

**Bath & North East Somerset**

**Local Plan (Core Strategy /Placemaking Plan) 2011-2029**

**Partial Update**

**Options Consultation  
January 2021**

**Topic Paper: Viability**

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**Bath & North East  
Somerset Council**

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**Improving People's Lives**

## **1 Introduction**

- 1.1 The purpose of this topic paper is to summarise the approach to assessing the viability and the deliverability of site allocations and policy changes within the emerging draft Local Plan Partial Update (LPPU).
- 1.2 The Topic Paper considers policy on Local Plan viability; reviews previous district wide viability assessments and the key assumptions that are applied in these viability assessments; and considers the policy requirements proposed in the LPPU that are likely to have implications in terms of viability. A viability assessment will be undertaken to inform preparation of the Draft Plan and as such the Topic Paper explores the approach to be taken and assumptions to be made.
- 1.3 Bath and North East Somerset (B&NES) has declared a climate emergency and has committed to providing the leadership for the district to be carbon neutral by 2030. This will contribute to the UK's legally binding target of net zero carbon by 2050. B&NES Council has also declared an ecological emergency. The LPPU Options consultation includes options to strengthen the existing Climate Change policies and introduce new policies; and includes a new biodiversity net gain policy to address the Ecological Emergency. It also includes site allocations to replenish the Council's housing supply.
- 1.4 These policy requirements will have cost implications for developers and landowners, particularly in relation to sustainable construction, renewable energy, electric vehicle charging, and biodiversity net gain, together with housing accessibility standards. National planning policy requires that Local Plans are viability tested to ensure that policies should not undermine the deliverability of the plan.
- 1.5 A scheme is termed "viable" if the total of all the costs of development including the cost of land, construction costs, planning obligations, and developer's profit are less than the Gross Development Value (GDV) (total sales and/ or capitalised rental values) of the scheme. Conversely, if the GDV is less than the total costs of development the scheme would be considered unviable. Setting the land value for the purposes of testing viability is a key issue – this is known as benchmark land value. The Government provides guidance on how the land should be valued for the purposes of viability assessments. This is outlined in the policy section below.

## **2 Policy and regulatory framework**

### **National Planning Policy Framework**

- 2.1 The assessment of viability, as required under the National Planning Policy Framework (revised 2019) (NPPF), is undertaken within the context of enabling sustainable development.

2.2 The Planning Practice Guidance (PPG) Paragraph: 002 Reference ID: 10-002-20190509 states:

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

2.3 PPG paragraph: 010 Reference ID: 10-010-20180724 states:

*“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.”*

2.4 PPG paragraph 001 Reference ID: 10-001-20190509 states:

*“...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”.*

2.5 PPG para: 013 Reference ID: 10-013-20180724 states that in assessing viability, the residual (land) value - after all costs are deducted from revenue - should be compared to a benchmark land value:

*“...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.”*

### **Emerging National Planning Policy Changes**

2.6 The Government has published a number of consultations which would potentially have an impact on viability. The Government is currently considering feedback, and there is no certainty of what measures will be carried forward into policy, or any indication of a timetable.

2.7 The documents are as follows:

- “Changes to the current planning system - Consultation on changes to planning policy and regulations” (consultation between August and October 2020) temporarily proposing to raise the affordable housing threshold and securing of First Homes through developer contributions.

- “The Future Homes Standard: changes to Part L and Part F of the Building Regulations for new dwellings” - This consultation ran from October 2019 to February 2020 and relates to sustainable construction and low carbon heating in new homes.
  - “Raising accessibility standards for new homes” - This consultation ran from September to December 2020. This considers whether the government should mandate a higher standard of accessibility or reconsider the way the existing optional standards are used.
- 2.8 The Government also consulted on a document “Planning for the Future” in August 2020, which outlined significant long-term changes to the UK planning system. However, this is not relevant to the LPPU.
- 2.9 In 2019 the Government announced it would mandate net gains for biodiversity in the Environment Bill. The government has set out how it will bring this into force, however the Bill has not yet become law / the “Environment Act”. Biodiversity net gain is considered in the LPPU options document.
- 2.10 The LPPU Options Document includes policy options on sustainable construction and biodiversity net gain. It is proposed to maintain the affordable housing policy CP9, however add reference to build to rent affordable housing requirements. The LPPU Options also includes options on housing accessibility standards.

### **3 Local Policy (Core Strategy/Placemaking Plan)**

- 3.1 Based on the Core Strategy policy allocations and requirements, two viability studies have been published to support the plan preparation – one in 2014 to support the introduction of B&NES CIL rates and one in 2015 to support the Placemaking Plan allocations. Further to this, independent commercial advice was sought in 2018 relating to updating district wide viability evidence. Further, in 2018 a viability assessment was undertaken for the West of England draft Joint Spatial Plan (JSP) examination. The draft JSP was subsequently withdrawn during the examination before issues relating to viability were examined at the public hearings.
- 3.2 The scopes of the above Viability Assessments are outlined below:
- CIL Viability Assessment 2014***
- 3.3 BNP Paribas prepared the viability evidence required to support the preparation of the B&NES CIL Charging Schedule in 2014. Various residential and commercial typologies and the Core Strategy Strategic Site allocations were viability tested to set CIL charges, having regard to planning obligations and other policy requirements. It is important to note that the CIL was not set at the margins of viability but allowed a buffer of about 30% between the maximum viable CIL rates and the set rate. This viability assessment document is henceforth referred to as the “CIL.VA”

### ***Draft Placemaking Plan Viability Assessment 2015***

- 3.4 BNP Paribas prepared the Viability Assessment in 2015 to support the Placemaking Plan (PMP) and in particular to satisfy the tests of viability and deliverability of the allocation sites. This assessment took into account the costs of all policy requirements in the PMP and also CIL and S106 obligations. This document is henceforth referred to as the “PMP.VA”.
- 3.5 A subsequent document to the PMP VA “*Addendum Report on accessibility standards*” published in 2016 tested the impact of enhanced housing accessibility standards on the viability of developments in the District. This document concluded “*Having tested 30 scenarios of varying cost levels of accessibility requirements on 26 site allocations, the results of our appraisals provide a clear conclusion that the impact on viability is very modest indeed and unlikely in the vast majority of cases to make a material impact on deliverability of developments in the District.*”

### ***West of England draft Joint Spatial Plan Viability Assessment***

- 3.6 Dixon Searle Partnership (DSP) prepared the document to support the JSP. It was published in November 2018 as part of a post submission consultation. This document is henceforth referred to as “JSP.VA”.
- 3.7 The assessment included a review of an earlier more focused viability assessment, relating to the JSP Strategic Development Locations, undertaken by BNP Paribas for the Submission draft JSP. The DSP JSP VA was necessarily high level given that it related to a strategic plan that covered the four West of England Authorities. It assessed, in particular, Policy 3 relating to Affordable Housing which included a needs driven requirement for all sites (of 5 or more dwellings) to provide for at least 35% Affordable housing.

### ***Independent Commercial Advice***

- 3.8 In addition to the above, B&NES commissioned preliminary viability advice for the district from BNP Paribas, in 2018. This provided updated evidence to the CIL VA.

## **4 Review of Viability Model and previous Assessments**

- 4.1 The viability assessment model takes the overall development sales values/income and deducts development costs, finance costs, CIL, planning obligations and developer’s profit. A ‘residual’ amount is left after all these costs are deducted – this is the residual land value. It is standard practice for area-wide viability studies to compare the residual value of schemes tested against a benchmark land value (BLV). If the residual land value is higher than the benchmark land value, then the scheme is termed “viable”. If, however, the residual land value is lower than the benchmark land value, then the scheme is “unviable”.

4.2 The viability model inputs are set out in Table 1 below:

**Table 1: Appraisal model (residual land value)**

<b>GROSS DEVELOPMENT VALUE ('GDV')</b>	<b>A</b>
Private house and flat sales values Receipt from Registered Provider for affordable units Investment value of commercial floorspace	
<b>LESS</b>	<b>-</b>
<b>DEVELOPMENT COSTS</b>	<b>B</b>
Base build costs Site infrastructure Contingencies Professional fees Marketing costs and disposal fees Finance Planning obligations, CIL and other statutory costs	
<b>DEVELOPER'S PROFIT /RETURN</b>	<b>C</b>
<b>RESIDUAL LAND VALUE</b>	<b>=A – (B + C)</b>

4.3 As development costs do not vary significantly, and there are accepted norms/ ranges for costs such as professional fees, and developer's return, the overall development value / sales values (affected by the proportion of affordable housing) and the benchmark land value are key inputs in the viability assessment.

**Assumptions for Local Plan Partial Update Viability Assessment**

4.4 The following is a review of the key development assumptions used in predominantly the PMP VA and the JSP VA. These assumptions are only for background purposes. A Viability Assessment will be undertaken to support the Draft LPPU policies and allocations.

4.5 The VA for the Draft LPPU will focus on residential development, as one of the main objectives of the LPPU is to replenish the housing supply. It is likely that the majority of development allocated in the LPPU will be in the Bath and Keynsham urban areas and the Safeguarded land (greenfield land) at East Keynsham (Core Strategy policy KE3b). However, the policy changes relating to sustainable construction/ energy efficiency and biodiversity net gain will also affect all new developments.

4.6 The following sections consider the assumptions applied in the district wide viability studies undertaken as set out in section 3.

### Unit mix

- 4.7 The JSP VA that was high level, tested a small representative sample of types of residential development representing a range of typical site types likely to come forward across the JSP area. The typologies (sample development scenarios) representing typical B&NES sites are summarised in Table 2 below. Further details of dwelling sizes (i.e. number of bedrooms) are contained within the VA, however the dwelling types/ sizes are only used to calculate overall development floorspace, which is tested; the types of dwelling whether detached or terraced, or number of bedrooms is only pertinent in terms of overall floorspace:

**Table 2: JSP VA Site Typologies (summary data)**

No of units	Type of units	Area type	Gross Ha	Net developable area	Dwellings / net area ha	Build Period (Months)
7	houses	Bath Brownfield	0.19	90%	40	6
20	houses	Rural Areas, Greenfield	0.56	90%	40	18
50	houses flats	Urban Living	0.62	90%	90	18
125	houses	Greenfield	3.91	80%	40	31

Source: Dixon Searle Partnership (2018)

- 4.8 The PMP VA looked in more detail at the site allocations within the PMP and tested scenarios that were identified in the PMP.
- 4.9 The CIL VA looked at about 15 different residential typologies, together with retirement accommodation and Purpose Built Student Accommodation, and other commercial development. It also included separate viability testing of the Core Strategy Strategic Site Allocations.

### Affordable unit mix

- 4.10 The JSP VA tested the viability of applying the JSP affordable housing policy (Policy 3) which required 35% affordable housing. It also tested 40% affordable housing for the large 125 dwelling site scenario. In terms of tenure mix the JSP VA assumed 5% is affordable rented tenure, 70% is social rented tenure and 25% is of an intermediate tenure, specifically shared ownership in this case.
- 4.11 Both the PMP VA and CIL VA tested the Core Strategy policy affordable housing requirement (30% or 40% for large sites).
- 4.12 The existing policy approach to affordable housing proportion and tenure will be applied in the LPPU based on the existing Core Strategy policy CP9 and the Planning Obligations SPD requirements. The percentage affordable housing requirements are 40% in prime Bath, Bath North and East, Bath Rural Hinterland; and 30% in the rest of the district, with nil subsidy for development assumed.

4.13 The Planning Obligations Supplementary Planning Document 2015 states “ *In order to promote diverse and sustainable communities, the Council will generally expect an affordable housing requirement for 75% homes for social rent and 25% intermediate housing*”.

4.14 In addition to the existing Affordable Housing policy requirements, the LPPU Options document proposes an amendment to policy CP9 to take into account affordable housing requirements for the build to rent sector (Refer to policy implications in Section 5).

**Unit Sizes**

4.15 The Government publication “Technical housing standards – nationally described space standard” published 2015 provides space standards for housing and is used for unit sizes. In the case of flats developments, the flats unit size comprises the net internal area (NIA) for the purposes of sales values. The Gross Internal Area which includes circulation space, lobbies etc is used when calculating the cost of construction. The JSP and Viability Assessments assume an 85% net:gross ratio which is standard.

**Sale Values**

4.16 The Gross Development Value of development (which is effectively the total revenue from market property sales, sales to affordable housing providers and capitalised rental values) is a key element in the viability assessment and sales values tend to have the biggest impact on development viability. Information can be gathered from Land Registry data on new build house transactions and data can be matched with Energy Performance Certificates which indicates the dwelling floorspace to give a per square metre sales value (£ / m<sup>2</sup>).

4.17 The JSP VA in 2018 based on high level testing assumed the following broad sales values (£ / m<sup>2</sup>) for B&NES

**Table 3: JSP VA Sales Values (high level)**

Sales values	High value (HV)	Medium value (MV)	Low value (LV)
(£ / m <sup>2</sup> )	£5,053	£4,031	£3,164

Source: Dixon Searle Partnership (2018)

4.18 The PMP VA 2015 advised the following sales values per square metre across the district.

**Table 4: PMP VA Sales Values**

Sales values (£ / m <sup>2</sup> )	Bath	Keynsham	Somer Valley	Rural areas
PMP VA 2015	£4,425	£2,885	£2,625	£3,700



- 4.19 Table 5 below compares BNP Paribas assumed sales values in 2014 and 2018 based on local market research. This shows that the sales values for Keynsham have increased by more than 50% from £2,700 in 2014 when the CIL VA was undertaken to the updated commercial advice in 2018.
- 4.20 In relation to Bath there have been some very high value developments, including the Hope House site, MoD Warminster Road site (Holburne Park development), and developments on the Bath Western Riverside site including Royal View and Sovereign Point.
- 4.21 The sales values in the Somer Valley (Midsomer Norton, Radstock, Peasedown St John and Paulton) have not risen in line with the rest of the district, however it should be noted that the Options document does not suggest further major housing site allocations should be made in the Somer Valley in the LPPU.

**Table 5: CIL VA 2014 Sales Values and Updated evidence on values 2018**

Area	CIL VA Sales Rate	Suggested analysis 2018	% increase
Bath City Centre	£4,800	£5,750	20%
Bath rural/Bathavon	£3,950	£4,600	16%
Bath N & E	£3,314	£4,600	39%
Chew Valley (W)	£3,000	£4,200	40%
Bath N/W/S & CV (E)	£2,769	£3,800	37%
Keynsham	£2,700	£4,100	52%
Somer Valley	£2,500	£2,825	13%

- 4.22 None of the plan wide VAs have considered the Build to Rent Private Rented Sector (generally flats) which is becoming more common as a development type, particularly in inner urban areas. The LPPU Options document includes proposals to amend the affordable housing policy in relation to the build to rent tenure. (See Section 5).

### **Construction Costs**

- 4.23 For all the VAs, build costs are based on the RICS Building Cost Information Service (BCIS) price data available rebased using the location factor as is normal practice for strategic viability projects. Additional costs are added as a percentage including for site and external works, build costs contingencies. It is understood that the BCIS is more representative for smaller scale developments which do not reflect the economies of scale which can be achieved by the larger housebuilders and larger developments.
- 4.24 The JSP VA used the Median BCIS build cost values. The PMP VA assumed higher “upper quartile” construction costs in Bath.
- 4.25 Table 6 below sets out the base build costs for the PMP, JSP and Commercial Advice

**Table 6: Base build costs (excluding external works)**

Development Type	CIL VA 2014 BCIS Build Cost (£/sq. m)	PMP VA 2015 BCIS Build Cost (£/sq. m)	JSP VA 2018 BCIS Build Cost (£/sq. m)	Commercial Advice 2018 BCIS Build Cost (£/sq. m)
Build Costs Mixed Developments - Generally (£/sq. m)		£1,423 in Bath and £1,142 outside Bath	£1,198	
Build Costs Estate Housing – Generally (£/sq. m)	Houses varying between Bath City Centre =£1565 Rest of Bath /Chew Valley =£1096 Keynsham / Somerset Valley =£783	As above	£1,173	“Houses” Varying between Bath City Centre =£1,717 Keynsham = £1,204 Somerset Valley =£1,009
Build Costs Flats – Generally (£/sq. m)	Varying between Bath City Centre= £2,096 Rural =£1470 Keynsham /Somerset Valley =£1,043	Flats outside Bath 1,250 Flats in Bath 1,423	£1,367	Varying between Bath City Centre =£2,300 Keynsham = £1,407 Somerset Valley =£1,175

#### **Cost of Zero Carbon development**

- 4.26 There has been a number of studies considering the cost of low/zero carbon development. Currie & Brown was commissioned by the West of England authorities in 2018 to prepare a study “Cost of Carbon Reductions in New Buildings Study”. This indicated:

*“Analysis suggests that it is possible to achieve net zero regulated carbon emissions from a combination of energy efficiency on site carbon reductions and allowable solutions for an additional capital cost of between 5-7% for homes and non-domestic buildings. Achieving net zero regulated and unregulated emission is likely to result in a cost impact of 7-11% for homes.”*

- 4.27 The JSP VA assumed “ a baseline that assumes increased energy efficient over Building Regulations up to an equivalent of former CfSH Level 4” (assumption at 1.5% over base build costs) and sensitivity testing was carried out applying additional cost increases – 6% to reflect zero carbon development (re: regulated emissions)”

4.28 The VA for the Draft LPPU will include a cost uplift for zero carbon development.

#### **Cost of Accessible and Adaptable Homes**

4.29 The DCLG Housing Standards Review, Final Implementation Impact Assessment, March 2015, paragraphs 153 and 157 indicate costs for accessible and adaptable homes.

4.30 BNP prepared an addendum to the PMP VA in June 2016 to test the impact of enhanced housing standards on the viability of developments in the District from the 2015 Impact Assessment. This concluded that *“Having tested 30 scenarios of varying cost levels of accessibility requirements on 26 site allocations, the results of our appraisals provide a clear conclusion that the impact on viability is very modest indeed and unlikely in the vast majority of cases to make a material impact on deliverability of developments in the District.”*

4.31 The JSP VA allowed a contingency of £5,000/dwelling (all dwellings) for accessible homes and other S106 costs. This reflects the high level nature of the JSP VA.

*“At this stage it is not clear whether all or any of the four UAs are considering the implementation of a policy to require a proportion of dwellings on sites to meet Category 2 M4(2) and / or M4(3) and what that proportion may ultimately be. As part of the viability testing process, we have therefore made a general allowance (additional contingency) that covers areas such as enhanced access standards, any on-site s106 requirements (e.g. residual site-specific requirements alongside CIL), s278 requirements, electric vehicle charging points etc. This assumption is made at £5,000/dwelling (all dwellings)”*

4.32 The cost uplift for the delivery of accessible homes as required by the LPPU will be included within the VA.

#### **Electric Vehicle Charging**

4.33 Since the JSP VA was prepared the Government consulted on residential charging infrastructure provision in September 2019. The consultation included an impact assessment of the effects of the proposals<sup>1</sup> which provided costs for various options.

#### **Water Efficiency**

4.34 An allowance will be made for water efficiency in the Draft LPPU VA. The JSP VA indicated

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[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/817069/impact-assessment-residential.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/817069/impact-assessment-residential.pdf)

*“As a result of the Housing Standards Review, local authorities will need to ensure that any specific policy with regard to water consumption is set at no more than 110 litres/person/day. Although we have assumed for the purposes of this study that the Council will look to implement the minimum water efficiency targets, in our view no additional cost allowance is required”.*

*Extra over costs of attaining water efficiency standards of 110lpppd are in the region of £6-£9 per dwelling according to the DCLG Housing Standards Review Cost Impacts Study (September 2014). In our opinion this would have such a marginal impact on scheme viability that it has not been included in this assessment”*

#### **Other Site Development Costs**

4.35 Other development costs include

- External works and on-site infrastructure costs
- Professional, project management, sales, marketing and legal costs

4.36 These costs are normally percentages of construction costs / sales values and are broadly similar across Local Plan wide viability studies.

#### **Developer Contributions**

4.37 CIL is a known cost which is a legal requirement and will be accounted for in the Draft LPPU VA.

4.38 The JSP VA made a general allowance (additional contingency) of £5,000/dwelling (all dwellings) to cover areas such as enhanced access standards, any on-site s106 requirements (e.g. residual site-specific requirements alongside CIL), s278 requirements, electric vehicle charging points etc.

4.39 In the case of both the CIL VA and PMP VA an allowance of £1,000 per unit for residential development was included to account for residual Section 106 and S278 requirements. For commercial floorspace, an allowance of £5 per square metre was made.

4.40 For the LPPU allocation sites, and typologies, an allowance for site related S106/S278 costs will be made in the Draft LPPU VA testing.

#### **Developer’s return / profit**

4.41 The PPG provides guidance on developer’s profit/ return. It states *“For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies”*

4.42 The JSP VA assumed a return of 17.5% and the PMP VA assumed a level of 18%.

4.43 It is normal for affordable housing to be subject to a much lower figure – 6% of GDV, applied in both the JSP VA and PMP VA.

### Other overall costs

4.44 Other costs in the development process include:

- Site acquisition costs (including agents fees, legal fees and stamp duty at the relevant rate)
- General finance costs including those incurred through loans.

### Benchmark Land Values

4.45 The JSP VA tests viability against a range of potential Benchmark Land Values based on the principles of 'existing use value plus' (EUV+) based on Government guidance. DSP reviewed existing evidence, previous viability studies, site-specific viability assessments and in particular had regard to published Government sources on land values for policy application. "MHCLG: Land value estimates for policy appraisal 2017 (May 2018 report issue)." The range of Benchmark Land Values applied are shown in Table 7:

• **Table 7: JSP VA Benchmark Land Values**

Greenfield Additional testing	£100,000
Greenfield Enhancement	£250,000
Industrial land values based on MHCLG Land Value Estimates 2017. No uplift applied as assumed "proxy AUV for developments on Brownfield land".	£1,100,000
Commercial OOT land values based on MHCLG Land Value Estimates 2017. Includes a 20% uplift.	£1,896,000
Residential land values based on MHCLG Land Value Estimates 2017. An allowance has been made for AH at 35%, a 25% reduction for planning risk, plus a 20% uplift	£1,600,800
Commercial CBD land values based on MHCLG Land Value Estimates 2017. Includes a 20% uplift.	£4,860,000

Source: Dixon Searle Partnership (2018)

4.46 The PMP VA study methodology compared the residual land values of developments of the 28 sites identified in the draft Placemaking Plan to their value in current use (plus a premium), referred to as 'benchmark land value'.

### Plan Viability Study findings

4.47 Both for the JSP VA and the PMP VA, the majority of typologies tested on the basis of different scenarios were found to be viable.

4.48 The JSP VA found for greenfield development that it was viable at 35% and 40% affordable housing. The greenfield site allocation in Keynsham referenced in the Options document (subject to a 30% affordable housing requirement) is therefore likely to be viable. The JSP VA states:

*3.2.1 The 125 houses greenfield typology (Table 1a) has good prospects of viability across the values levels (GDV variation) considered – indicated support for the application of the 35% AH, with other (base) assumptions tested.*

*3.2.2 The additional 40% AH test shows viability maintained based on a greenfield site scenario.*

*3.2.2 The same as above, broadly, is seen in the case of the 20 houses (35% AH) rural area greenfield typology (Table 1b).*

- 4.49 In relation to previously developed land (PDL), the study shows that for 35% affordable housing the low value sales areas tested at the high value benchmark land values, would not be workable based on the full set of costs. However, it should be noted that in the lower value sales areas the high value Central Business District (CBD) land values are less likely to exist. In addition, it should be noted that this is testing 35% affordable housing which is higher than the 30% requirement. The JSP VA states:

*3.2.3 Whilst the same appears to apply for the 7 houses if on greenfield land, at the lower values tested the result indicates potential non-viability as tested, when assumed on PDL. At the medium to high values tested, all BLVs are exceeded except the highest one, which indicates that some PDL scenarios may not be workable with the full policy set and costs applied as assumed (Table 1c).*

- 4.50 This appears the same for the 50 dwelling mixed development with the High and Medium Values being viable on all by the highest Benchmark Land Value which is more likely in the larger urban areas, and the Lower Value development would not be viable on the PDL. Again, this is based on 35% affordable housing, and notwithstanding, allocations for large mixed developments are not currently being proposed within the lower value areas.

*3.2.4 Using the testing principles involving 3 estimated sales value levels (VLs) as per 3.1.4 above, the same general picture is seen for the 50 mixed dwellings tests. Again the M and H VLs support an RLV exceeding all but the highest of the BLVs. However, on a greenfield site and across most lower value PDL scenarios except at the lower VL, there appears to be reasonable prospects of viability as tested – with 35% AH (Table 1d).*

- 4.51 The PMP VA concluded that the majority of cases were viable, and this would be predominantly the case for other development.

*“We have tested the impact of the Council’s affordable housing policies and other requirements, including CIL and sustainability measures. The results generated by this base position indicate that there are viable options on twenty one of the twenty-eight sites, with residual land values that exceed indicative benchmark land values. For the three sites where no options are viable, alternative mixes of uses or alternative densities might help to achieve a viable outcome. However, in all three cases, the sites have high existing use values and it is likely that the sites will stay in their existing use in the medium term.” (para 8.3)*

4.52 In relation to the PMP VA Addendum 2016 testing the impact of enhanced housing standards on the viability of developments in the District, this concluded that the results of appraisals provide a clear conclusion that the impact of the enhance accessibility standards on viability is very modest indeed and unlikely in the vast majority of cases to make a material impact on deliverability of developments in the District.

## 5 Policy Implications

5.1 Table 8 below identifies the broad implications of local policy options contained within the LPPU Options document to identify those policies that may have a cost implication and hence an impact on viability. The table sets out those policies, relating to housing and development requirements which would be affected by viability. Policies relating to for example location of development, historic environment and landscape character, and general site requirements including transport access and flood risk etc are not all considered as they are part of the normal development process and not additional requirements.

5.2 The Council will be undertaking a Viability Assessment to support these policies for the Draft Plan, and any comments received on the likely impacts on viability of the proposed policy approaches will be considered in assessing viability.

**Table 8: Policy Review Viability Impact**

<b>Relevant policy and Policy to be updated</b>	<b>Nature of impact on development</b>	<b>How this impact is dealt with in the appraisal</b>
CP9 Affordable Housing	Effect on Gross Development value, based on tenure and size	Existing policy requirements will be tested in Viability Assessment for Draft LPPU
CP9 amendment: Build to Rent Scheme: Affordable requirement.	Proposal that Affordable units as part of a Build to Rent scheme should be discounted in line with First Homes, to a minimum of 30% which should be capped to a First Homes discounted sale equivalent, however, regard will be given to affordability on a site by site basis'	Policy to be tested in LPPU Viability Assessment.
CP10: Housing Mix	No direct impact. Notional development scenarios (typologies) will be used to test the viability of site allocations and windfall development in the draft LPPU. This is the approach set out in the PPG.	
H7 Housing Accessibility Standards	The LPPU proposes to require that new housing meets accessibility standard requirements as relates to M4(2) <i>accessible and adaptable dwellings</i> and M4(3) <i>wheelchair user dwellings</i> in line with up to date evidence. For affordable housing M4(2) <i>accessible and adaptable dwellings</i>	Policy to be tested in LPPU Viability Assessment.

	standard will be applied to houses, ground floor flats and upper floor flats where a lift is installed, and age restricted homes.	
CP1 Retrofitting Existing Buildings	<p>Many retrofitting measures such as solar panels and insulation do not require planning permission</p> <p>Policy will only apply in very limited circumstances in the context of development (where existing buildings redeveloped)</p> <p>Reuse of in use buildings and floorspace does not currently incur a CIL charge and therefore there are cost benefits to redevelopment where applicable.</p>	Not applicable.
CP2 Sustainable Construction/ SCR1 On-Site Renewable Energy Requirement	Preferred option is to set a net zero carbon policy – options are set out based on whether or not the Future Homes Standard is brought forward.	A construction cost uplift to take into account sustainability measures will be provided in the viability assessment to accompany the Draft Local Plan
CP4 District Heating	Under new zero carbon policy, if a development sits within an area with an existing heat network then it will be expected to connect to this in the first instance. This will be only be relevant in limited circumstances.	
New Policy Whole Life Cycle Carbon Assessment	The option is to require the submission of Whole Life Cycle Carbon Assessment for all large scale major developments. Large Scale major developments are defined as 50 dwellings + or 5000m2 + of floor space. The use of a performance threshold is also being considered.	The cost of this assessment would be reflected in the allowance for professional fees (which is a percentage of the overall higher sustainable construction cost). Costs are being considered for overall carbon impact.
New Policy - Electric Vehicle (EV) charging	New policy is proposed to require EV charging points in new development. Options include whether EV infrastructure should comprise passive or a combination of passive and active charging.	An allowance for electric charging will be accounted for in the VA for the Draft Plan.
New Policy - Harnessing wind energy	This relates to freestanding wind turbines and will not directly impact the cost of new housing development.	
CP7 Green Infrastructure	Mitigation of impact on Green Infrastructure is already a requirement based on the Green Space Strategy. Green space mitigation is also reflected in development having regard to the net to gross developable area. The housing site allocation policies assume a site capacity.	



	Refer to new policy requirement below on Biodiversity Net Gain	
New Policy Biodiversity Net Gain	<p>A new policy requiring biodiversity net gain (BNG) is proposed. Two options are presented, requiring at least 10% net gain or require 15% net gain. The policy will also require a 30 year management plan to be in place detailing how post-development biodiversity values of the site and any supporting off-site mitigation will be achieved.</p> <p>Government's Biodiversity net gain and local nature recovery strategies impact assessment<sup>2</sup> Oct 2019 states "we assume that the costs for both on-site and off-site habitat creation are £900 per ha for site surveys and £19,698 per ha for 30 years' creation and maintenance costs "where a developer is required to offset through the market for biodiversity units, the indicative price for a biodiversity unit is assumed to be £11,000"</p>	<p>An allowance will be made for BNG in the Draft LPPU VA.</p> <p>The sites being developed will have different impacts on biodiversity.</p>
CP5 Flood Risk Management	Not a new requirement – already reflected in Development Management practice.	
SU1 Sustainable Drainage	Amendment to require provision of multi-functional SUDS also acting as Green Infrastructure (multiple benefits)	
CP13 Infrastructure Provision	Developer contributions towards infrastructure primarily through CIL and through S106 for larger sites.	CIL and an allowance for S106 will be tested in the study

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