% AH starting point tests through 30% to the lower set including 25% AH. As an example for illustration of these explanations, the results formatting (extract from Table 4b – Easter Compton – at 40% AH (upper section) and 35% AH (lower) looks as follows – Figure 17. The larger figures in the central row of this extract are the surpluses indicated at the base construction cost assumption. Beneath that the construction costs are increased in 2.5% steps and above it reduced in 2.5% steps, leading to reducing and increasing surplus indications respectively.

**Figure 17: Illustration of (extract from) SUaVEs results tabling**

| Surplus / Deficit Amount to Support S106 Infrastructure & Abnormals* | | | | | |
|---|---|---|---|---|---|
| Residential Values Sensitivity Test (£/sq.m.) | | | | | |
| | £4,100 | £4,200 | £4,300 (Base) | £4,400 | £4,500 |
| | £8,470,124 | £10,025,635 | £11,564,899 | £13,089,342 | £14,603,054 |
| | £7,195,925 | £8,765,978 | £10,318,700 | £11,855,995 | £13,379,407 |
| | £5,908,656 | £7,493,902 | £9,061,044 | £10,611,529 | £12,146,946 |
| | £4,611,173 | £6,209,349 | £7,791,586 | £9,356,109 | £10,904,358 |
| | £3,313,690 | £4,913,476 | £6,510,022 | £8,089,150 | £9,650,844 |
| | £2,016,207 | £3,615,993 | £5,215,780 | £6,809,701 | £8,385,481 |
| | £718,724 | £2,318,510 | £3,918,296 | £5,518,083 | £7,108,823 |
| | -£578,759 | £1,021,027 | £2,620,813 | £4,220,600 | £5,820,386 |
| | -£1,876,243 | -£276,456 | £1,323,330 | £2,923,116 | £4,522,903 |
| Surplus / Deficit Amount to Support Infrastructure & Abnormals (£ per dwelling)* | | | | | |
| | £32,577 | £38,560 | £44,480 | £50,344 | £56,166 |
| | £27,677 | £33,715 | £39,687 | £45,600 | £51,459 |
| | £22,726 | £28,823 | £34,850 | £40,814 | £46,719 |
| | £17,735 | £23,882 | £29,968 | £35,985 | £41,940 |
| | £12,745 | £18,898 | £25,039 | £31,112 | £37,119 |
| | £7,755 | £13,908 | £20,061 | £26,191 | £32,252 |
| | £2,764 | £8,917 | £15,070 | £21,223 | £27,342 |
| | -£2,226 | £3,927 | £10,080 | £16,233 | £22,386 |
| | -£7,216 | -£1,063 | £5,090 | £11,243 | £17,396 |

| Surplus / Deficit Amount to Support S106 Infrastructure & Abnormals* | | | | | |
|---|---|---|---|---|---|
| Residential Values Sensitivity Test (£/sq.m.) | | | | | |
| | £4,100 | £4,200 | £4,300 (Base) | £4,400 | £4,500 |
| | £9,567,607 | £11,208,416 | £12,832,986 | £14,442,287 | £16,037,860 |
| | £8,277,286 | £9,932,571 | £11,570,331 | £13,192,256 | £14,799,828 |
| | £6,975,028 | £8,645,703 | £10,297,535 | £11,932,246 | £13,551,527 |
| | £5,666,398 | £7,347,164 | £9,013,289 | £10,661,632 | £12,293,698 |
| | £4,357,768 | £6,038,704 | £7,717,479 | £9,379,931 | £11,025,013 |
| | £3,049,138 | £4,730,074 | £6,411,009 | £8,087,791 | £9,746,574 |
| | £1,740,508 | £3,421,444 | £5,102,379 | £6,783,315 | £8,456,335 |
| | £431,878 | £2,112,814 | £3,793,749 | £5,474,685 | £7,155,621 |
| | -£876,752 | £804,184 | £2,485,119 | £4,166,055 | £5,846,990 |
| Surplus / Deficit Amount to Support Infrastructure & Abnormals (£ per dwelling)* | | | | | |
| | £36,798 | £43,109 | £49,358 | £55,547 | £61,684 |
| | £31,836 | £38,202 | £44,501 | £50,739 | £56,922 |
| | £26,827 | £33,253 | £39,606 | £45,893 | £52,121 |
| | £21,794 | £28,258 | £34,666 | £41,006 | £47,283 |
| | £16,761 | £23,226 | £29,683 | £36,077 | £42,404 |
| | £11,727 | £18,193 | £24,658 | £31,107 | £37,487 |
| | £6,694 | £13,159 | £19,625 | £26,090 | £32,524 |
| | £1,661 | £8,126 | £14,591 | £21,056 | £27,522 |
| | -£3,372 | £3,093 | £9,558 | £16,023 | £22,488 |

| Surplus / Deficit Amount to Support S106 Infrastructure & Abnormals* |
|---|

(DSP 2024)

3.3.5 The purpose of the surplus results is to provide a guide on the scope of the potentially available support for s106 infrastructure and/or any other costs that have not been anticipated at this stage. SGC has begun using this information to compare with what is known about the developing picture on infrastructure

requirements in each case. This is variable as expected and to date is incomplete – hence the design of this and appraisal approach taken.

3.3.6 DSP also needs to acknowledge that some of the other assumptions may be the subject of further settling/adjustment. For example, on assumed housing numbers (dwelling capacities) and site areas. There is also more to settle on the nature and scope of other development uses (in addition to housing) is some cases. Nevertheless, it is usual that some ingredients and therefore appraisal assumptions would continue to move around to some extent and right up to the delivery points. The VA work to date is considered to be appropriate, proportionate and reasonably representative of the strength of relationships between development values and costs that are likely to be seen overall. Each area and location is different, but the findings provided are broadly as expected – they appear sufficiently consistent with our wider work and experience.

3.3.7 The SUaVEs have been looked at as single large sites or (where containing multiple sites) clusters of sites as appropriate, hence our references to 'SUaVE areas' or similar. This envisages that the clustered sites will both come forward and provide the infrastructure together strategically as per the allocation proposals, rather than separately. So that reflecting the Council's provisional trajectories, these are timed/phased accordingly - i.e., supporting a good flow of completed new homes both market and affordable, and contributing proportionately to a comprehensive approach to development and infrastructure provision overall in each location for development.

3.3.8 Although all of this means that as yet it is not possible to settle upon specific combinations of infrastructure and AH that are considered likely to be achievable, nor therefore to overview these to come to a firm overall policy, the indications from SGC's emerging comparisons with the progressing infrastructure picture suggest that the viable levels of AH per site or main phase/area are likely to be within the range 25 to 40%.

3.3.9 Initial discussions using this information suggest that this could lead to an overall AH delivery expectation balancing out at around 30+% from the SUaVEs, with delivery potentially varying both above and beneath this over time as needed and by specific phase or element, depending on the more

settled view of the expected infrastructure requirements and costs needing to be supported and considered to be deliverable alongside the optimum affordable housing provision levels in due course.

3.3.10 Because as things stand the significant cost of the CIL would be relevant to the SUaVEs, as a further source to help inform the ongoing consideration of the infrastructure approach and AH policy detail, the following table provides details of the included CIL £ amounts per tested base scenario alongside the s106 surplus outcomes. The totals of these (£s and £/dwelling equivalents) are also shown in the final columns for information, representing the maximum overall capacity for total infrastructure cost (via CIL and s106) to be supported alongside the various tested AH% levels. The nuance of the CIL cost/receipt falling as the AH% increases was mentioned earlier and is illustrated here. For ease of reference see Figure 18 below, which has also been included as Table 4g at the end of Appendix 4.

3.3.11 Should it be considered appropriate and SGC require, DSP could assist with further appraisal updates/iterations in due course as the Council's information builds further and the new Local Plan progresses through the forthcoming development stages.

## Figure 18: £total and £/dwelling CIL cost assumptions and surplus findings – SUaVE appraisals

| SUaVE | Affordable Housing Percentage Tested | CIL Rate | No. Residential Dwellings Assumed | CIL Amount (cost sum in appraisal) | CIL Amount (per dwelling)* | Financed s106 Surplus (Base Appraisal) | Financed s106 Surplus Per dwelling (Base Appraisal) | Total CIL & s106 Surplus Amount (Base Appraisal) | Total CIL & s106 Surplus Amount Per Dwelling (Base Appraisal) |
|---|---|---|---|---|---|---|---|---|---|
| Almondsbury | 25% | £116.78 | 350 | £2,138,721 | £6,111 | £16,895,431 | £48,273 | £19,034,152 | £54,383 |
| | 35% | | | £1,821,873 | £5,205 | £13,556,900 | £38,734 | £15,378,773 | £43,939 |
| | 40% | | | £1,674,765 | £4,785 | £11,994,526 | £34,270 | £13,669,291 | £39,055 |
| Easter Compton | 25% | £116.78 | 260 | £2,059,509 | £7,921 | £9,478,574 | £36,456 | £11,538,083 | £44,377 |
| | 35% | | | £1,765,293 | £6,790 | £7,717,479 | £29,683 | £9,482,772 | £36,472 |
| | 40% | | | £1,618,185 | £6,224 | £6,510,022 | £25,039 | £8,128,207 | £31,262 |
| North Lyde | 25% | £116.78 | 2000 | £14,993,676 | £7,497 | £60,725,394 | £30,363 | £75,719,070 | £37,860 |
| | 35% | | | £12,843,640 | £6,422 | £43,347,262 | £21,674 | £56,190,902 | £28,095 |
| | 40% | | | £11,768,621 | £5,884 | £34,713,523 | £17,357 | £46,482,144 | £23,241 |
| Woodlands | 25% | £116.78 | 2130 | £14,756,041 | £6,928 | £61,423,065 | £28,837 | £76,179,106 | £35,765 |
| | 35% | | | £12,628,636 | £5,929 | £43,362,951 | £20,358 | £55,991,587 | £26,287 |
| | 40% | | | £11,564,934 | £5,430 | £34,270,397 | £16,089 | £45,835,331 | £21,519 |
| Carsons Green & Rockhouse Farm | 25% | £116.78 | 1980 | £14,835,252 | £7,493 | £65,456,416 | £33,059 | £80,291,668 | £40,551 |
| | 35% | | | £12,707,848 | £6,418 | £47,811,484 | £24,147 | £60,519,332 | £30,565 |
| | 40% | | | £11,644,145 | £5,881 | £38,982,071 | £19,688 | £50,626,216 | £25,569 |
| North Warmley | 25% | £116.78 | 1090 | £8,000,399 | £7,340 | £38,848,801 | £35,641 | £46,849,200 | £42,981 |
| | 35% | | | £6,846,169 | £6,281 | £29,543,515 | £27,104 | £36,389,684 | £33,385 |
| | 40% | | | £6,280,370 | £5,762 | £24,893,619 | £22,838 | £31,173,989 | £28,600 |

*Overall, spread across all dwellings - including AH
Assumes CIL input cost at rate of £116.78/sq. m - 'Rest of South Gloucestershire'

## 3.4 CIL scoping and additional LP context

3.4.1 This part of the VA provides further information for SGC. The results within Appendices 3 (including 3a), 4 and 5 are relevant to these wider considerations.

3.4.2 As per the earlier commentary, by including the cost of the Council's current CIL charging rates according to their relevance to the various tested scenarios, this VA work also acts an initial CIL scoping exercise. It can begin to be used by SGC in considering whether, and if so how, it may be appropriate to review the adopted Charging Schedule reflecting the new Local Plan and the passing of time (with the CIL having been adopted in 2015). So, by way of further context, as noted at 2.5 and 2.8 above, this element of the VA has been included for completeness. With the costs associated with the current CIL charging rates (as indexed to date) included throughout the appraisal testing (for all typologies/development uses and the current SUaVEs viability exploring, the Council's Charging Schedule is reflected in all the stated outcomes.

3.4.3 This means that alongside the LP viability testing, taking account of development costs cumulatively (including the existing CIL) it will be possible for SGC to consider the influence of its CIL alongside the LP policy proposals and wider standards/costs. It will also help in beginning to consider in which localities/for which development types, if any, there might either be potential to revisit the Charging Schedule in due course for any higher charging scope to help further meet district-wide infrastructure needs; or on the other hand the potential appropriateness of considering other adjustments to the Schedule (including perhaps any rates reduction/re-setting).

3.4.4 The inclusion of a much wider range of 'trial rate' CIL sensitivity tests within both the residential typologies (Appendix 3) and non-residential/commercial typologies (Appendix 5) expands the information by providing an initial exploration of the effect of higher or lower CIL charging rates in comparison with the base appraised adopted rates. Generally, in our experience and also reflecting the approach that the adopted charging schedule took to the New Neighbourhood areas at the time, sites such as those within the SUaVE

proposals would be either nil or low CIL rated. Therefore, we have not at this stage explored the effect of alternative rates, having set out the assumed CIL costs (at the prevailing rates that would impact whilst the Schedule is in place) within those appraisal) – Figure 18 above.

3.4.5 Tables 5a to 5m in Appendix 5 set out the results of the non-residential/commercial development use typology appraisals undertaken to date, which is fairly typical in our experience of conducting CIL viability assessments.

3.4.6 In the current context will we not provide detailed commentary on the results at this stage, with the CIL Charging Schedule not currently the subject of any confirmed review.

3.4.7 For the Council's information, however, in general terms, this VA work suggests that the existing charges appear unlikely to be the cause of otherwise viable developments not coming forward (across the various development uses that may come forward), providing that the CIL costs are factored into the overall SUaVE considerations as per the information provided here. The experience of the current charging schedule in operation would also be important context.

3.4.8 Broadly, residential developments in general continue to be able to support the CIL. However, were the Schedule to be reviewed in our view it could be relevant for SGC to consider matters including the following:

- The ongoing appropriateness of the differential rate for smaller developments beneath the AH policy threshold (as per 1.3.8 above noting the February 2024 Written Ministerial Statement and PPG Update referring to restricting this unless, potentially, proven local circumstances justify otherwise).

- It might be appropriate to review the zones.

- There may be more scope for CIL (at for charging at a higher rate) in certain circumstances – for example the small to medium scale GF developments noted as most viable as a theme of this VA. This may

depend on other matter as well though, including location, settled new LP AH policy and overall infrastructure cost expectations (s106 levels alongside CIL).

- SUaVE or equivalent developments would typically expect to provide infrastructure mainly or wholly via s106, similar to the approach to the previous/existing New Neighbourhoods. This would again involve a nil or potentially as an alternative a low CIL charging rate applied alongside and entirely/very largely s106 based approach.

- On age friendly housing schemes and care homes, the adopted nil rating goes as far as possible to recognise the mixed viability of these (as our results also show) and we note that this ought to help support the viable delivery of some affordable housing contributions. It might be appropriate to review the relationship between the cost influences. If a similar approach were continued, s106 would continue to provide the mode of providing and infrastructure contributions/development mitigation required to make schemes acceptable in normal planning terms.

- Likely weighing up of the pros and cons from the Council's experience of operating the adopted 'All other uses' low charging rate, combined with further considering viability.

3.4.9 In respect of the Appendix 5 results currently included, our observations are summarised as follows:

- It may be appropriate to look again at the zoning approach regarding 'Prime' 'Non-Prime' locations and howe this has worked, since the influence of location will vary by use type.

- Larger format retail developments (envisaging larger foodstores and retail warehousing) are considered to remain viable propositions where demand exists. At this stage, these are considered able to continue supporting significant CIL charging (Tables 5a and 5b).

- However, in comparison it may be appropriate to consider further any effects of the CIL charging on other forms of retail development (Tables 5c and 5d).

- Also consistent with our wider experience, development of offices and employment uses including industrial and storage is shown to struggle for viability sufficient to support a meaningful CIL rate consistently. It could be appropriate to look at these too (Tables 5e to 5i).

- Likewise, currently, hotels and (as above) care homes (Tables 5j and 5k).

- On the other hand, some forms of purpose-built students housing are typically amongst the more viable forms of development – as our results show (Table 5l). We find these tend to be able to support charging rates at broadly similar levels to typical residential levels in the relevant areas – as in all cases, subject to further reviewing the detail.

3.4.10 The progression of such schemes is very often underpinned by particular business or longer-term investment plans and drivers – i.e. for operational or other ownership/occupational reasons rather than necessarily the property development activity as such. This also means that the figures behind proposals progressing may well be different to the assumptions typically used in viability in planning exercises. The appraisal results included here do not necessarily indicate or determine that developments of these types will or will not come forward, therefore.

3.4.11 Generally, a wide range of matters are relevant to consider in CIL viability and charging rates setting, including “buffering” and keeping away from the margins of viability. Given this report purpose we will not go into further detail here, but could supplement this and revisit and build on the information provided here if required by SGC in due course.

## 3.5 Main Local Plan findings summary

3.5.1 As a final overview, having considered the viability of the Local Plan through its development and with this assessment supported by ongoing liaison with the SGC team, we consider the approach and policy directions viable on the whole.

3.5.2 This is when reviewed to include the affordable housing and infrastructure scope discussed above and detailed in the appended information, bearing in mind the LP overall timeline (extending to 2040). A range of economic and market conditions and other circumstances can be expected to be experienced.

3.5.3 The Council's policy positions are not considered to result in excessive costs. Extra-over cost allowances currently made, reflecting more stringent development requirements that have been introduced over a condensed period of significant change in those recently, can be expected to reduce.

3.5.4 While acknowledging the inevitable variation, which is typical in DSP's broad experience of viability in planning, it is considered that sites will be able to come forward viably with the policies in place.

3.5.5 These headline conclusions are based on and include the following summary of the scope that we have found on affordable housing. That is summarised here as a key element of the main findings (but with the information above and appended to be referred to as well) as follows – Figure 19 below:

**Figure 19 – Main findings summary – affordable housing scope**

| Scheme and site type scenario | Affordable Housing (AH) % considered viable alongside other policies, standards and CIL/comments | | | | | LP headline AH% position supported/ comments |
|---|---|---|---|---|---|---|
| | **20%** | **25%** | **30%** | **35%** | **40%** | |
| **Smaller to medium scale Greenfield (GF) generally** | << Not considered applicable – stronger viability >> | | | | Yes | **40%** |
| **SUaVEs** | << Yes >> | | << Yes, some >> | | Upper parameter. Considered likely viable on some elements. Part of blended approach across/between sites or phases at 25%+ and up to 40% | **30% overall** (reflecting likely mix of components) |
| **PDL** | << Potentially. Mixed results broadly across 0 – 30% AH >> | | | << Unlikely generally. 30+% typically not viable on all-flatted schemes >> | | **30% headline.** 20% all-flatted age friendly and BtR developments only. |
| Any Greenbelt/GF sites outside the Plan | Viability as per GF above. Less than 40% AH not applicable. | | | | | Note: SGC considering higher/potential 50% AH policy layer. |

(DSP 2024)

## 3.6 General rounding up points

3.6.1 This wider commentary offers a mix of general points reflecting established practice, recent and current experience, and discussions with SGC.

3.6.2 The purpose of viability in planning is to inform rather than constrain sustainable development; and in doing so to enable the optimising of planning obligations supporting this.

3.6.3 SGC must consider the overall sustainability of development together with the affordable housing and other community needs – all in balance with viability. The Council is able to consider how much weight to give to viability at decision taking stage, as per the PPG.

3.6.4 Looking across and between tested scenario results, the likely effect of intermediate levels of AH or other assumptions (such as s106 infrastructure/CIL scope) can also be considered through interpolation – i.e. viewing between two results points, if relevant. Overall, the sensitivity testing information could also be used to broadly assess different combinations of appraisal inputs (assumptions) that may be expected to support similar viability outcomes or which might be viewed on a “trade-off” type basis if needs be in particular instances.

3.6.5 The significant viability impact of the affordable housing relates to its development cost being broadly the same as market housing while it generates revenue (sale value) at a very much lower level – often reduced towards around half (50%) of market value particularly when a high proportion of rented AH is included. This is also behind the affordable housing generally needing to be considered (and potentially not being provided at the fullest levels of aspirations) when it comes to considering support of a mix of policy objectives within an overall balance. Following the removal of the previously nationally required First Homes, the AH policy as impacts viability is entirely locally set. In any balancing up needed, the cost of providing the AH is such that some adjustment in its provision can often “pay for” other less costly policy objectives in their entirety, and/or collectively.

3.6.6 The assessment allows for extra-over costs for example as are assumed to be associated with increased development and housing standards relative to previous requirements. However, no allowance has been made at this stage for the likelihood of these costs reducing as the currently new or emerging sustainability and other requirements become the norm, reflecting improvements in knowledge, techniques and technologies, and economies of scale.

3.6.7 We continue to note that it should be possible soon also to assess whether more energy-efficient homes and business premises attract higher values. There have been suggestions of this for some time, but mostly anecdotally that we have seen so far. More data on this is awaited. We have noted that this effect is being seen already in some commercial sectors, but we expect it to flow through more into the residential market. Developers' marketing campaigns are now often including or focusing on energy efficiency. This along with the above noted likely cost efficiencies anticipated over time may well help further to balance out any initial viability pressures. Nevertheless, it seems very likely that there will be some form of transition to make, with time taken over that.

3.6.8 Similarly, although build costs have risen steeply, recently this pressure has been easing considerably and this trend can be expected to strengthen in the event of a decline in demand.

3.6.9 We expect also that "multi-purpose" solutions to supporting measures for achieving biodiversity and other elements of the landscaping, open space, environmental and ecological requirements will be developed too, whereas currently in this process we are taking more of an individual costs assumptions approach to some of these elements. This, in our view, means a potential for overlapping allowances and assumptions potentially having a greater cost and viability effect than actual practical solutions might arrive at; especially as knowledge and the availability of alternatives improves.

3.6.10 This has been a relatively challenging time over which to consider development viability, as it has been for development activity in many respects. We have noted that generally conditions appear to have stabilised somewhat but, having said this, economic uncertainty remains. Along with

this, many matters of potential influence on planning, housing and economic measures and reforms continue to be discussed by the Government elected in July 2024 and continuing to establish itself.

3.6.11 However, while done at a point in time, considering recent and current circumstances, above all it is appropriate to look across the emerging LP period overall. Viability assessment at this strategic level also reflects this longer-term more strategic, relevance, therefore. This is consistent with the application of viability in planning at plan making stage, as per the NPPF and reflecting the PPG. This commentary is considered relevant to both residential and other development use types.

3.6.12 DSP notes that these have been common factors across such assessments undertaken in recent years and they continue to be. The dynamics described here are by no means unique to South Gloucestershire. In our extensive experience of these matters, they are typical considerations (albeit at varying policy levels etc. according to local characteristics and over the study period exacerbated by circumstances in terms of current / short term market uncertainties).

3.6.13 All in all, within the nature of viability in planning it is appropriate to consider how development can and will come forward, rather than only how it might not be able to comply with reasonable requirements. The same context applies to other policy related matters proposed by SGC.

3.6.14 However, it is also appropriate in our view to consider that in the short term (potentially the next few years) the increased development costs related to local as well as national policy requirements will be impacting at a time when the economic circumstances seem likely to continue to be somewhat uncertain and potentially changeable, although with the very latest on inflation being that it is back towards expectations at closer to 2% rather than the very much higher levels that took hold recently. Nevertheless, it is likely that there will be a coming together of aspects that will be challenging for viability in some cases. This will be likely to influence matters across the board to some extent, but the assessment suggests this effect will probably continue to be at its most challenging on some PDL sites as well schemes that support heavy burdens from infrastructure requirements or significant abnormal costs.

3.6.15 Typically, PDL sites are where more frequently there will be inherently less or very limited viability headroom owing to higher site values (BLVs based on existing use plus as per the PPG) in combination with often higher development costs. The effects of this will often be seen more starkly on all-flatted schemes given their higher development costs and unless the values available to support those are very high. The same principles may also be relevant to bear in mind in regard to some more specialised forms of development – such as age friendly housing – as noted above.

3.6.16 As a point applicable to all such assessments, different assumptions used as appraisal inputs could result in different viability indications. For example, a varied dwellings number or mix, assumed density or other alternative assumptions could be expected to have an influence. The assessment does not amount to an options appraisal for sites or similar, whereas prospective promoters, developers and housebuilders can be expected to work up the most viable scenarios that will be able to address the individual site characteristics and requirements as far as possible.

3.6.17 Within the scope of viability in planning and reflecting the movement of influences on viability over time, it is also possible for local planning authorities to consider the role or potential role of later stage viability review mechanisms. These may be relevant where, at the time of application, it has been evidenced, reviewed and accepted that a proposal cannot meet policy requirements but is considered acceptable overall in the particular circumstances. The PPG (as updated to 09 May 2019) on this, states the following:

> **'How should viability be reviewed during the lifetime of a project?**
>
> Plans should set out circumstances where review mechanisms may be appropriate, as well as clear process and terms of engagement regarding how and when viability will be reassessed over the lifetime of the development to ensure policy compliance and optimal public benefits through economic cycles. Policy compliant means development which fully complies with up to date plan policies. A decision maker can give appropriate weight to emerging policies.

> Where contributions are reduced below the requirements set out in policies to provide flexibility in the early stages of a development, there should be a clear agreement of how policy compliance can be achieved over time. As the potential risk to developers is already accounted for in the assumptions for developer return in viability assessment, realisation of risk does not in itself necessitate further viability assessment or trigger a review mechanism. Review mechanisms are not a tool to protect a return to the developer, but to strengthen local authorities' ability to seek compliance with relevant policies over the lifetime of the project.'
>
> (Source: 'Viability' PPG para 009 - Reference ID: 10-009-20190509)

3.6.18 As previously, DSP will be happy to assist South Gloucestershire Council with any ongoing points in relation to this or further viability assessment work to inform and in support of the further/final development of its new Local Plan to 2040.

# Context notes and limitations

1. 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.

2. To the extent that the document is based on information supplied by others, DSP accepts no liability for any loss or damage suffered by the client or others who choose to rely on it.

3. In no way does this study provide formal valuation advice; it provides an overview not intended for other purposes nor to over-ride particular site considerations as the Council's policies will be applied from case to case.

4. DSP conducts its work only for Local Authorities and selected other public organisations. We do not act on behalf of any development interests. We have not undertaken and are not undertaking other work in the Council's area at the time of the prior Viability Position Statement (VPS - November 2023) or this project, but DSP has undertaken and is undertaking both strategic viability assessment and other viability in planning (decision making stage) work in the region.

5. 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.

6. In the preparation of this assessment DSP has acted with objectivity, impartiality, without interference and with reference to appropriate available sources of information.

7. The purpose of the assessment reported in this document (as conducted between the Spring and end of 2024 overall) has been to further consider the emerging LP approach and policies as consulted on at Regulation 18 stage and

now being developed towards draft Local Plan regulation 19 stage consultation – now intended early in 2025.

8. Gathering up and reflecting on the testing of typologies and strategic scale development over the main elements of assessment over the above noted period (work to date), this report sets out the information considered and scope of review as part of the Council's development of its emerging LP proposals from a viability perspective - whilst also taking into account national policies and initiatives that may have an impact on development viability.

9. This has been a desk-top exercise based on information provided by SGC supplemented with information gathered by and assumptions made by DSP, once again as appropriate in the context of LP development ('plan making').

10. This review has been carried out using well recognised residual valuation techniques by consultants highly experienced in the preparation of strategic viability assessments for local authority policy development including whole plan viability, affordable housing and CIL economic viability as well as providing site-specific viability reviews and advice. In order to carry out this type of assessment many assumptions are required alongside the consideration of a range of a large quantity of information which rarely fits all eventualities.

11. It should be noted that every scheme is different, and no review of this nature can reflect all the variances seen in site specific cases. Accordingly, this assessment (as with similar studies of its type) is not intended to directly prescribe assumptions. Assumptions applied for our test scenarios are unlikely to be appropriate for all developments. A degree of professional judgment is required. We are confident, however, that our assumptions are reasonable in terms of making this viability overview and further informing and supporting the Council's approach towards a robust and viable LP.

12. Small changes in assumptions can have a significant individual or cumulative effect on the residual land value (RLV) or other surplus / deficit output generated – the indications generated by the development appraisals for this strategic purpose will not necessarily reflect site specific circumstances. Nevertheless, the assumptions used within this study inform and then reflect

the policy requirements and strategy of the Council and therefore take into account the cumulative cost effects of policies.

13. The research, review work and reporting for this assessment has been assembled at a time when there have remained remain economic uncertainties associated with post-Brexit, some lingering after-effects of the COVID-19 (Coronavirus) pandemic situation, more latterly the war in Ukraine, and relatively challenging economic circumstances in general. However, while the economic uncertainties no doubt remain, there appear to be more positive signs. Inflation has recently fallen back broadly towards expected norm levels (currently at circa 2.5%, much closer to the 2% target). Although the Bank of England Base Rate plateaued at 5.35% for a period, over the last 6 months this has come down to 4.75%. There has in the most recent period been an increased sense of housing market stability being felt overall, as far as we have been able to gauge.

14. Uncertainty may run through into many potential areas affecting development viability or deliverability, particularly in the short term. However, there could be a range of influences and effects, not necessarily all negative in their impact on viability. It is of course only possible to work with available information at the point of carrying out the assessment.

15. Local Authorities and others will be able to consider how this picture may change – monitor it as best possible and consider any necessary updating of the evidence and local response in due course. This is consistent with the approach that typically is taken already when either a significant amount of time passes, or other circumstances change during the period of Plan preparation/review and potentially pending or during examination. In the meantime, this work contains information on the impact of varied assumptions applied within a wide range of sensitivity tests. Run in this way, and through regular dialogue with the Council while in progress, this has helped and continues to inform the Council's consideration of development viability in the wider plan delivery context.

**Report ends.**
**DSP (Final)**
**Appendices 1 to 6 follow.**