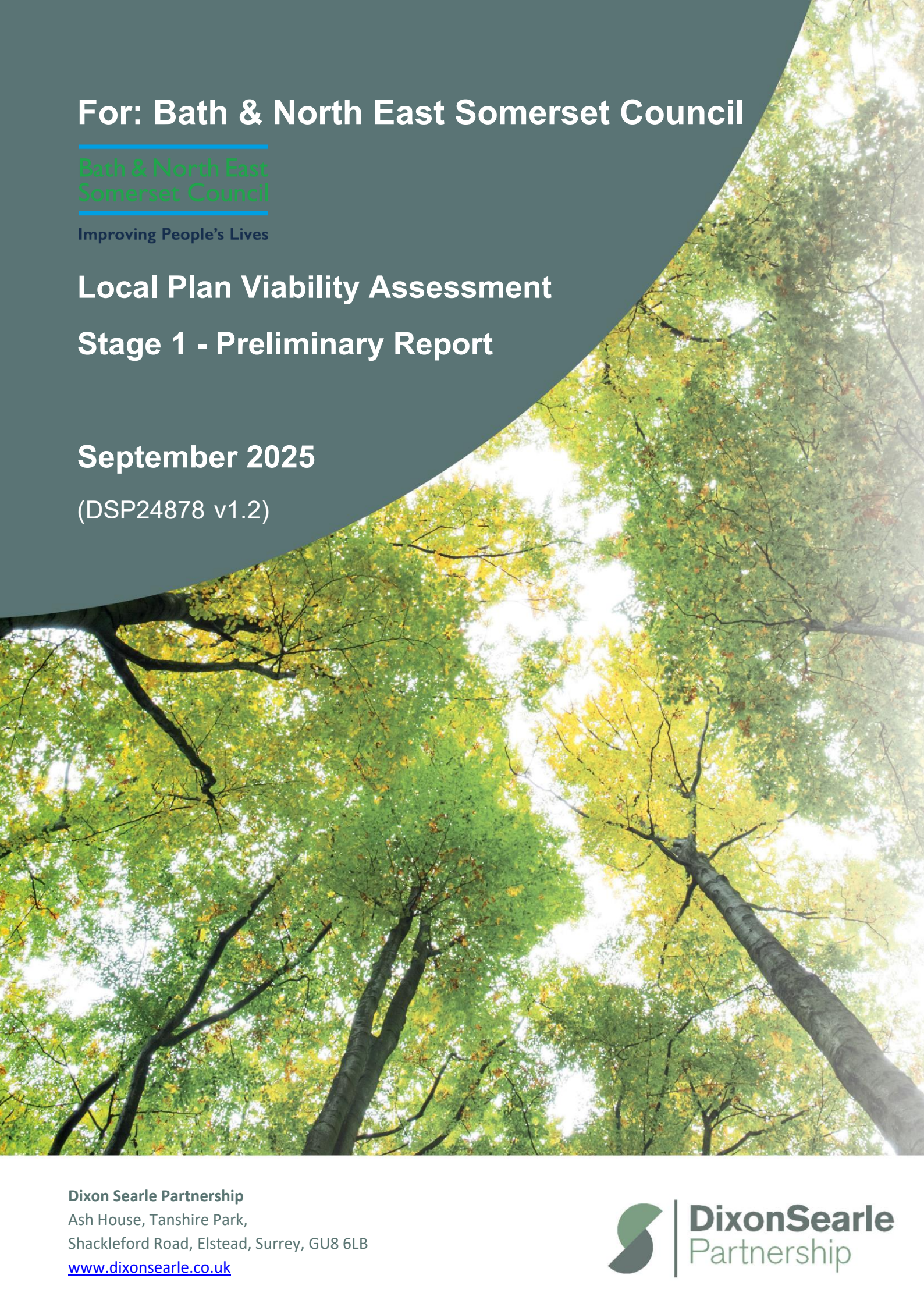




For: Bath & North East Somerset Council

**Bath & North East
Somerset Council**

Improving People's Lives

**Local Plan Viability Assessment
Stage 1 - Preliminary Report**

September 2025

(DSP24878 v1.2)

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1. Introduction & Context

- 1.1. Dixon Searle Partnership (DSP) has been commissioned by Bath & North East Somerset Council (B&NES) to undertake a two stage Local Plan Viability Assessment (LPVA).
- 1.2. The Council commenced work on preparing a new Local Plan in Autumn 2022. The first Regulation 18 'Options' consultation took place in the Spring of 2024. However, following changes to the NPPF (December 2024) the identified housing need increased significantly and given the scale of the change, the Council decided to reset the Local Plan. A second Regulation 18 options consultation – on a reset options document – has been scheduled to take place in October/November 2025.
- 1.3. The new Local Plan will now cover the period 2025 to 2043 (18 years) and in setting a strategy and policies to guide new development will look to provide for around 27,000 new homes (approximately 1,500 per year overall). With housing provision progressed under the adopted Local Plan already contributing towards the assessed need, it looks as though circa 20,000 new homes will need to be allocated for through the emerging plan. From our information review, we understand that approximately 46% of the new dwellings need is for affordable housing.
- 1.4. The Regulation 19 Plan consultation and submission for examination is currently due to take place in 2026 with Plan adoption targeted Autumn 2027.
- 1.5. This Preliminary Report overviews the Stage 1 two-way work undertaken with the Council reviewing the information available to date and initially considering the direction of the emerging plan policies based on a first review of sample development typologies.
- 1.6. Subsequent Stage 2 of the LPVA, to be undertaken in conjunction with the Council's review of the forthcoming updated consultation exercise, is expected to involve testing a refined set of policies using an expanded range of development typologies. At Stage 2, the viability of proposed specific (particularly any larger/strategic) site allocations will also be considered, once site details and information such as estimated infrastructure requirements are available.

- 1.7. The LPVA process adopts the well-established principles and methodology of ‘residual valuation’. This is a process which is consistent with the national Planning Practice Guidance (PPG) on viability and the Royal Institution of Chartered Surveyors (RICS) professional standard on viability in planning¹, with the well-established methodology having been subject to examination in public on numerous occasions.
- 1.8. In summary, the modelling for the study is conducted through viability testing a mixture of site typologies (at Stages 1 and 2 of the project) – which are notional schemes broadly representing development of the types expected to come forward, as a basis for a wide range of policy and sensitivity testing - and specific consideration of proposed site allocations (Stage 2) that are intended to be key in supporting the planned delivery overall.
- 1.9. This report provides the Council with preliminary information and interim findings only, but in doing so (based on DSP’s initial review and first sweep assessment work) points towards recommendations on the likely viability of policy emerging through the new Local Plan as that is being developed. For the avoidance of doubt, this is not the full report for the LPVA. That will be provided in due course, once the Council has considered the following, including the interim findings presented here so far, together with the consultation outcomes. In this way, the ongoing assessment will continue to both inform and react to B&NES’ progression towards the new plan, and will reflect on any provided further information, including on any continued development of the emerging policy positions.
- 1.10. Viability in this context means assessing the “financial health” of development, by considering the strength of the relationship between development values and costs, which are also variable by development type, location etc.
- 1.11. ‘Residual valuation’ principles are used to explore this value/cost relationship, how this varies and therefore how much scope exists to support planning policies and obligations in locally relevant circumstances. The calculation approach does this by deducting estimated development costs (including site acquisition, works costs, fees,

¹ ‘Assessing viability in planning under the National Planning Policy Framework 2019 for England (2021) and ‘Financial viability in planning: conduct and reporting’ (2019)

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contingencies, finance and profit) from the estimated sales (completed development) values.

- 1.12. This enables us to explore what strength of residual remains to support land value, with the appraisal residual land values (RLVs) compared with judgements on suitable Benchmark Land Values (BLVs) for the area and purpose. The BLVs placing is based on the existing use value (EUV) of various types of land that may be expected to come forward for development under the new plan. A suitable premium over EUV is allowed for, sufficient to incentivise the release of land from its existing use, but it is important to stress that BLVs in viability in planning are not about the market value of land, so do not take account of any development potential/'hope value'.
- 1.13. Ultimately, the development identified in the new Local Plan should not be subject to such a scale of obligations and policy burdens that its ability to be developed viably is unduly affected. The settled levels of policies and obligations (expected developer contributions levels) will need to be clearly set out and informed by evidence of both need and viability.

Brief summary of work to date

- 1.14. We will not go into the detail of the methodology used and process undertaken to date here (this will be detailed within the full LPVA reporting – across the whole exercise - in due course).
- 1.15. In brief outline, following the project inception, DSP has progressed a number of initial reviewing activities in Spring to Summer 2025 to reach this preliminary stage, through initial work towards the wider assessment. We expect to revisit and build appropriately upon this exercise in Stage 2:
- Reviewed the Council's policy options as well as other relevant evidence base documents/information in order to understand the emerging new Local Plan context.
 - Researched the local property market and housing values, normal development costs data and considered cost assumptions reflecting emerging policy costs.

- Via a survey approach, consulted with a wide range of locally active development industry stakeholders (e.g. housebuilders, developers, planning and property agents etc.) and affordable housing providers. Further consultation with key site promoters in connection with specific site allocation proposals (scope to be determined by the Council's ongoing work) will also be undertaken as part of the Stage 2 assessment. Depending on the information flow and timings, it may be appropriate to consider some level of refresh of the initial stakeholders' survey contact.
- Run initial appraisal modelling - on a sample of residential development typologies including sensitivity testing on potential affordable housing tenure variables/options. Owing to our experience of usually finding key factors and a potential need to consider viability differentials between brownfield (PDL – previously developed land) and greenfield (GF) sites, this has been a factor to begin exploring early on. To this stage, we have considered typologies of 50 mixed dwellings (in both a PDL and GF context) and 75 and 200 flats (PDL). Reflecting the expanded list of typologies shown in Appendix 1, it can be seen that the assessment will progress at Stage 2 to include a comprehensive range of typologies reviewing, including reflecting smaller scenarios, age friendly housing typologies (sheltered/retirement and extra care). It is also likely to include an appropriate level of review Build to rent (BtR)/Co-Living scenario testing (not tested at this stage), which has been initially discussed with the Council's officers as a locally relevant typology. Population projections suggest that a significant component of the housing needs totals is likely to be growth in students requiring accommodation, although further discussions are needed with the Universities to ascertain their views on the rate of further expansion. At this stage it is not clear yet whether PBSA (purpose built students accommodation) will be the subject of planned development through site allocations and this will continue to be looked at by the Council in preparing the Draft Local Plan. Also on the scope of current initial versus potential expanded test scenarios for the subsequent work, Green Belt is not specifically/separately tested at this stage.
- Reviewed the initial sample typology testing – scope as above - to provide interim (preliminary stage) findings for the Council's review. These preliminary findings will also help inform the development of the testing into Stage 2.

- 1.16. Appendix 1 (which will be revisited as far as appropriate upon further review at Stage 2) sets out the details of the residential typologies testing scope, with the building assumptions information shown across 4 tables as follows:
- Table 1a – sets out the selected group of development typologies reviewed at the current stage (the blue shaded rows), dwelling mix principles and scheme revenue assumptions – tested values levels (VLs) of market sale housing and affordable housing (AH) receipt levels.
 - Table 1b – sets out the development costs assumptions used in the appraisals to reflect both the works and related costs, and emerging policy reviewing. As can be seen there, the scope of assumptions covers typical development costs, indexed CIL charging and assumed residual s106 alongside that, energy efficiency/carbon reduction, EV charging provision, Biodiversity Net gain (BNG), green roofing, and accessibility. The scope of or allowances for some these might alter subsequently. With the Building Safety Levy due to come in October 2026, allowances reflecting this at the local rates now recently published are also likely to be made at Stage 2.
 - Table 1c – sets out adjusted and some additional assumptions in preparation for appraising age friendly housing typologies at Stage 2. Like others, some of these assumptions may be revisited.
- 1.17. To this stage, we have been focusing on residential development. This is typical in such a study. This is because housing is the most significant element of growth, and this also reflects in the scope and reach of emerging plan policies. The preliminary testing results are tabled in Appendix 2 – more on these below.
- 1.18. While the same main focus can be expected to continue into Stage 2, it is also likely to be appropriate to consider the viability prospects for non-residential/commercial developments. Typically, exploring this via non-residential typologies also provides a measure of how the current CIL charges now look. As another potential driver of work on this, the level of relevance to the Local Plan will usually depend on whether new site allocations are planned for employment/business or perhaps other development uses, and to what extent. At this stage, the emerging plan is likely to identify and support employment growth, and potentially identify new floorspace to be provided, although this will also in part be about how B&NES relates to other areas

and so on. At this stage, we understand the Council is proposing options for floorspace, however not which type. Associated with the level of housing growth now envisaged, the creation of approximately 25,000 new jobs is noted by the Council.

2. Assumptions

- 2.1. This preliminary report provides an overview of work conducted to date towards the LPVA, based on the above noted sample development typology testing. Before summarising the findings from the high-level review of results (Section 3 below) this section provides more on the approach and assumptions (see Appendix 1 for the assumptions detail).
- 2.2. The review of the outcomes from this initial stage testing seeks to provide the Council with an early steer on viability scope and potential parameters for key policies such as affordable housing proportions (%s) to be sought through the emerging plan. The preliminary findings reflect the wide range of initial sensitivity testing across the 4 selected typologies – results tabled in Appendix 2 (Table sets 2a to 2e).
- 2.3. Affordable housing has been tested at between 20% and 50% overall, depending on circumstances considered using the initial typologies tests to date. The test levels are seen in the Appendix 2 results tables and at this stage take the exploring of this up to 40% on PDL and 50% reflecting GF developments. When expanding the use of typologies and considering specific sites at Stage 2, the scope of testing will be considered further. Increasing the AH% tested reduces the appraisal results (RLVs) as will be expected. This is an iterative process whereby once the assumptions lead to viability that looks to be getting too marginal, testing with higher still AH proportions does not tell us more. Affordable housing is invariably by far the most significant LP policy cost to meet (generally – not just in B&NES) and its effect needs to be considered alongside all other development and policy costs, cumulatively.

Development revenue – residential sales values

- 2.4. The property market research indicated housing sales values in the district typically cover an overall range £4,250/m² to £7,500/m². Appendix 3 includes a summary of the research. Within this, some of the variability comes from specific location/siting or type of scheme as well as the difference between areas. DSP's review has been

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carried out over the above range with viability tested at various 'Value Levels' (VLs) within it, in order to consider the influence of this variable – how the results change as the values available to support viability do. At this stage we used 13 test VLs across the wider overall range, to enable a relatively fine-grained view of the effect of varying market sale values.

- 2.5. Within this overall range, our review to date indicated typical new build values as follows:
- Bath City (area includes non-prime and prime) – VL6 £5,500/m² to VL11 £6,750/m².
 - Keynsham – VL2 £4,500/m² to VL5 £5,250/m².
 - Smaller settlements/rural areas (area includes Somer Valley) – VL1 £4,250/m² to VL6 £5,500/m².
- 2.6. The current AH policy approach treats the district as two areas with 'Area 1' comprising Prime Bath, Bath North and East and Bath Rural and 'Area 2' covering all other localities. Based on the above data set, key values within Area 1 range from approximately £4,500/m² to £6,750/m² and in Area 2 range from £4,000/m² to £5,750/m². However, it is worth noting that the current policy areas overlap with the DSP research areas above (Bath City, Keynsham, smaller settlements/rural areas).
- 2.7. The values picture will be considered again at Stage 2, revisiting/building upon this initial high-level picture. However, there are some key indicators here – relativities that will not change. There is a clear distinction generally between values in Bath City compared to other locations in the district. However, as is normal in most places, there are exceptions whereby higher and lower values can be seen within an area, between nearby sites and even within a site (depending on orientation etc.); an overview is needed at plan-making stage. A key consideration as the assessment develops following this interim report, is to understand how the value levels and patterns across the district overlay and relate to the emerging planned development and site supply.

Affordable housing (AH) and its tenure

- 2.8. As noted above, the current stage work has focused on testing a wide range of exploratory affordable housing proportions from 20% to 50% overall, using 4 selected

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development typologies – 50 mixed dwellings² on greenfield land, 50 mixed on PDL, 75 Flats on PDL, and 200 Flats on PDL (both representative of relatively high-density development as may be expected in Bath City only).

- 2.9. Within this approach we have also begun to explore the potential influence on overall viability of alternative affordable housing tenure mix assumptions (on a best fit basis within the typology dwelling mixes). At this stage we have assumed 75% Social Rent and 25% Affordable Home Ownership (assumed as Shared Ownership) – based on the Council’s current adopted position and also reflecting a significant weighting towards genuinely affordable homes as seen through both the needs information and the picture that we are currently beginning to see again through government strategy/policy messaging. Whilst in the early part of this stage we also looked at exploring a potential alternative affordable tenure mix basis (further expanded sensitivity testing) that information has not been carried into this reporting. Generally, in our experience, as a starting point, we can usually expect Social Rent (SR) to be more onerous on viability than Affordable Rent (AR), assuming that no grant is available. However, provisionally we observed a closer position here than expected. The relativities can be expected to vary according to the size of development, housing mix, location/value, and there can be other balancing or equalising influences in practice, including service charge or other effects, together with factors which extend beyond the consideration of viability in planning. In discussion the Council team has noted from local experience - including extensive viability processes on its own land - a limited difference in practice between SR and AR in viability terms (to the developer position) after reflecting service charges effects for example.
- 2.10. The following revenue assumptions have been assumed for the affordable homes by tenure type (again details as set out in Appendix 1). These have been informed by DSP’s consultation with RPs and wider experience:

- Social Rent homes – assume 45% market value.
- Shared Ownership – based on 70% market value.

² Meaning an assumed mix of houses and flats

- 2.11. At this stage, however, a key matter to note is that as the Council's consideration of AH tenure progresses, it will be necessary to check/revisit the AH tenure mix assumptions for taking into Stage 2 of the LPVA.

Nationally Described Space Standard (NDSS)

- 2.12. As set out in Appendix 1, the dwelling size assumptions reflect the application of the NDSS ranges. We understand that the NDSS may be referenced within the Council's emerging policy approach.

Water efficiency

- 2.13. Consumption assumed to be restricted to not more than 110 litres per person per day (lpppd), on the basis the Council can appropriately demonstrate that the district is within an area of water stress (as with all optional enhanced standards, the need has to be established as well as the viability impact reviewed as part of this assessment). The overall cost impact of this requirement (compared to the current Building Regulations baseline of 125lpppd) is nominal and reflected within the overall development cost allowances. In summary no additional explicit cost assumption is required at this level.

Parking standards – Electric vehicle charging points (EVCPs)

- 2.14. The provision of EVCPs is now a base requirement set out in Approved Document S of the Building Regulations. Although we assume provision of EVCPs will be included within the general build cost allowances within BCIS in time, or at least the extra over cost of these will reduce, at this stage we have continued to apply an additional cost allowance of £865/dwelling (houses) and £1,961/dwelling (flats)³, with 1x EVCP per dwelling assumed. This approach reflects our previous (including recent) experience.

Biodiversity Net Gain (BNG)

- 2.15. For this stage, we have assumed an explicit allowance for BNG based on the Council's emerging policy position of 20%, i.e. going beyond the 10% minimum national baseline requirement. The cost assumptions vary by site type

³ Residential Charging infrastructure provision – Final Impact Assessment (2021) - https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1040255/residential-charging-infrastructure-provision-final-impact-assessment.pdf

(PDL/greenfield) and geographic location, based on the data contained in the DEFRA/Natural England BNG Impact Assessment approach (specifically Tables 19 and 20) and assumes a 90% pass-through cost to the land.⁴ On this basis, we have applied an additional percentage uplift to the base build cost to reflect the cost of achieving this requirement – at 3.45% greenfield and 0.83% PDL on base build. These figures are based on ‘Scenario C’ of the Impact Assessment, representing a worst-case scenario, assuming delivery via 100% off-site credits. BNG will typically be delivered on most schemes via a combination of credits and on-site solutions with a lower overall cost to development, noting there is typically a cross-over between the provision of BNG alongside green infrastructure, open space etc.

Green infrastructure

- 2.16. We consider green infrastructure provision to form part of overall development costs/site works alongside other related policy requirements such as open space and BNG (above). However, we have included an additional allowance for the provision of ‘green roofs’ within the Bath City area based on emerging policy at this stage of review – see Appendix 1. However, since including this assumption, there has also been discussion about Green Roofs potentially conflicting with solar energy (panel) placements/requirements, so that we may find this detail alters in Stage 2.

Climate change response – sustainable construction

- 2.17. The Council’s emerging policy position is to require all new development to go beyond the Future Homes Standard (FHS) to achieve net zero operational carbon standards together with specific embodied carbon standards. To meet these requirements, the current stage assessment assumes an extra-over cost of +5% on base build costs, based on a range of locally available evidence⁵. Additional costs of between 0%-3% have also been assumed to meet the embodied carbon policy⁶ requirements, variable by dwelling type (houses/flats), again based on a range of locally available evidence⁵.

⁴ Biodiversity and net gain and local nature recovery strategies – Final Impact Assessment (2019) - https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/839610/net-gainia.pdf

⁵ including the B&NES Local Plan Partial Update Viability Study 2021, Cornwall Council Climate Emergency DPD Technical evidence base, West of England (former) Net zero new buildings evidence and guidance to inform planning policy 2021, Bristol City Council Local Plan Viability Assessment 2022, UK GBC Building the case for Net Zero Technical Report 2022, WSP Evidence based for WoE Zero Buildings Policy 2021.

⁶ WSP Evidence based for WoE Zero Buildings Policy 2021.

Accessible and adaptable homes (Building Regulations Part M4)

- 2.18. The Council's Local Housing Needs evidence at the point of review for initial assumptions referred to a need for 26% to 63% of new homes to be built to M4(2) (of the Building Regulations) accessible and adaptable dwellings standards. However, following consultation in 2022, the Government's intention is for accessibility to M4(2) standards for all new homes to be embedded in building regulations (although we note uncertainty on the timings for this at the point of review). On this basis, the modelling carried out so far assumes 100% of dwellings will be built to M4(2) standards - aligning with the Government intentions.
- 2.19. The Council is also looking to implement an approach to secure higher accessibility standards in a relevant proportion of new homes – reflecting its LHNA and optional enhanced in Building Regulations Part M4(3)(2a) – for wheelchair users - seeking 11% provision in affordable dwellings and 7% market dwellings providing this, based on the needs evidence, which has been assumed as the testing baseline. As has been noted above on affordable housing and its tenure, the housing needs evidence has recently been undergoing updating.

Infrastructure - Community Infrastructure Levy (CIL) and s.106 contributions

- 2.20. The cost of the B&NES CIL has been allowed for at the current indexed charging rates. The top row of results in each Appendix 2 results table shows the residual land value results when applying the Council's current (indexed) CIL charging rate.
- 2.21. For wider information and comparison with those results, beneath that row we provide results reflecting CIL alternatively tested at between £0 and £500/m² at £25/m² intervals. This display follows the principle of exploring the effects of changes to assumptions through sensitivity testing. It can be used to see where similar results are derived from different tested assumptions combinations and to look at how moving one variable (such as AH level, CIL test or assumed value level (VL)) influences the RLVs and therefore the strength of viability. In moving ahead, it is likely that some variables will be reduced and narrowed results sets presented.
- 2.22. Overall, the cost of CIL has a much lower impact on viability compared to affordable housing. Any variation (for example reduction) to the CIL level(s) would likely not be

sufficient in isolation to support greater affordable housing provision, as an indication at this stage.

- 2.23. The adopted CIL operates alongside s106 obligations but does not entirely replace the need for site specific mitigation. For the purposes of our assessment, a residual allowance of s106 has been made alongside CIL. Following a review of the Council's monitoring data, an assumption of £1,000/dwelling has been used for flatted developments and £5,000/dwelling for houses and mixed houses/flats developments. As with all other assumptions noted here, these may be subject to review as the LPVA progresses from this preliminary stage.
- 2.24. We understand that in the local context this will typically include contributions for infrastructure provision/mitigation such as education, health, minor highways/transport requirements, green infrastructure etc. At the point of putting together this information, the Council was preparing updates to the Planning Obligations SPD, which revises costs for a number of items and introduces additional requirements that would be secured through planning obligations (s106) rather than via the CIL receipts. In due course, the obligations referred to in the amended/updated SPD will need to be referred to. In any event, the actual scope of these contributions will vary at site-specific level with some not necessarily required in all circumstances/cases (or not required in full). There may also be some overlap in some cases between those planning obligations and the appraisal costs we have assumed e.g. BNG, green infrastructure. At the point of this write up, the Council has consulted on the SPD, with additional requirements/costs for healthcare, SEND, and home to school transport having been identified, we understand.
- 2.25. Subject to further review as we move forward, the s.106 allowances will need to be reviewed for sufficiency to represent any potential increase in the revised or additional cost of obligations. As above, it is important to keep in mind that all of the obligations referred to in the amended/updated SPD will not necessarily be required in every scenario, however. In practice, increasing these cost allowances as a blanket approach could result in an over allowance for such requirements and place an unnecessary additional constraint on viability and therefore the scope for affordable housing/CIL, for example. However, as above – assumptions to be considered further at Stage 2.

3. Interim findings review

Testing context for preliminary exercise

- 3.1 As noted in Chapter 2, the results presented in Appendix 2 are based on an initial sample set of development typologies tested across a range of AH proportions from 20% to 50% overall, as below:
- 50 mixed dwellings (mix of houses/flats using the LHNA (2024) principles, as referenced in Appendix 1). Assumed on PDL and typically representative of development coming forward in Bath city and possibly Keynsham.
 - 50 mixed dwellings (houses/flats) on greenfield land typically representative of development potentially coming forward in the suburban areas, market towns and rural areas.
 - 75 flats (all-flatted) on PDL representative of higher density development most likely in Bath city.
 - 200 flats (all-flatted) on PDL, again representative of higher density development likely at this scale in Bath city only.
- 3.2 The above typologies have been sensitivity tested assuming for now an AH tenure scenario of 75% Social Rent and 25% Affordable Home Ownership – based on the Council’s current adopted policy position but also reflected a renewed emphasis on social rented homes within national strategy/policy announcements.
- 3.3 In addition, the typologies assumed to represent schemes in Bath city (reflected in the results in the Appendix 2 Table sets 2a, 2d and 2e) have been tested using both median (‘MQ’) and upper quartile (‘UQ’) build cost rates⁷ plus an enhanced contingency allowance. Although significant residential development in the city centre core area appears unlikely, there are a number of old commercial or mixed-use sites and proposed regeneration scenarios in Bath city more generally. These are likely to come with higher overall assumed costs in connection with potential site constraints, abnormalities and/or additional design requirements which may not be fully reflected within a typical viability in planning assumption approach of using a median quartile build costs data baseline. Within each Table set 2a, 2d and 2e (50 mixed dwellings, 75 and 200 flats respectively) the BCIS test assumptions are stated. The Table 1a, 2a and 3a results reflect BCIS MQ with increasing AH% tested. Tables 1b, 2b and 3b

⁷ Based on the Build Cost Information Service (BCIS) data rebased to B&NES, also set out in Appendix 1.

reflect BCIS UQ costs applied, again as the tested AH% increases in each of these typologies.

- 3.4 In looking at the results of our modelling we need to consider and compare the residual land values (RLVs) generated against benchmark land values (BLVs) - details of which are included within the results tables. To recap, BLV is EUV based plus a premium to incentivise the release of that land for development (sometimes referred to as 'EUV plus' or 'EUV+'). Where the appraisal RLV meets or exceeds the BLV this will typically represent viable development or development that is able to meet the policy and other costs included within the appraisal model. Where the RLV is lower than the BLV, typically this means that, with the other development costs fixed and/or values no higher than assumed, the policy requirements can be expected to need some form of adjustment.
- 3.5 As a general rule, modelling based on site typologies that reflect smaller scale (non-strategic) greenfield (GF) sites, indicate greater viability prospects in comparison to similar scale PDL development sites. Typically, this is due to higher BLVs supported PDL sites (typically higher or significantly higher EUVs) where those typically comprise existing industrial/commercial or other sites where relatively valuable uses could be continued, particularly so in urban locations. Essentially, the PDL-based typology results need to exceed a higher BLV threshold before indicating viability scope. Although the range of PDL BLVs is variable in B&NES (depending on location), we consider this key range to be from £750,000/hectare (ha) to £3m/ha with the upper end or EUVs beyond this) representative of sites within the city and other main urban areas and the lower end representative of garden/amenity land and low grade PDL e.g. former community uses, yards, workshops, former industrial etc. which will tend to be more relevant in the outer urban areas or smaller settlements.
- 3.6 Although land in small parcels in use as a garden or for amenity will usually be treated as greenfield, that type of existing use will typically support a higher BLV than more significant GF land areas – such as paddocks/grazing/horticultural/agricultural land. Any edge of settlement/within settlement paddocks at a scale accommodating modest scale development (indicatively for now perhaps up to 50 or so dwellings), might support a BLV of up to £500,000/ha (EUV+). Whereas larger GF land releases – agricultural land to be sold for larger scale development prospects – could be expected to reflect in a BLV of say £250,000/ha (EUV+). These GF BLVs are noted at the foot of the relevant Appendix 2 tables. Although a lower £150,000/ha BLV has

been noted within some other viability in planning work in the wider region, this is not considered relevant to the B&NES circumstances that have been reviewed so far. At this stage, on the GF typologies considered, representing 50 mixed dwellings, the BLV used is £500,000/ha.

- 3.7 The emerging site supply picture will be key in understanding the type and existing use of sites coming forward over the plan period and which will influence the range and scope of the selected BLVs that are taken forward into Stage 2. For example, if the supply picture suggests the majority of PDL sites to support relatively low EUVs such as former community or low-grade industrial uses (such as redundant public buildings/facilities or old workshops/storage/yards and similar which have reached the end of their economic life) then the results analysis/review could focus more closely towards the lower end of the PDL BLVs range. As above, the site supply context will need to be considered further.

Affordable housing

PDL: 50 dwellings (mix of houses and flats) *Appendix 2: Table sets 2a and 2b*

- 3.8 This initial typology review indicates positive viability prospects with 40% AH in all areas. However, it appears that on going beyond 40% AH more challenging viability prospects will result, and particularly where the values are towards the lower end of the range assumed for each location.

Greenfield: 50 dwellings (mix of houses and flats) *Appendix 2: Table 2c*

- 3.9 The GF-based results for the 50 mixed dwellings typology assuming 40% affordable housing, show positive viability prospects across the key values range (VL1 - VL6) that we consider representative of sites outside of the Bath city area. On increasing the tested affordable housing to 50%, this positive viability scope begins to become more marginal at the lower end of the values range although the wide spread of results suggest this might not be ruled out and could be reviewed further at Stage 2.
- 3.10 It is important to note, however, that the above results assume no significant abnormals. However, in practice an element of uncertainty is likely to remain around site and scheme variability - and potential unknowns or additional requirements that may arise in some circumstances or, potentially, as the emerging plan policies develop. Development costs/requirements could extend beyond the typical

assumptions set used here. More targeted testing of certain specific sites – usually larger/strategic sites that are key to the overall plan delivery - will take place as part of assessment Stage 2. However, for this initial high-level review stage in particular it should be kept in mind that more cost might need to be met. Therefore, it is unlikely to be appropriate to take policy positions to the point of stretching the reported viability scope.

- 3.11 In considering a viable level of AH, balance will need to be considered - between how much AH can be reasonably expected to be accommodated (in the context of a high need level) in combination with the wider emerging LP policy set and the Council's CIL. Generally, as the tested proportion (%) of AH increases, the strength of the RLV results reduces. With this, the pressure on the scope for the available viability to also support other requirements increases.
- 3.12 Although, theoretically, straightforward greenfield sites appear potentially able to support more than 40% AH, the council should consider the potential effect on deliverability unless sites to be allocated are investigated and known to be developable without large abnormal costs issues or significant new infrastructure provision.
- 3.13 As additional context and information, the recent 'Golden Rules for Green Belt development' as set out in the latest version of the NPPF (para. 156) and now referenced in the PPG on viability, state that where development takes place on green belt land, the affordable housing contribution should be 15% above the highest existing affordable housing requirement, capped at 50%⁸. On this basis, it appears that 50% AH is likely to become the effective requirement on any greenbelt sites in any event, even if the baseline policy position for GF developments is set beneath that. At the time of putting together this preliminary review information, the Council was beginning to consider further the local implications of the Golden Rules.
- 3.14 In initially looking at the 50 mixed dwellings typologies, a higher density has been assumed in a PDL context compared with GF. Viewed at this level, the PDL typology receives a relative boost from this assumption (a higher RLV is supported) compared with the assumed GF density. However, the very much higher BLVs that are likely to

⁸ NPPF (2024), paragraph 157 and PPG on Viability (2024), paragraph 029.

be relevant in a PDL context (compared with GF) have the effect of more than balancing this out.

PDL: 75 and 200 dwellings – all flats

Appendix 2: Table sets 2d (1a to 3b) and 2e (1a to 3b)

- 3.15 These results indicate that where all-flatted development (i.e. development of only flats) comes forward on PDL sites within the city (expected to be the main focus for this type of development), relatively challenging viability scenarios will often be seen in comparison to the typologies reviewed above. As noted, the flatted development typologies have been sensitivity tested with increased levels of build cost and contingency reflecting likely site characteristics and other requirements. In the Bath city context, this could be linked to specific site abnormalities around site conditions affecting foundation design, contamination (depending on the existing use), design elements and locally specific building materials, parking solutions, site access and storage, additional costs around working at height etc.
- 3.16 We can see that with BCIS median build costs applied and a requirement for 30% affordable housing included (results in the '2a' sub tables), the test results indicate mostly positive viability scope within the values range that we consider would be most typical for this form of development and location (VL7-VL10) and when tested against the upper BLV (£3m/ha). With affordable housing increased to 40% (the '3a' sub tables), the results show poor or at best mixed viability prospects across the tested VLs with the exception of VL13, the top-end sensitivity test.
- 3.17 However, when applying the upper quartile level build cost (results as per the 'b' sub tables), which in our view in at least some circumstances here is potentially a more realistic assumption, the results indicate a more challenging picture, and this is seen even with 20% AH tested.
- 3.18 It is worth noting that the markedly reduced viability of all-flatted scenarios is not an unusual finding in our experience of viability in planning at both plan making and decision making levels. We often observe this relativity.
- 3.19 Subject to being able to consider the emerging site supply and to looking further at these matters with the Council, with the review expanded over the full range of typologies and any specific site appraisals moving ahead, we consider the testing to

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date shows that a policy differential (lowered AH %) may be appropriate to consider for all-flatted developments (and particularly on PDL).

- 3.20 Whilst it may also be necessary to consider a more general differentiation for PDL and GF developments, this may depend upon the settling of the GF headline approach and how ambitious this will be, upon further review, for PDL developments more generally. However, the relatively positive viability picture that we are beginning to see here, related to the strong local market and very high housing values, should mean that on the whole a 40% AH headline looks supportable; with a higher proportion of affordable homes not ruled out in some instances (straightforward greenfield developments at modest scale).

AH tenure

- 3.21 Again, AH tenure mix will be a factor to review further – making sure that as Stage 2 progresses the assumptions reflect the latest needs evidence and the B&NES AH information at the time.

AH Summary

- 3.22 Overall, our initial findings indicate the Council could begin to consider the following potential approach to affordable housing headlines, as below. This will need to be developed further as part of the next phase of work (for example as noted above likely including the review of BtR/Co-living typologies), however, and is only intended to provide high-level indications at this stage:
- 40% to 50% affordable housing district-wide, excluding flatted only development – as discussed above and subject to further review, we consider that a 40% headline looks likely to be suitable overall at this stage.
 - Typically, reduced viability prospects reflecting perhaps 20% to 30% affordable housing on all-flatted (flats only) development – pending further consideration.
 - AH% to include a tenure mix with a substantial proportion of Social Rented homes - but with such detail all to be confirmed prior to progressing the further testing.
- 3.23 This approach seeks to respond to the relatively positive viability indications seen for housing-led development in all areas of the district and therefore with the ability to

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support what should be a strengthened level of affordable housing provision alongside other policies and costs. However, it will need to be acknowledged that flatted only development schemes are often more challenging overall, although as above, there will be particular considerations to continue to weigh up on site supply, housing needs and a range of other matters.

- 3.24 As a general point, typically in any area there are some sites that are likely to have inherent viability issues, regardless of the level of affordable housing or other policy. However, it is usually the affordable housing policy expectations that are the most significant in influencing viability, when looking at Local Plan policy impact. They tend to be key in considering viability prospects because they are the most expensive to support. These are not factors isolated to B&NES, rather they are common threads seen throughout our wide experience of strategic viability assessments and also seen through working on site-specific reviews informing the decision taking stages.

Other policy requirements

- 3.25 Although affordable housing has the greatest impact overall, other policies play a key part by contributing in varying measures to the cumulative impact on development viability. We will briefly reconsider some of the main and most topical aspects in rounding up.

Climate change response – sustainable construction

- 3.26 We understand responding to the climate emergency is a policy area the Council wishes to explore, building on and strengthening the current adopted policy approach. As noted above, the appraisal modelling to date applies cost assumptions reflecting an approach that goes beyond the Future Homes Standard due to come into effect in 2025 to achieve net zero operational carbon standards and specific embodied carbon standards. In our experience the relative cost difference to meet enhanced sustainability requirements in isolation is not likely to be sufficient to move a scheme from a negative to positive viability scenario or vice versa. The cost of achieving enhanced energy efficiency, reduced/net zero operational carbon standards and addressing embodied carbon can reasonably be expected to reduce over time. The same is expected to be true of other extra over costs relating to increased standards.

- 3.27 There is also another emerging dimension to enhanced sustainable construction in relation to a potential positive impact on sales profiles and/or values. Although so far mainly anecdotal, information suggests there to be a potential value premium attached to low/zero carbon homes, certainly in the context of desirability owing to lower running costs. However, this is difficult to quantify with confidence in the broader viability context with commentators and the development industry also indicating that there is not yet an identifiable uplift that could be assumed. It is likely that at the very least zero carbon measures will be deemed as attractive and therefore may lead to quicker sales (increased sales rates) however at this stage we have not relied on assuming any uplift.

Biodiversity Net Gain (BNG)

- 3.28 Following implementation of the national requirement to deliver a minimum net gain of 10% Biodiversity Net Gain (BNG), we understand the Council is continuing to consider going beyond this with an increased policy requirement of 20% BNG. The assumed proxy cost of providing 20% BNG over the minimum 10% requirement is small, between 0.13% to 0.55% on base build, depending on site type (greenfield/PDL). The initial appraisals work to date assumes a 20% requirement as a baseline and this therefore is included in the cumulative development costs view at this stage. It is also worth noting that the Government is considering simplifying BNG requirements for major developments of fewer than 50 dwellings as part of continuing to look at the potential for reduced burdens on typical housebuilders/developers operating at that scale.

Green and other site infrastructure

- 3.29 As a general point, it is likely that there will be a cross-over between requirements for and the means of delivering on-site green and blue infrastructure, BNG, open space, SUDS, etc. with multi-functional solutions but nevertheless individual assumptions made for these as is typical in viability in planning assessment at this stage. Having previously consulted on the Green Infrastructure (GI) Framework 'Urban Greening factor' (UGF), we understand the Council will be updating information on the GI Framework that it will produce.

Accessible and adaptable homes

- 3.30 At the time of our initial reviewing, the latest LHN evidence refers to a need for 26% to 63% of new homes to be built to Building Regulations M4(2). However, the modelling to date assumes all new dwellings will be built to M4(2) standards aligning with future Government intentions. The LHN evidence concludes part M4(3)(2a) compliance should be based on 11% provision for affordable dwellings and 7% for market dwellings.
- 3.31 Again, the appraisal inputs to date include these policy requirements as a baseline so that the above reported affordable housing indications and parameters offered for the Council's information at this stage assume this approach.

Community Infrastructure Levy (CIL) - rate level(s)

- 3.32 Although information to support a full CIL review does not form part of this assessment, the approach taken means that the current CIL costs in B&NES are fully reflected as part of the cumulative costs of development that are being considered. With the CIL removed as a variable in looking at the base results at this stage, this acts to consolidate the role of the CIL at its current rates. However, the wider sensitivity testing of CIL – with alternative trial rates testing also applied between £0/m² and £500/m² also provided – may be used in due course to begin considering how any adjusted balances between development costs and obligations may look, should this become necessary or appropriate.

Overall Preliminary Findings Summary – Affordable Housing alongside other initially tested policy positions on housing standards/requirements

- 3.33 Although we have acknowledged that some sites will inevitably have viability challenges regardless of emerging policy requirements (and flatted developments are more likely to see this at its most challenging) housing-led developments on both greenfield and PDL sites have good viability prospects overall in the area, with affordable housing set at a positive but appropriate level.
- 3.34 Overall, in B&NES there is good potential to support a positive mix and balance of development policies and requirements – sustainable developments should have a good prospect of coming forward viably.

3.35 As set out at 3.22 above, the Council could consider the following high-level findings on affordable housing policy, below:

- Likely not less than 40% affordable housing district-wide as a main headline, although potentially excluding flatted only development – as discussed above and subject to further review, at this stage the review is suggesting 40% could be suitable overall as a base level to take into further testing.
- Potentially 20% to 30% affordable housing on flatted only development – pending further consideration, given the likely scheme characteristics and site types, a notable element of AH policy differential may need some further consideration.
- The AH provision should be able to include a significant proportion of Social Rented homes, combined with other forms including Shared Ownership, and potentially Affordable Rent. As above, this will need be considered further alongside the latest available needs evidence and in the context of any further updated national guidance/expectation or similar.

3.36 In all of this, it is important to maintain the purpose of viability in planning as being to inform and not constrain sustainable development; and in doing so enable the optimising of planning obligations as far as is practicable given the local characteristics and needs.

3.37 In various respects, with a backdrop of uncertain and evolving markets and changing requirements, this remains a relatively challenging time at which to consider development viability, and these effects may flow through towards or into the early stages of the new Local Plan. However, generally, conditions appear to have stabilised somewhat compared with a fairly recent period of turmoil, and therefore given the plan is set to run over a long timeline, it would not be appropriate to set strategy and policy based only on current economic circumstances and a period of evolving or uncertain standards and policies – a genuinely strategic overview is needed. With this in mind, while the assessment has to be undertaken at a point in time, it is therefore appropriate to aim to look across the overall plan period and consider that a variety of conditions are likely to be seen.

3.38 In further developing policies on affordable housing, linked with acknowledging the role of viability, the Council could consider related housing enabling matters such as including provisions to pave the way for later stage viability review mechanisms



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where schemes are reviewed and proven not able to meet policy requirements at planning application stage. The Council may also wish to consider the role of financial contributions (commuted sums) in lieu, where on-site affordable housing is not workable or not considered the most appropriate mode of the development contributing towards meeting housing needs.

- 3.39 Two-way close working with B&NES Council will pick up again in the coming period, with the ongoing LPVA work to both be informed by and feed back into the Council's further development of the new Local Plan for the area.
- 3.40 This preliminary review stage has run through the spring to summer - and is being rounded up for now in September - 2025.
- 3.41 DSP will be happy to assist further as may be required.

Notes and Limitations

- 1. This has been a desktop exercise based on information provided by Bath & North East Somerset (B&NES) Council, supplemented with information gathered by and assumptions made by Dixon Searle Partnership (DSP), all as appropriate in the context of viability in planning.
- 2. 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 wide range of information which cannot be expected to fit or represent all eventualities.
- 3. 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 judgement is required. We are confident, however, that our assumptions are reasonable in terms of making this viability

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overview towards informing and supporting the Council's development of the new Local Plan, also reflecting its CIL Charging Schedule.

4. Small changes in assumptions can have a significant individual or cumulative effect on the indicative residual land value (RLV) or other surplus or 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 aim to reflect the direction of requirements expected within the emerging new Local Plan.
5. The research, review work and reporting for this assessment have been assembled over a time when there remain uncertainties both economically and in terms of evolving national policies and the like.
6. This 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 only possible to work with available information at the point of carrying out the assessment.
7. 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 evidence preparation/review and potentially pending or during examination. In the meantime, this work contains information on the impact of varied assumptions applied within a range of sensitivity tests. Run in this way, and through regular dialogue with the Council, which two-way process will continue as the assessment develops further from this stage.
8. In no way does this study provide formal valuation advice; it provides an overview not intended for other purposes nor to override particular site considerations as the Council's policies will be applied from case to case.
9. DSP conducts its work only for Local Authorities and selected other public organisations. We do not act on behalf of any development interests. DSP has acted for B&NES Council in some site specific (decision making stage) viability in planning reviews.

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10. In any event we can confirm that no conflict of interests exists, nor is likely to arise given our approach and client base.
11. In the preparation of this assessment DSP has acted with objectivity, impartiality, without interference and with reference to appropriate available sources of information
12. Our fees are all quoted in advance and agreed with clients on a fixed or capped basis, with no element whatsoever of incentive or performance related payment.
13. Our project costs are simply built-up in advance, based on hourly or day rates and estimates of involved time.
14. 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.
15. To the extent that the document is based on information supplied by others, Dixon Searle Partnership Ltd accepts no liability for any loss or damage suffered by the client or others who choose to rely on it.

Local Plan Viability Assessment – Stage 1: Preliminary Report – ends (v1.2)

Appendices 1, 2 and 3 follow.