

For: North Somerset Council



**Viability Assessment
For North Somerset Local Plan 2039**

**Final Report
November 2023
DSP22811 (v8)**

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Contents

High level summary	1 - 6
1. Introduction	7
2. Methodology and assumptions	20
3. Findings review	57
- Overview	57
- Stage 1 - Emerging findings stage	61
- Stage 2 - Full review development and Interim Update	66
- Stage 3 - Finalised presentation of full results	70
- Further commentary / rounding up	75
Notes & Limitations	79
<u>Appendices</u>	
Appendix I	Development appraisal assumptions build up and overview (Tables 1a – 1d)
Appendix II	Residential typologies review results (Tables 2a – 2p) (Sample appraisal summaries provided to rear)
Appendix IIa	500 Unit (larger) residential typology results table (Table 2aa) (Sample appraisal summary provided to rear)
Appendix III	Strategic Development Location tables (Tables 3a – 3c) (Sample appraisal summaries and further sensitivity testing data provided to rear)
Appendix IV	Market and values research report

High level summary

Introduction / context

1. The following report provides a Viability Assessment (VA) prepared for North Somerset Council (NSC) by highly experienced consultancy Dixon Searle Partnership (DSP). This explores the potential for development identified through the North Somerset Local Plan 2039 to be viable once the policies in the new Plan are adopted.
2. The project started in January 2023. This report explains the comprehensive review work undertaken over 3 stages: (1) Initial emerging findings April 2023, (2) an Interim Update Report October 2023 and (3) the full suite of work now pulled together November 2023, informing and supporting the Pre-Submission Plan version which will be published for further consultation (Regulation 19) around the year-end.
3. ‘Viability’ in this context broadly means the “financial health” of development. A viable development scheme is typically regarded as one that generates enough value to cover all of its costs, including supporting a sufficient land value and profit (as appropriate returns to the landowner and developer).
4. In this context of viability in planning, a viable development is one which also supports the relevant planning policies and obligations.
5. While the main costs of development will be broadly consistent between similar scheme types, the level of value likely to be achieved on sale can vary significantly by location and development mix. This often leads to different circumstances in a Plan area reflecting in variable viability, and therefore varying financial scope to support local policy positions.
6. The Local Plan policies will take effect alongside the typical costs of development and national requirements. The focus here is on residential development because the Plan policies will have a far greater influence on the viability of housing schemes compared with other planning proposals.
7. The typical costs of development include land acquisition, building and site works, fees and finance, costs of sale and profit.

8. National requirements include the Building Regulations. Those have tightened in areas including climate change response (carbon reduction), accessibility and electric vehicle charging. They will tighten further. Other newly applicable mandatory national requirements are set to include Biodiversity Net gain (BNG).
9. The key local policy areas that have the most influence on development viability are as follows. This is because they directly add the most significant cost to developments. Indicatively, the degree of viability impact from these follows this order of significance:
 - Affordable Housing (both its quantum i.e. % and tenure types)
 - Level of infrastructure / development mitigation required (through the Community Infrastructure Levy (CIL) and Section 106 planning agreements)
 - Response to climate change (sustainable construction improving energy efficiency and reducing carbon) and the extent to which the local approach goes relative to national policy
 - Local policy choices on other housing and technical standards, with the levels of some being optional to apply beyond the mandatory base levels where the need arises (for example accessibility, space standards, water usage efficiency).
10. The above are typical features of such an assessment, which needs to be conducted reflecting the specific area characteristics and locally relevant information. Typically, the VA will also draw upon wider experience and good practice.
11. The appendices to this report are (and see below for an outline of the VA process):
 - Appendix I - provides a guide to the assumptions made (used to build up appraisals)
 - Appendix II - tabled results of the development typologies appraisals (5 to 300 dwellings)
 - Appendix IIa – tabled results of an additional larger typology (500 dwellings)
 - Appendix III – tabled results – current stage review of the Wolverhill proposed strategic allocation area, Banwell
 - Appendix IV – an overview of the property market research carried out to inform the VA assumptions on values

Assessment approach

12. This VA reflects the above and is consistent with the national Planning Practice Guidance (PPG) which sets out how viability should be considered in plan making. The PPG also covers viability in planning at the decision taking stage (for development control i.e. planning applications).
13. The 'Viability' PPG is the closest we have to a guide to conducting this work, which addresses the principle in the National Planning Policy Framework (NPPF) that the expectations placed on developers need to be assessed and clearly set out. The aim is to ensure that cumulatively (i.e. when applied together and alongside all other costs) the requirements will not undermine the deliverability of the Plan.
14. Using a well-established and tested methodology, for each scenario (combination of assumptions) tested, a high-level development appraisal (financial appraisal) is run. This uses the principles of 'residual valuation' which deducts all assumed development costs from the estimated gross development value (GDV i.e. total sales value). The appraisal runs in a cashflow model. This accounts for the time value of money through the assumed development period, with assumptions on values (receipts) and costs (expenditure) timed.
15. After allowing for developer profit (at 17.5% GDV on market sale housing) the appraisal output (result) of each run is a residual land value 'RLV'. The RLVs are then compared to assessed benchmark land value (BLV) levels which represent an appropriate land value expectation. The BLVs are not market value based but based on the existing use value (EUV) of various site types with an allowance also made as far as appropriate for a landowner premium, to incentivise the release of land from its existing use. This approach is described in the PPG and known as 'EUV plus'.
16. These appraisals are run based on a range of development typologies which are test scenarios built up in liaison with the Council to broadly represent the characteristics of a range of expected development types.
17. More specific assumptions are then also used to initially assess the potential viability prospects for any significantly larger scale / strategic development allocation proposals which individually are key to the Plan overall. In this case, in discussion with NSC the

proposed allocation area of Wolverhill at Banwell was selected for more specific review, based on an assumed mix of approximately 2,800 dwellings and other development uses.

18. Run across a wide range of combinations of assumptions (tested as variables while the typical development costs and non-variable policy costs are fixed) the assessment builds to inform the degree to which various development circumstances are considered able to support the emerging policy positions; alongside all other relevant requirements and costs.
19. After earlier work, for the full appraisal sets to Stage 3, affordable housing (AH) was tested at 20 – 40%, the 3 adopted CIL charging zones were reflected, s.106 was tested at £3,000 and £5,000/dwelling (with CIL); all applied across a range of market housing sales value levels (VLs) assumptions at steps between £3,500 and £5,000/sq. m.
20. The influence of BLVs across the range £250,000/ha to £2.5m/ha overall has been considered. The lower end of this represents larger greenfield sites and within this overall range, c. £1 - 1.5m/ha are considered suitable BLVs as representative of a range of PDL - sites in various, former industrial or commercial uses, for example.

Findings – brief overview

21. Given the weak and uncertain economic environment, this has been a challenging time at which to consider development viability, over the period in which we have been building and concluding this assessment – through 2023; as it has for development activity.
22. Having informed and reflected the most recent stage of the North Somerset Local Plan 2039 policy development through to the Pre-Submission version ready for imminent consultation, the policy proposals have been viability tested cumulatively. All in all, as reviewed so far, we consider the approach proposed by the Council should be capable of supporting the progression of viable developments.
23. From a viability perspective (DSP's focused remit) the Council has made a key, positive adjustment to the proposed affordable housing policy headlines, which are now at 38.5% AH from GF developments and 20% from PDL. These positions have replaced the straight 40% AH policy – previous iteration of draft policy at the point of our earlier stage involvement in this assessment.

24. The position flowed from a consistent finding of this VA work, flagged at early emerging findings stage and found through to this final reporting stage, that in DSP's view a significant differential in this key policy should be considered. This would reflect the mostly clearly lower viability scope on PDL sites, with this particularly in focus in areas with relatively modest sales values (house prices).
25. This reflected the very mixed overall viability indications in North Somerset, whereby PDL and especially flatted developments in the typically lower values areas (for example central and to a lesser degree some outer areas of Weston-super-Mare) appeared likely to be able to support nil or very little AH. Blending out towards the values supporting slightly stronger viability, this picture was seen to improve to support perhaps 10 to 20% AH, then ranging up to the higher value areas where greenfield development could be expected to support 30 to 35% AH, potentially more in some instances.
26. Overall, while the positions of 20% AH on PDL and 38.5% on GF are in our assessment generally probably an upper end view of the achievable range of likely outcomes, these and especially the former represent a blend of seeking to meet needs and an acknowledgement of the variety of scenarios that may be seen. The full AH policy outcomes are within the overall range of sensitivity tests carried out, rather than necessarily supported directly by current values and costs assumptions.
27. On PDL, the results show that even a 0 to 10% AH policy would not secure the viability of all sites, while underplaying the needs and potentially narrowing the scope where fuller provision is possible.
28. On GF, including larger and strategic scale development (reflecting in the current stage appraisal of development at Wolvershill), the policy as now proposed will again set an ambitious tone. In discussion with NSC this is considered appropriately so, with the meeting of this being within the scope of the sensitivity tests carried out – as above.
29. All in all, tested cumulatively with the range of new policy costs and national requirements in place (the report and Appendix I provide the assumptions detail on these), we have seen the potential for AH to be provided to the revised policy levels. The policies must respond to identified needs to the maximum extent possible. The scope to achieve this should not be effectively ruled out by pitching policies too low and which might then go on to

underperform as more viable circumstances are experienced or perhaps additional funding support becomes available (as has been experienced in the Plan area).

30. In these circumstances this assessment has inevitably acted at times as an opposing tension to the Council's appropriate seeking to meet all planning objectives as completely as possible. Again, DSP has needed to acknowledge for example that the full policy levels of AH appear unlikely to be met consistently along with all other policies (and this may be especially relevant at the outset of the new Plan while conditions look set to remain relatively challenging). Nevertheless, challenging though this is and with national requirements also responsible for some of the policy cost burden, we consider that a suitable overall balance has now been reached as far as possible in the circumstances.
31. On the whole, taking the wider plan context and balancing between the affordable housing needs, climate change response (net zero carbon development including what are considered readily workable criteria on embodied carbon), this will clearly set expectations for affordable housing alongside the now fairly typical suite of updated wider policies. This is also in the context of not only the short-term challenging market conditions and costs considered.
32. The full report (with Appendices), as follows, provides the details.

High level summary ends

1. Introduction

1.1 Introduction, Background & Report Purpose

1.1.1 North Somerset Council (NSC) is in the process of preparing a new Local Plan to cover the period 2024-2039. Once adopted, this will replace the current Core Strategy (adopted on 10th April 2012)¹.

1.1.2 Once adopted, the new Local Plan will set out the Council's policies and proposals to address housing needs and other economic, social and environmental priorities and make detailed site allocations.

1.1.3 The Council has undertaken three stages of consultation as part of Regulation 18. The first consultation, Challenges for the Future, took place in between 22 July to September 2020 and focussed on key high level issues the local plan would need to address. This was followed by Choices for the Future which took place from 2 November to 14 December 2020 and set out four broad spatial development options for discussion. The Council consulted on its Preferred Options consultation document between 14 March and 29 April 2022, along with many supporting documents which provided the evidence and justification for the policies and allocations within the emerging plan. This was the first full draft of a new Local Plan. It contained:

- **Strategic Policies:** These policies set out the overall strategy for the pattern, scale and design of places, make sufficient provision for housing, employment and other uses, infrastructure, community facilities, conservation and the enhancement of the built and historic environment and address climate change and mitigation. These are high level policies which provide the framework for more detailed policies in the plan and for neighbourhood plans.
- **Locational Policies:** These comprise allocations and other designations which are identified on the Policies Map.

¹ Following a high court challenge nine policies were remitted for re-examination. In September 2015, policy CS13: scale of new housing was re-adopted with the remaining remitted policies (CS6, CS14, CS19, CS28, CS30, CS31, CS32 and CS33) re-examined and then adopted on 10 January 2017.

- **Development Policies:** These are the detailed development management policies which cover a wide range of issues including design, residential infilling, climate change, net zero construction, renewable energy, drainage, transport, economic development, town centres, green infrastructure, affordable housing, rural development and infrastructure delivery.

- 1.1.4 One of the key issues to address through the Plan is the scale of the housing challenge with the Government’s standard method setting a housing requirement of 20,880 dwellings over a 15 year period (1,392 per year). We understand that latest data² is indicating an overall need for 14,902 dwellings over the 15 year life of the Plan (993 dwellings per annum).
- 1.1.5 The Local Plan must be prepared in accordance with the requirements set out in the National Planning Policy Framework (NPPF) and the accompanying Planning Practice Guidance (PPG) – as updated 2018 and in some respects further amended through to 2023. Viability testing is an important part of the plan-making process. The NPPF includes a clear requirement to assess viability of the delivery of Local Plans and the impact on development of policies contained within them. The key guidance on how to address this is within the PPG, while other publications also provide reference sources.
- 1.1.6 As part of preparing the evidence base for the new Local Plan and in light of the above, the Council engaged DSP to provide this whole plan viability assessment for the Local Plan 2039 in order to ensure that allocated sites and the requirements set out in policies are viable and deliverable or provide alternative options where necessary.
- 1.1.7 Dixon Searle Partnership (DSP) has worked with the Council over a period spanning more than 10 years, providing viability evidence in support of the adopted Plan and to inform the Community Infrastructure Levy (CIL), which the Council has been charging since January 2018. Most recently, in 2020, our work with NSC³ included an update review of viability specifically in relation to Weston-super-Mare Town Centre. The background to and findings of that exercise remain broadly relevant as a key part of the

² Opinion Research Services: North Somerset Local Housing Needs Assessment (Draft September 2023)

³ Update review of viability – Weston-super-Mare Town Centre (DSP) March 2020

context being considered within the current wider LP viability assessment (VA) and subject of this report.

- 1.1.8 Using a well-established methodology consistent with PPG principles and informed by our long experience of the process through to examination stages, this has been conducted through testing a mixture of site typologies and more specific assessment work on selected key strategic sites / allocations proposed through a multi-phase process where early initial findings were provided to the Council whilst the evidence base was built up to its current form. This report therefore draws together the work undertaken by DSP up to the point of publication of the pre-submission Plan. Ultimately, the development identified in the emerging plan should not be subject to such a scale of obligations and policy burdens that the ability of sites to be developed viably is unduly threatened.
- 1.1.9 Consistent with much our strategic viability assessment work, and particularly in recent years, the approach to / phasing of our brief and in particular the overall project timing has changed during the course of the work. As we have found to happen frequently, there have been pauses during the assessment resulting in an extended project period overall. Nevertheless, this has been an effective process with the dialogue continuing (and most recently allowing for) the assessment of latest emerging policy iterations including refinements as far as have been known up to the preparation of this draft report (October – November 2023).
- 1.1.10 This viability assessment has been produced in the context of and with regard to the NPPF, PPG (including crucially on ‘Viability’ but also consistent with other PPG sections such as on First Homes) as well as other Guidance⁴ applicable to studies of this nature. After setting out the assessment context, purpose and general approach within this ‘Introduction’ section, the following report structure, on the study detail, is presented over two main sections as included below (brief outline here):
- **Methodology** – approach to the study, residual valuation methodology, assumptions basis and discussion.

⁴ Including RICS re-issued April 2023 Professional Standard ‘Assessing viability in planning under the National Planning Policy Framework 2019 for England’ (formerly introduced March 2021 as guidance effective 1st July 2021); ‘RICS Professional statement on Financial viability in planning – conduct and reporting’ (1 September 2019) and ‘Local Housing Delivery Group – Viability Testing Local Plans’ (Harman, June 2012)

- **Findings Review** – overall results review based on the findings from the typologies and site specific assessment work. Focussing on the available strength of viability in the Local Plan area in relation to supporting affordable housing (AH) proportions (%s) as far as possible bearing in mind affordable housing need; and when considered cumulatively alongside local and national emerging policies, including in areas such as climate change response (sustainable development / energy reduction) and all other areas considered likely to have a direct influence (through a cost impact) on the viability of developments in the Local Plan area.

- 1.1.11 The testing of Local Plans for viability does not require a detailed appraisal of every site anticipated to be developed over the plan period, but rather a proportionate test of a range of appropriate site typologies that reflect the potential nature and mix of sites likely to come forward. The process should however include more specific consideration of any key proposals upon which the Plan relies overall for the delivery of its growth objectives – e.g. particular strategic sites and especially where there has not been more specific work underway already as schemes progress to or reach DM stage.
- 1.1.12 Equally, the local plan viability assessment does not require an appraisal of every likely policy but rather the emerging policies that may have a direct quantifiable bearing on the overall development costs. In our experience this type of assessment involves a focus primarily on the viability prospects and potential policies associated with housing development. This is because the scope of the Council’s influence over the viability of other forms of development (i.e. non-residential / employment / commercial) through local planning policy positions is typically much more confined. There is no equivalent to affordable housing policy having such a significant effect, or to the increased range of standards relevant to residential development. In this case, the extent of emerging policy influence on the viability of wider development uses is limited, essentially, to the sustainable construction, biodiversity and development objectives of the emerging Plan.
- 1.3.1 The overall assessment approach has applied sensitivity testing to explore the likely impacts of the potential policy costs - including on a range of affordable housing requirements combined with allowances for meeting the requirements of other policies emerging through the local plan process (as well as those applicable at a national level).

This covers areas such as carbon reduction measures, Biodiversity Net Gain (BNG), water usage efficiency and space standards alongside infrastructure requirements.

- 1.1.13 In practice, within any given scheme there are many variations and details that can influence the specific viability outcome. Acknowledging that, this work provides a high level, area-wide overview that cannot fully reflect a wide range of highly variable site specifics.
- 1.1.14 The point in time and prevailing economic and housing / property market conditions as schemes come forward can also greatly affect the circumstances around particular developments. It is necessary to consider also that the Local Plan will be delivered over a long timeframe and most likely through varying economic cycles, meaning that taking only an immediate / short term view of assumptions and judgements is not appropriate in this context (whereas it will be more so in most development management 'decision taking' – situations). Such an assessment seeks to take a course through the consideration of these and how they come together in looking at the potential for developments to be viable - at this strategic level.

1.2 North Somerset - Profile

- 1.2.1 The emerging Local Plan will set out the spatial characteristics of the Plan area. This report section provides an outline only, feeding into the consideration of the local characteristics that are influencing the emerging Plan direction and therefore the review of policies and their viability in the relevant local context. The Council's wider evidence base provides an extensive range of information on the nature of the Local Plan area, and the related planning issues and opportunities.
- 1.2.2 Lying to the south west of Bristol and with the city boundary abutting to the north and east, North Somerset covers an area of around 37,500 hectares. The Severn estuary coast provides a western border with the Mendip hills to the south.
- 1.2.3 There are four main towns within North Somerset with the primary town of Western-super-Mare accounting for approximately 40% of North Somerset's population. The other main centres / towns are Nailsea, Portishead and Clevedon; each with their own distinct character. These are the most sustainable locations within North Somerset and

- 1.2.4 The emerging Plan seeks to make provision for 14,902 new homes between 2024 and 2039 with the overall distribution reflecting the spatial strategy, constraints and the assessment of potential development opportunities. 6,243 dwellings are expected to be delivered in Weston-super-Mare (including Weston Village) and a further 858 delivered on small windfall sites across the town. Capacity for a further 2,800 units is identified at the strategic development site at Wolvershill. Clevedon, Nailsea and Portishead are expected to accommodate 4%, 6%, and 5% of the housing growth respectively. Across the villages and rural areas a further 2,335 dwellings have been identified predominantly at the larger, more sustainable villages.
- 1.2.5 In addition to provision for residential development, the emerging Plan is set to identify circa 81 hectares of land for employment development in the period to 2039. Figure 3 sets out the spatial distribution for employment land:

Figure 3: Employment land distribution

Location	Allocation
Weston-super-Mare	36.7ha
Wolvershill	6.5ha
Clevedon	33.2ha
Portishead	4.85ha
Total	81.3ha

1.3 National Policy & Guidance (NPPF, PPG & CIL)

- 1.3.1 The requirement to consider viability stems from the National Planning Policy Framework (NPPF)⁶ which says on ‘*Preparing and reviewing plans*’ at para 31: ‘*The preparation and review of all policies should be underpinned by relevant and up-to-date evidence. This should be adequate and proportionate, focused tightly on supporting and justifying the policies concerned, and take into account relevant market signals.*’

⁶At the time of writing an updated NPPF (September 2023) had just been published.

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

1.3.3 The updated national Planning Practice Guidance (PPG) on 'Viability', published alongside the NPPF in July 2018 and most recently updated on 1 September 2019, provides more comprehensive information on considering viability in plan making, with CIL viability assessment following the same principles. The Planning Practice Guidance on Viability states:

'Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure).

These policy requirements should be informed by evidence of infrastructure and affordable housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and section 106. Policy requirements should be clear so that they can be accurately accounted for in the price paid for land. To provide this certainty, affordable housing requirements should be expressed as a single figure rather than a range. Different requirements may be set for different types of site or types of development...Viability assessment should not compromise sustainable development but should be used to ensure that policies are realistic, and that the total cumulative cost of all relevant policies will not undermine deliverability of the plan'.

1.3.4 The PPG states that site promoters should engage in plan making and should give appropriate weight to emerging policies. The most recent revision to the PPG (paragraph 006) increases the emphasis on viability at the plan-making stage; therefore, if a planning application is submitted which proposes contributions at below the level

suggested by policy, the NPPF expectation is that the applicant will need to demonstrate what has changed since the Local Plan was adopted.

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

1.3.6 The Council has a Community Infrastructure Levy (CIL) Charging Schedule (CS) in place, adopted in January 2018. To date the council has not progressed work on updating the CIL charging Schedule and this may be needed in due course. However within this assessment, allowances have been made for currently adopted and indexed (2023) CIL rates relevant to the development typologies and strategic development tested. Figure 4 sets out the current charging rates:

Figure 4: North Somerset Charging Schedule (2023 Indexation applied)

Location(s)	Development type (use class)	CIL charge £/m ²
Zone A: Weston Town Centre	Residential (C3/C4).	£0.00
Zone B: Outer Weston sites	Residential (C3/C4) development on sites designated as Strategic Development Areas.	£24.83
	Residential (C3/C4) development on sites not designated as Strategic Development Areas.	£49.65
Zone C: Rest of District	Residential (C3/C4) development on sites designated as Strategic Development Areas.	£49.65
	Residential (C3/C4) development on sites not designated as Strategic Development Areas.	£99.30
All (zones A, B, C)	Extra-care (C2) housing	£0
	Purpose-built student accommodation / halls of residence.	£49.65
	Large-scale retail (A1/A2/A3/A4/A5): more than 280m ² net sales area.	£148.95
	Small-scale retail (A1/A2/A3/A4/A5): less than 280m ² net sales area.	£74.48
	Commercial (B1/B2/B8).	£0.00
	All other qualifying development.	£0.00

Source:<https://n-somerset.gov.uk/sites/default/files/2022-12/Community%20Infrastructure%20Levy%20-%202023%20indexation.pdf>

- 1.3.7 Within this study, allowances have been made for the cost to developers of providing affordable housing and complying with other planning policies fully (based on assumptions relevant to testing options for the Local Plan). This is whilst factoring-in the usual costs of development (build costs, fees, contingencies, finance, costs of sale, profit and land value) so that an overview of the cumulative effect of the estimated costs of development can be made.
- 1.3.8 The consideration of the collective planning obligations (including affordable housing, CIL and other infrastructure requirements) is key and cannot be separated from other matters influencing viability. The level of each will play a role in determining the potential for development to bear this collective cost. Each of these cost factors influences the available scope for supporting the others, which links back to ‘striking a balance’ between the various planning objectives whilst reflecting the market drivers of development.
- 1.3.9 Further relevant information is contained in the publication ‘Viability Testing Local Plans – Advice for planning practitioners’ published in June 2012 by the Local Housing Delivery Group chaired by Sir John Harman (known as the ‘Harman’ report⁷). That sets out a stepped approach as to how best to build viability and deliverability into the plan preparation process and offers guidance on how to assess the cumulative impact of policies within the Local Plan, requirements of SPDs and national policy. It provides some still useful practical advice on viability in plan-making and its contents should be taken into account in the Plan making process.
- 1.3.10 Planning and in particular national policy are constantly evolving processes, with the current environment for these being especially uncertain and fluid – potentially subject to significant further change. A viability assessment such as this, however, is necessarily carried out at a point in time based on knowledge of the system and policies in place at that time or – to the extent that may be practical - taking into account likely changes to policy moving forward (for example through further sensitivity testing or commentary). It needs to be acknowledged however that no study can cover every future eventuality and as far as possible there is a need to avoid re-starting projects at great cost. It therefore needs to be accepted that there may be cases where an update to an

⁷ ‘Local Housing Delivery Group – Viability Testing Local Plans’ (Harman, June 2012)

assessment such as this may be appropriate to consider or required as the Plan moves forward to Examination.

1.3.11 In the recent past the Government has both consulted on and more generally considered potential short term and longer-term reforms to the planning system in England and Wales leading to the publication of the Levelling Up and Regeneration Bill (May 2022) – ‘LURB’. The Levelling Up and Regeneration Act received Royal Assent in October 2023 and sets out the Government’s vision for the planning system moving forward. According to the explanatory notes to the 2022 Bill⁸, changes to the planning procedures will begin to take place from 2024. Some of the key areas of the Act include:

- Local planning authorities will be required to have a design code in place covering their entire areas;
- A new levy will replace section 106 planning obligations and the Community Infrastructure Levy;
- A new requirement will be placed on local authorities to prepare infrastructure delivery strategies;
- More weight will be given to local plans, neighbourhood plans and spatial development strategies proposed by mayors or combined authorities;
- The scope of local plans will be limited to ‘locally specific’ matters, with ‘issues that apply in most areas’ to be covered by a new suite of national policies;
- Ministers will have to have regard to climate change when preparing NDMPs;
- The ‘duty to co-operate’ will be dropped, and time limits prescribed for different stages of plan preparation;
- There will be a new power for planning authorities to quickly create ‘supplementary plans’ for some or all of their areas;
- A ‘simpler to prepare’ alternative to neighbourhood plans will be introduced
- Decision-makers will face a new duty to act in line with the development plan and national policies
- The emphasis of the National Planning Policy Framework will shift to guiding plan-making

1.3.12 As many commentators have noted however, there are significant elements within the Act to be considered and brought forward through secondary legislation in due course with the timings of those unknown currently. There is therefore significant uncertainty about when we will know more and what any new arrangements might be. Given these

⁸ <https://publications.parliament.uk/pa/bills/cbill/58-03/0006/en/220006en.pdf>

wide-ranging, proposed planning reforms are not yet in place, we are unable to comment at this stage on what the impact may be on the viability assessment or indeed on the Local Plan or future Infrastructure levy. The proposed wider reforms may not ultimately take the form envisaged and there could be a considerable amount of time taken before any changes enter the planning system.

- 1.3.13 In respect of First Homes, by Written Ministerial Statement 24th May 2021 the Government confirmed the introduction of a requirement for these to be delivered via section 106 of the Town and Country Planning Act 1990. Therefore, this assessment fully reflects the inclusion of First Homes in reaching all latest viability results and recommendations.
- 1.3.14 According to the Act and supporting guidance ('First Homes' within the PPG – added 24th May 2021) a minimum of 25% of all affordable housing units secured through developer contributions should be First Homes with a minimum discount of 30% of market value (MV). Increased levels of discount can be considered (at 40% or 50% of MV) subject to demonstrating appropriate need – although we understand the discount selection to be an area wide matter aside from the potential for Neighbourhood Plan areas to look at this more specifically. After discount, the First Homes must be available on the basis of not exceeding a price cap of £250,000 (cap figure outside London).
- 1.3.15 In addition to the above, during 2019 the Government consulted on and sought views on plans for a Future Homes Standard (FHS) for new homes from 2025, and proposed options for an interim increase to the energy efficiency requirements for new homes ahead of that. The consultation proposed that from 2025, new homes built to the Future Homes Standard will have carbon dioxide (CO₂) emissions at least 75% lower than those built to pre-FHS interim standards (standards applicable prior to the Building Regulations update in 2022).
- 1.3.16 Introducing the Future Homes Standard will ensure that the homes needed will be fit for the future, better for the environment and affordable for consumers to heat, with very high building fabric standards and low carbon heating.

- 1.3.17 The government's current approach is such that all homes will be 'zero carbon ready', becoming zero carbon homes over time as the electricity grid decarbonises, without the need for further costly retrofitting work.
- 1.3.18 The interim standard is such that carbon reduction of 31% over prior levels is required and this is now reflected through changes to the Building Regulations (Part L) that have become effective from 15th June 2022. In turn this reflects the direction of travel towards zero carbon, at this stage leading next to the wider implementation of the FHS from 2025 whereby it is expected that a reduction in CO₂ of 75% from pre-June 2022 standards will be achieved, as above. North Somerset specific policies have been considered as part of this viability assessment.
- 1.3.19 Further information on the assumptions used in this study is provided in Chapter 2 and within the appendices to this report – Appendix I particularly.

2. Methodology & Assumptions

2.1 General Approach

- 2.1.1 The assessment as described in this report has involved an ongoing approach to informing the development of policies of the Local Plan and all conducted based on dialogue with the Council – with information feeding into and out of the study. A number of stages to this process have taken place since January 2023 with pauses in the process reflecting the Council’s further consideration of issues such as overall housing numbers and need; and how these and the wide range of other Local Plan context matters and objectives are to be reflected in the formulation of the new local plan.
- 2.1.2 The first ‘stage’ considered the general viability of options for key policy areas through the testing a small number of example scheme typologies selected to initially explore the likely strength of relationship between development costs and values in different circumstances; and therefore the potentially variable ability to bear policy costs. This allowed DSP to provide emerging / initial findings and feedback on policy development leading to interim feedback (emerging findings) for NSC in April 2023. These provided some high-level findings and recommendations for the Council to consider based on potential policy options / scope discussed at the time; particularly in relation to the potential scope to support affordable housing alongside other costs and requirements, and potentially suitable overall policy approach.
- 2.1.3 Through a process of ongoing dialogue reflecting wider emerging evidence (feeding into and out of the assessment) and further development of key assumption, this progressed to a further interim statement issued to the Council in early October 2023 followed by this final reporting.
- 2.1.4 The content of this report brings together the above project stages into a fully developed range of findings and recommendations and provides the robust viability evidence to support NSC’s emerging Local Plan and Regulation 19 consultation.
- 2.1.5 For each appraisals stage, prior to fixing assumptions and as outlined in the following sections we have undertaken an extensive information review, updated as needed

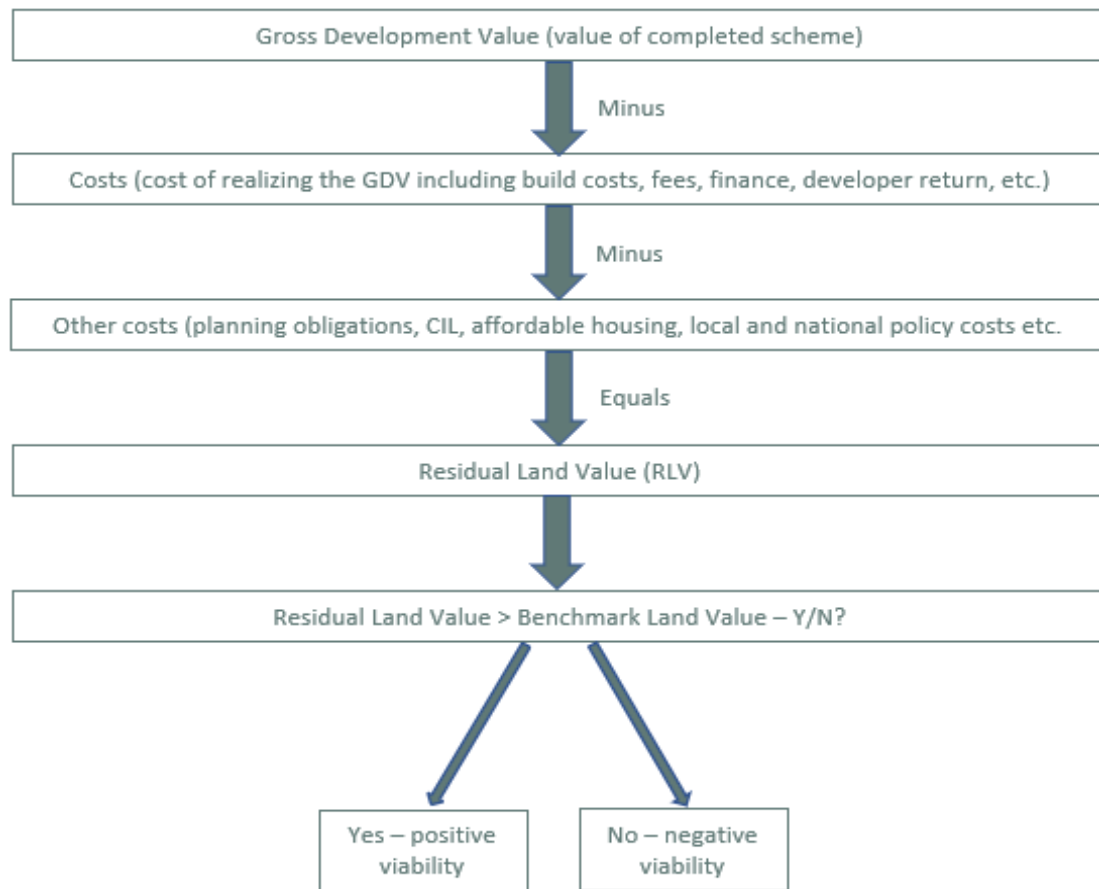
during the course of this commission. This has included property market research, with stakeholder consultation also undertaken as part of our assessment work. As a part of our work we have considered those potential policy proposals that may be likely to have a particular development cost impact on future development, or additional cost implications over and above the typical costs involved in the development process. Those typical costs being, for example, build costs utilising the costs information from established sources such as the Building Cost Information Service (BCIS), associated fees and contingencies, finance, sale costs, development profit and land costs.

- 2.1.6 As part of Appendix I we include our 'Policy Analysis' overview, which considers the likely level of influence of various policy positions and therefore their relevance directly (or otherwise) to the viability assessment assumptions. The assessment focus is on the likely policies that will directly contribute to impacting the viability of developments as part of the cumulative costs involved in completing schemes under the scope of the Local Plan.
- 2.1.7 As discussed above, the work undertaken for this study has been iterative and collectively, this study investigates the potential viability and, therefore, deliverability of the Local Plan and potential policy options and obligations - including the affordable housing requirements and review of the viability prospects for larger / strategic scale development that is key to the delivery of the Local Plan housing numbers as a whole.

2.2 Residual Valuation Principles

- 2.2.1. The most established and accepted route for studying development viability at a strategic level, including for whole plan viability (but also used for site-specific viability assessments) is residual valuation. This is also consistent with the relevant guidance described above. Figure 5 below sets out (in simplified form only) the principles of the residual valuation calculation, which is the methodological basis of the appraisals sitting behind our results and findings at all stages.

Figure 5: Simplified Residual Land Valuation Principles



(DSP 2023)

- 2.2.2. Having allowed for the costs of acquisition, development, finance, profit and sale, the appraisal results show the sum that is potentially available to pay for the land – i.e. the residual land value (RLV).
- 2.2.3. This assessment is consistent with the NPPF and accompanying PPG on Viability, with the NPPF no longer containing any reference to competitive returns to a ‘willing landowner’ and ‘willing developer’. The emphasis has moved away from a market value based approach to land as may have been used or carried greater influence in the past. The PPG on Viability has for some time now made it clear this benchmark land value (BLV) should be based on Existing Use Value (EUV) and states:

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

- 2.2.4. The NPPF and associated PPG on Viability indicate a greater link than previously between the role of strategic level viability work such as this assessment and the decision making (development management of planning applications/delivery) stage. The national approach has moved more towards a general acknowledgement that the main role of viability should be at the plan making stage.
- 2.2.5. However, and consistent with our experience in practice to date, it appears likely that there will still be a role, albeit at a reduced level, for planning application stage / site-specific viability reviews but that it is *'up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage'*⁹. An indication of the types of circumstances where viability could be assessed in decision making is also included in the PPG. These include: *'for example where development is proposed on unallocated sites of a wholly different type to those used in viability assessment that informed the plan; where further information on infrastructure or site costs is required; where particular types of development are proposed which may significantly vary from standard models of development for sale (for example build to rent or housing for older people); or where a recession or similar significant economic changes have occurred since the plan was brought into force'*¹⁰. There may be the potential for the development of some site typologies or sites identified by the Council

⁹ <https://www.gov.uk/guidance/viability#standardised-inputs-to-viability-assessment> (Paragraph: 006
Reference ID: 10-006-20190509
Revision date: 09 05 2019

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

to need to overcome abnormal issues and support added costs. The national approach recognises that within this picture and / or at certain stages in the economic cycles there could be sound reasons for site-specific viability evidence to be brought forward at the delivery stage in such circumstances; as a part of ultimately settling the development details and exact degree of support that can be maintained for planning obligations to secure infrastructure. This is, of course, prior to any changes that may be eventually brought forward through any national Infrastructure Levy.

- 2.2.6. The range of assumptions that go into the RLV appraisals process is set out in more detail in this chapter. Further information is also available at Appendices I (Assumptions overview) and IV (research – market / values information review).

2.3 Stakeholder Consultation

- 2.3.1 National policy and guidance reflects the need for and value of stakeholder engagement. Consistent with our established practice for strategic viability assessments, DSP sought soundings as far as were available from a range of development industry stakeholders as assumptions were considered in earlier stages of this overall assessment. This offered an engagement opportunity to a wide range of locally active organisations and interests, with a view to gathering feedback on our emerging study approach and inputs - to help inform the assessment.
- 2.3.2 This engagement process was conducted by way of three survey type exercises seeking information and views with which to help test our emerging assumptions at the early project stages, followed up with key participants as appropriate. The approach set out our initial draft assumptions and testing ideas, with the opportunity provided for the stakeholders to then comment on those emerging positions or suggest alternative assumptions with reasoning. Generally, the approach involved inviting pointers or examples from local experience. These were issued as follows: -
- Development Industry – range of active or potentially active stakeholders in the Plan area with organisations and contact points as informed by the Council, including local property agents, developers, housebuilders, planning agents and others.

- Key Site Promoters/Agents – in relation to the strategic and site allocations, site promoters or their representatives were contacted as well as the wider development industry exercise, with a bespoke site-based survey document requesting more specific information as far as available at the time including relating to any initial estimates of infrastructure requirements, land use, ownership and any value indications, early development costs and values assumptions, site abnormalities and any indicative potential phasing/delivery indications, etc.
- AH Providers – range of locally active affordable housing providers again as informed by the Council and its housing enabling work. Whilst also invited to comment more generally, these organisations were issued with a narrower survey requesting information more specifically related to the consideration of the AH revenue levels that might be expected by developers on constructing and transferring affordable homes to the RPs, and related assumptions.

2.3.3 As part of this process, a full record of all stakeholder interaction is kept, including a log indicating the parties contacted, reminders issued, the feedback responses and level of response overall. Given potential commercial sensitivities / confidentiality in some instances, the details of the responses received are not included within our published report. However, this has all contributed to the overall information review, further informing both the consideration of the assumptions range, and the review of and judgments made around the results in the earlier and subsequent assessment stages. All in all, the work is informed by a combination of sources, including the Council and its supplied information, our own extensive research process and experience and supplemented through the relevant stakeholder sourced feedback as far as available at the time.

2.4 Scheme Scenarios (Residential Typologies & Strategic Scale Development)

2.4.1 The scenarios (typologies) modelled as part of this assessment reflect the variety of different types of development that are coming forward through the planning process across the plan area, broadly reflecting the type of site allocations set out in Policy LP2 and Schedule 1 of the Local Plan. As mentioned above, not every site needs to be tested as part of a local plan viability assessment and so this broad assessment of viability across the plan area has enabled viability to be tested in a way that reflects the range of

future housing supply characteristics, informed also by the local experience of development to date; with the key aim of finding an appropriate balance between policy requirements (including provision of affordable housing and infrastructure funding) and viable development.

- 2.4.2 The residential development typologies have been tested over a range of value levels (VLs) representing varying residential sales values considered appropriate at the time of review across the Local Plan area by scheme location / type. As well as looking at the influence of location within the Local Plan area, this sensitivity testing approach allowed us to consider the potential impact on development viability of changing market conditions over time (i.e. as could be seen through falling or rising values dependent on market conditions) as well as how this key assumption may vary by location, development type and scale.
- 2.4.3 A summary of the residential scheme typologies is shown at Figure 3 below, with the full detail set out in Appendix I. ‘Mixed’ here refers to an assumed mix of houses and flats.

Figure 6: Residential Site Typologies

Scheme Size Appraised	Type	Site type
5	Houses	PDL/Greenfield
10	Houses	PDL/Greenfield
10	Flats	PDL
20	Houses	Greenfield
20	Mixed	PDL
30	Flats	PDL
30	Flats (Sheltered)	PDL
50	Mixed	PDL
50	Mixed	Greenfield
50	Flats	PDL
60	Flats (Extra Care)	PDL
100	Flats	PDL
100	Mixed	PDL
100	Mixed	Greenfield
300	Mixed	Greenfield

Scheme Size Appraised	Type	Site type
500	Mixed. Sensitivity tested to include primary school	Greenfield

(DSP 2023)

- 2.4.4 The largest of the site scenarios tested is broadly representative of larger scale development more widely but not at the scale of the strategic development location (tested separately as below).
- 2.4.5 A new mixed use strategic growth location is proposed at Wolvershill (Policy LP1) to accommodate up to 2,800 new dwellings. Within this assessment the strategic growth location has been modelled at a high level based on information provided to DSP by the Council and supplemented via the stakeholder consultation exercise where possible at the point of running the modelling. The assumed total (gross) site areas, indicative dwelling numbers and other assumptions (including current stage broad estimates of infrastructure requirements) are set out in Appendix I - Table c.
- 2.4.6 As part of considering both the site typologies and specific (strategic development), and seeking to make these as representative as possible of the emerging policy approach, an assumption is made in relation to dwelling mix, for which we have adopted the principles set out in Figure 7 below and Appendix I. These dwelling mix principles are based on information provided to DSP by NSC using emerging evidence supporting the Local Plan.

Figure 7: Dwelling Mix Assumptions¹¹

Property Type	Dwelling Mix (%) ¹²	
	Market Units	Affordable Units
1-bed flat	5%	20%
2-bed flat	10%	20%
2-bed house	10%	20%
3-bed house	50%	30%
4-bed house	25%	10%

(DSP 2023)

- 2.4.7 In all cases it should be noted that assumptions have to be made based on a “best fit” of both the market dwellings mix and affordable housing numbers/mix and tenure assumptions. This is due to the effects of number rounding and also the limited scope that can be available to reflect all aspects of this within any given scheme; particularly in scheme typologies with small dwelling numbers or low percentages of affordable housing.
- 2.4.8 The assumed scheme mixes are by their nature hypothetical and are not exhaustive and not all of the scheme typologies follow the dwelling mix set out above. All flatted development and PDL mixed developments utilise alternative mixes but broadly based on the same principles as above. Many other types and variations may be seen, including larger or smaller dwelling types in different combinations, according to particular site characteristics, localised markets and requirements etc.
- 2.4.9 The affordable housing (AH) content assumed within each test scenario is set out in more detail below. As well as summarising the dwelling mix criteria that we have aimed to follow as far as possible, Appendix I also provides more information on the revenue levels associated with (assumed values of) varying AH tenure types.
- 2.4.10 The dwelling sizes (on a GIA i.e. gross internal area basis) assumed for the purposes of this study are as set out in Figure 8 below and based on the Nationally Described Space Standard (NDSS). We understand that this is proposed to be adopted by NSC through the emerging Local Plan. As with the many other variables considered through

¹¹ Based on: JG Consulting: NSC Local Housing Needs Assessment (June 2023)

¹² Source: Opinion Research Services – West of England Housing Needs Assessment (July 2021), emerging policy and DSP analysis

assumptions, there will be a large range and mix of dwelling sizes coming forward in practice, with these varying by scheme and location. Due to the high-level nature of this study process, a sample of scenarios and assumptions can be tested rather than every potential iteration. This approach is sufficient to generate a suitable overview, in accordance with guidance.

Figure 8: Residential Dwelling Sizes

Property Type	Market	Affordable
1-bed flat	50	50
2-bed flat	61	61
2-bed house	79	79
3-bed house	93	93
4-bed house	130	106

Notes: Retirement/sheltered units assumed at 55sq.m (1-Bed Flats) and 75 sq.m. (2-Bed Flats) with 75% net to gross ratio, extra-care units assumed at 58.5 (1-Bed Flats) and 76.8 (2-Bed Flats) with 65% net to gross ratio.

(DSP 2023)

2.4.11 Since there is a relationship between dwelling size, value and build costs, it is the relative levels of the values and costs that are most important given the nature and purpose of this study (i.e. with values and costs expressed and reviewed in £/m² terms); rather than necessarily the specific dwelling sizes to which those levels of costs and values are applied in each case (i.e. the absolute value of any given property type). With this approach, the indicative ‘Value Levels’ (VLs) can then be applied to varying (alternative) dwelling sizes, as can other assumptions. Although methods vary, an approach that focusses on values and costs per unit cost (£/sq. m. in this case) also fits with the way that developers and others tend to assess, compare, analyse and price schemes. It provides a more relevant context for considering the potential viability scope using the typologies methodology, as part of considering relative policy costs and impacts, and is also consistent with how a CIL is set up and charged (as prescribed under the regulations).

2.4.12 The above dwelling sizes are expressed in terms of gross internal floor areas (GIAs) for houses (with no floor area adjustment – i.e. 100% saleable floorspace). For flats, the additional cost of constructing communal/shared non-saleable areas also needs to be taken into account. For example, the general flatted typology development tests

assume a net:gross ratio of 85% (i.e. 15% communal space). The sheltered housing scenario assumes a lower proportion of saleable floorspace compared with typical general needs flats, at 75% (i.e. 25% communal) which is then further reduced through the selected assumptions to 65% saleable (35% communal) for the extra care development typology.

- 2.4.13 We consider these to be reasonably representative of the types of homes and other space coming forward within the scheme types likely to be seen most frequently providing on-site integrated AH, although again we acknowledge that all such factors will likely vary to some extent from scheme to scheme. It is always necessary to consider the size of new build accommodation in looking at its price per sq. m. rather than its price alone.
- 2.4.14 At this level of strategic overview, we do not differentiate between the overall value assumed per sq. m. for flats and houses although in reality we often observe an inverse relationship between the size of a property and its value when expressed in terms of a £ sales value rate per unit area (£/sq. m. or shown as £/m²). Some practitioners and developers in particular tend to still use old style imperial measurements (£ per sq. ft.) in the area of property development. We use metric terms throughout this assessment.

2.5 Commercial / Non-residential Development

- 2.5.1 Although minimal in terms of the Council's influence on the viability of non-residential schemes through the much more limited scope of policy directly impacting costs on those (as discussed above), nonetheless, local policies on energy efficiency / carbon reduction (as far as go ahead of national policy) and the introduction of biodiversity net gain may affect the viability of non-residential development - as elements adding to the cumulative costs of development – albeit largely outside NSC's control.
- 2.5.2 However, the level of detail in relation to actual scheme proposals on non-residential (chiefly employment) site allocations is minimal and therefore difficult to appraise specifically as part of this study.
- 2.5.3 With the Future Building Standard in place and in our testing experience to date, this is not found to be an aspect that typically would tip a scheme into non-viability. The

overall viability of such schemes will continue to be dependent on the demand and basic relationships between development values and costs for schemes of different types. Where these are considered sufficiently viable to come forward, it is considered likely that the sustainable construction requirements, which are in place at national level and will increase, should not result in the non-viability of schemes that were otherwise viable. We comment separately, as a wider context point, on how extra-over costs typically assumed in the short term can realistically be expected to reduce over time, bearing in mind the strategic nature and relevant long timeframe of the Local Plan.

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

2.6.1 A key part of the appraisal assumptions are the market housing sale values. For a proportionate but appropriately robust evidence basis, it is preferable to consider information from a range of sources including those listed below. Our practice is to consider all available sources to inform our independent overview - not just historic data or particular scheme comparables, including:

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

2.6.2 A framework needs to be established for gathering and reviewing property values data therefore an extensive residential market review has been carried out in order to consider and appropriately reflect, at a level suitable for strategic assessment, the variation in residential property values seen across the Local Plan area. This data was collected by settlement areas reflecting the Council's settlement hierarchy and analysed using both sold and asking prices for new-build and re-sale property. We considered this to provide the most appropriate and reflective framework for this data collection exercise, and the subsequent analysis to inform assumptions.

- 2.6.3 This research will ultimately enable us to view how the value patterns and levels observed will overlay with the areas in which the most significant new housing provision is expected to come forward over the plan period. It must be acknowledged that the scope of the data available for review varies through time and by location. In some instances, data samples are small (e.g., relating to a particular period or geography) and this is not unusual. Consistent with the above principles and the need to overview the information for the study purpose, it is important that the available indications are reviewed collectively in setting the values assumptions.
- 2.6.4 Overall, this research indicates a variable values picture across North Somerset. This is a common finding whereby different values are often seen to vary within individual developments dependent on design, orientation etc., at opposing sides of roads, within settlements or localities and based on other variables – as well as variations between settlements and areas of course. Values patterns are often indistinct and especially at a very local level. However, in this study context we need to consider whether there are any particular variations that are considered relevant to influencing varying viability between wards/settlements or other geographical areas in a broader overview sense, including relating to the types and locations of development that are considered most relevant over the emerging plan period.
- 2.6.5 Overall however and on the basis of our research and using our tested assessment approach we have applied assumed property ‘Value Levels’ (VLs) to each typology from VL1 (lowest) to VL7 (highest). These VLs reflect an overall range between £3,500/m² to £5,000/m², representative of varying new-build sale prices likely to be seen by varying location in the Local Plan area. Necessarily but also appropriately for the assessment purpose, we consider the key new build property values – i.e., the most relevant range to housing delivery overall here – to be within the range £3,750/m² (VL3) up to £4,250/m² - (VL5) with flatted development likely to see values within the range £4,250 - £4,500 (as the inverse relationship between property size and value when expressed on a £/m² basis is seen). This is not to say that values do not and will not fall outside these levels – i.e. the VLs considered broadly represent the key part of the overall range that may be seen. Appendix I provides an indicative guide to the relevance of the range of VLs to locations in the plan area based on settlement hierarchy and the assessment will consider how the general picture on the VLs that are thought to be available to support scheme viability in the various areas that are likely to be key to the planned

development with the emerging Local Plan; all based on developing information as far as available at the time of undertaking the various assessment stages. Necessarily, but appropriately for the purpose, this is a high-level picture. Within the overview we consider and set out the indicative relevance of the VLs selected for testing, to the areas / localities stated. Appendix IV provides an overview of property market reporting, together with the information resulting from our data gathering and review.

- 2.6.6 It should also be noted that house price data is highly dependent on specific timing in terms of the number and type of properties within the dataset for a given location at the point of gathering the information. Again, in some cases, small numbers of properties in particular data samples (limited house price information) can produce inconsistent results. This is not specific to North Somerset. However, these factors do not affect the scope to get a clear overview of how values vary typically, or otherwise, between ward areas in this case, given the varying characteristics of the area.
- 2.6.7 However, with this a key variable and its relevance perhaps likely to increase with the market currently changing, to provide a wide range of sensitivity tests that reflect both recent / current values as well as provide as an ability to consider the potential effect of higher and lower values, we carried out our modelling across the full range of values sensitivity tests; again, as shown in the appendices.
- 2.6.8 The values research commenced in early 2023 and has continued to be updated alongside progression of the study with latest data considered in late summer of 2023 as the report drafting for this assessment has been built up.
- 2.6.9 Upon finalising the assessment, we continue to experience unstable property market conditions, with well reported fluctuations in house prices more recently and it will be necessary to see how this plays out as another set of potentially significant influences on the viability and wider progression of developments. Heightened economic uncertainty appears to be becoming the new norm, with a widely reported cost of living crisis reflecting the recent high energy costs and inflation rates, rising interest rates, changes in the leadership of government and resulting financial as well as wider policy changes. Most recent data appears to indicate a softening of the crisis with inflation falling back below 5% and interest rates held (albeit at relatively high levels in the context of the previous decade).

2.6.10 At the point of finalising the information review for our draft reporting (October - November 2023) even with the continuing economic uncertainty, the latest available reporting indicated that overall house prices were largely unchanged over the year to September 2023 (latest available data from the Office of National Statistics House Price Index (ONS HPI). See Figure 9 below. This does not, yet at least, fully reflect a national picture where house prices are reported by some outlets to have actually risen marginally in October 2023¹³. This is, however, a quickly moving property market environment. Savills, for example, in their Residential Property Market Forecast¹⁴ suggest a fall of 3% in house prices in the south west over 2024 but then consecutive house price increases from 2025 to 2028 leading to an overall increase of around 17.9% in the next five years. This backdrop will be considered further, as far as is possible and appropriate in the Local Plan overview context, in rounding up the assessment reporting – see Chapter 3 below.

¹³ <https://www.nationwidehousepriceindex.co.uk/reports/house-prices-increase-in-october-but-remain-lower-than-a-year-ago>

¹⁴ Savills – Mainstream Residential Forecasts 2024 – 2028 (November 2023)

Figure 9: HPI Data for North Somerset¹⁵

Date	Average Price (all properties)	Percentage change (annual)	Percentage change (monthly)
August 2022	£328,681	12.2	0
September 2022	£333,613	13.9	1.5
October 2022	£336,322	12.1	0.8
November 2022	£344,376	13.3	2.4
December 2022	£342,398	12.7	-0.6
January 2023	£338,275	9.4	-1.2
February 2023	£332,653	7	-1.7
March 2023	£330,635	4.5	-0.6
April 2023	£329,461	4.9	-0.4
May 2023	£331,240	4.2	0.5
June 2023	£333,344	4	0.6
July 2023	£332,662	1.2	-0.2
August 2023	£330,899	0.7	-0.5
September 2023	£333,019	-0.2	0.6

Source: <https://landregistry.data.gov.uk/app/ukhpi/browse?from=2022-06-01&location=http%3A%2F%2Flandregistry.data.gov.uk%2Fid%2Fregion%2Ftuttlesford&to=2023-08-01&lang=en>

- 2.6.11 However, as noted and as we will revisit, the Local Plan timeline is projected to run to 2039 so that a long-term strategic overview is needed, across which it is appropriate to make more typical assumptions reflecting potentially a middle line through various economic cycles. Although the viability of strategic scale development and other aspects may be areas to revisit as more specific information becomes available, it will not be appropriate to assume only the downside risks and inputs related to deteriorating or poor economic conditions and a tougher housing market for development (such as is being experienced while finalising this assessment).
- 2.6.12 As noted in the report appendices, the influence higher sales values (reflecting premium levels) have been tested in the case of the sheltered / retirement living and extra care typologies based on our research locally.

¹⁵ <https://landregistry.data.gov.uk/app/ukhpi/browse?from=2022-08-01&location=http%3A%2F%2Flandregistry.data.gov.uk%2Fid%2Fregion%2Fnorth-somerset&to=2023-11-01&lang=en>

2.7 Scheme revenue (gross development value) – Affordable housing (AH) revenue

- 2.7.1 In addition to the market housing, the development appraisals also include affordable housing tested at various levels within the modelling.
- 2.7.2 A key part of the purpose of this assessment has been to ensure a robust and deliverable policy set and provide information to the Council on an appropriate and viable level of affordable housing to seek from development through the emerging Local Plan. On this basis, we tested a range of affordable proportions from 0% - 40% against the residential development typologies, also reflecting the latest national policy position as set out in the NPPF and PPG; now including First Homes as 25% of the AH. It is also important to note that not every percentage iteration has been tested on every typology. From our results analysis, it is possible to see where the likely viability lies and also to consider positions between results sets. Appendix I provides more detail.
- 2.7.3 The AH revenue that is assumed to be received by a developer is based only on the capitalised value of the net rental stream (for affordable rent (AR) or social rent (SR)) or capitalised net rental stream and capital value of retained equity (shared ownership - SO). The starting assumption pending any review of viability and funding support which becomes available at a later stage for specific scenarios/programmes is that the AH is developer funded rather than part grant funded. We have therefore made no allowance for grant or other public subsidy or equivalent. This does not however, rule out the expectation that grant may become available in particular circumstances or relating to specific sites. The Council wish to ensure that affordable housing is maximised across the local plan area given the acute affordable housing need locally.
- 2.7.4 The value of the AH (level of revenue received by the developer) is variable by its very nature and is commonly described as the 'transfer payment' or 'payment to developer'. These revenue assumptions are based on our extensive experience in dealing with AH policy development and site-specific viability issues and consultation with local AH providers. The AH revenue assumptions were also underpinned by Registered Provider-type financial appraisals – looking at the capitalised value of the estimated net rental flows (value of the rental income after deduction for management and maintenance costs, voids allowances etc.).

- 2.7.5 The assumed transfer values for the rented affordable units assumed for the study are shown in Appendix I.
- 2.7.6 In practice, as above, the AH revenues generated would be dependent on property size and other factors including the AH provider's own development strategies and therefore could vary significantly from case to case when looking at site specifics. The AH provider may have access to other sources of funding, such as related to its own business plan, external funding resources, cross-subsidy from sales / other tenure forms, or recycled capital grant from stair-casing receipts, for example, but such additional funding cannot be regarded as the norm for the purposes of setting viability study assumptions – it is highly scheme-dependent and variable and so has not been factored in here. It follows that the transfer values assumed could therefore be a conservative estimate in some cases and in reality on some schemes an affordable housing provider (e.g. Registered Provider – housing association or similar) could include their own reserves and if so thus improve viability and/or affordability.
- 2.7.7 First Homes have been included as 25% of the overall affordable housing provision within each of the appraisals. The main principles for First Homes provision are as follows:
- Sales to be discounted by a minimum of 30%;
 - After the discount is applied the initial sale price of a First Homes must not exceed £250,000 (or £420,000 in Greater London);
 - Initial sales of First Homes must contain a legal mechanism to ensure each future sale maintains the discount (as a percentage of current market value). However, a mortgagee enforcing their security against the property will be exempt from this requirement;
 - The First Homes requirement is that a minimum of 25% of section 106 units should be delivered as First Homes. With regards to the allocation of the remaining 75% of units after the First Homes requirement has been met, national policy will be that:
 - The provision for Social Rent as already described in the development plan should be protected.

- Where other affordable housing units can be secured, these tenure-types should be secured in the relative proportions set out in the development plan.
- In situations where the local plan allocates more than 75% of contributions to Social Rent, the 25% First Homes requirement will remain.

2.7.8 There are exemptions to the requirement to provide affordable home ownership following the principles set out at paragraph 65 of the NPPF and these include:

- Developments which provide solely for Build to Rent homes;
- Developments which provide specialist accommodation for a group of people with specific needs (such as purpose-built accommodation for the elderly or students);
- Developments by people who wish to build or commission their own homes;
- Developments exclusively for affordable housing, entry-level exception sites or a rural exception site.

2.7.9 Transitional arrangements were put in place based on the following criteria:

- Local or neighbourhood plans submitted for Examination before the implementation of the policy or that have reached publication stage before implementation and are subsequently submitted for Examination within 6 months of implementation will not be required to reflect the First Homes requirements;
- The requirement for 25% First Homes will not apply to sites with full or outline planning permissions already in place or determined (or where a right to appeal against non-determination has arisen) within 6 months of implementation of the policy (or 9 months if there has been significant pre-application engagement), although local authorities should allow developers to introduce First Homes to the tenure mix if the developer wishes to do so;
- The above arrangements will also apply to entry-level exception sites.

2.8 Development Costs - Generally

2.8.1 Total development costs can vary significantly from one site or scheme to another. For these strategic overview purposes, however, these cost assumptions have to be fixed by typology and site allocation / strategic site to enable the comparison of results and outcomes in a way which is not unduly affected by how variable site-specific cases can be.

2.8.2 At this stage, the high-level testing for this viability assessment is based on typical assumptions utilised for scenario testing in Local Plans and as set out within this document (adjusted for location, site and reflecting local characteristics as appropriate). We have reflected the information provided to DSP by the Council and stakeholders relating to the strategic scale development (Wolvershill) and incorporated specific additional cost allowances where possible / known at the point of undertaking modelling for this assessment. There may be some cases where insufficient detail / cost information exists at this stage; this will need to be borne in mind when considering the results of the modelling. This is normal for a high level strategic assessment such as this. It is rarely possible to have all detailed information available on specific sites at plan making stage; while this provides significant information in adding to the consideration of sites proposals and the confidence in the wider allocations process, high level assumptions and an overview need to be made. This is both typical and appropriate.

2.8.3 Although the full set of cost assumptions adopted within the appraisals are set out in detail in Appendix I to this report, a summary of the key points is also set out below.

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

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

2.8.5 For the site typology testing, we have not allowed for abnormal costs that may be associated with particular sites - these are highly specific and can distort comparisons at this level of review or unduly pull down the view of the available scope to support important policies on sustainable development. However, the results can be viewed in terms of how much scope there could be to bear additional costs (of abnormals or related to other issues) over the assumptions made, across the range of scenarios tested. Where issues are known as likely to impact development viability and early costs estimates are available or can be devised, these are applied to the specific site allocation tests, however. Contingency allowances have however been made for all appraisals. In some circumstances and over time, overall costs could rise from current / assumed levels. The interaction between values and costs is important and whilst any costs rise may be accompanied by increased values from assumed levels, this cannot be relied upon.

2.9 Development costs - build costs

2.10.1 The assumed base build cost level shown below is taken from BCIS; an approach endorsed by the PPG guidance on Viability and considered to be '*appropriate data*'¹⁶ and rebased using a Somerset location factor. The costs assumed for each development type (e.g. houses, flats, mixed as well as non-residential etc.) are as provided in Appendix I – and summarised below – Figure 10. These are the selected BCIS median average cost rates. We note also that, reflecting economies of scale, the lower quartile 'mixed developments' build cost rate has been applied in the case of the current stage strategic / larger proposed allocation site tests (only).

¹⁶ <https://www.gov.uk/guidance/viability> (Paragraph 012 Reference ID: 10-012-20180724 Revision date: 24 07 2018)

Figure 10: Base Build Cost Data – Site Typologies

Development type (BCIS Median unless stated)	Rate/m ²
Build cost - Mixed Developments (generally - houses/flats)	£1,416/m ²
Build cost - Mixed Developments (generally - houses/flats) – Lower Quartile	£1,284/m ²
Build cost - Houses only (generally)	£1,385/m ²
Build cost - Flats only (generally)	£1,560/m ²
Build cost - Supported Housing (generally)	£1,660/m ²

(DSP 2023 sourced from BCIS)

2.10.2 BCIS build costs do not include external works/site costs, contingencies or professional fees (assumed allowances all added separately). Across the assessment an allowance for external works has been allowed for on a variable basis depending on scheme type (typically between 10% and 15% of base build cost). These are based on a range of information sources and cost models and generally not pitched at minimum levels so as to ensure sufficient allowance for the potentially variable nature of these works. Wider site works and infrastructure costs equivalent to £500,000/ha have been assumed for the range of site typologies tested. Particular cost allowances have been made as appropriate in relation to the site-specific testing of strategic sites – with NSC information used as far as available to inform the review of selected sites. See Appendix I.

2.10.3 For this broad test of viability, it is not possible to test all potential variations to additional costs. There will always been a range of data and opinions on and methods of describing, build costs. In our view, we have made reasonable assumptions in accordance with relevant guidance which lie within the range of figures we generally see for typical new build schemes (rather than high specification / complex schemes that may require particular construction techniques or materials). As with many aspects of viability assessment, there is no single appropriate figure in reality, so judgements on these assumptions (as with others) are necessary. It is important to note that as with any appraisal input, in practice this will be highly site specific.

2.10.4 In the same way that we have mentioned the potential to see increased costs in some cases, it is just as likely that we could also see cases where base costs, external costs or other elements will be lower than those assumed. Once again, in accordance with considering balance and the prospect of scheme specifics varying in practice, we aim to pitch assumptions which are appropriate and realistic through not looking as favourably as possible (for viability) at all assumptions areas.

2.10.5 An allowance typically of between 3%-10% build cost has also been added to cover contingencies (i.e. unforeseen variations in build costs compared with appraisal or initial stage estimates).

2.10.6 It is important to note that the interaction of costs and values levels will need to be considered again at future reviews of the local plan as base build cost levels typically vary over time. However, cost sensitivity tests have been run and included where considered most relevant in relation to the strategic scale testing. This additional information is included to allow the sensitivity of the various scenario test outcomes to build costs variation to be viewed; all as set out in the assumptions and results appendices.

2.10 Development costs – Fees, Finance & Profit

2.11.1 Alongside those noted above, the following costs have been assumed for the purposes of this study and vary slightly depending on the scale and type of development. Other key development cost allowances are as follows (see Figure 10 below). Appendix I provides the detail.

Figure 11: Residential Development Costs – Fees, Finance & Profit

Residential Development Costs – Fees, Finance & Profit	Cost Allowance
Professional & Other Fees	8 - 10% of build cost
Site Acquisition Fees	1.5% Agent’s fees
	0.75% Legal Fees
	Standard rate (HMRC scale) for Stamp Duty Land Tax (SDLT)
Finance	6.5% p.a. interest rate (assumes scheme is debt funded and represents costs including ancillary fees) – Local Plan overview assumption rate.
Marketing Costs	3% of GDV sales agent & marketing fees.
	£750/unit legal fees.
Developer Profit	Open Market Housing – based on range described in PPG of 15% - 20% of GDV @ base 17.5% assumed for Local Plan overview.
	Affordable Housing – 6% GDV (AH revenue on SR, AR & SO); 12% GDV on First Homes. (Note: 15% GDV applied on commercial revenue elements as applicable)

(DSP 2023)

2.11 Build period

2.12.1 The build period assumed for each development scenario has been based on BCIS data utilising the Construction Duration calculator by entering the scheme typology details modelled in this study. This has then been sense-checked using our experience and informed by site-specific examples where available. The build periods provided in Appendix I exclude lead-in times. Sales periods are off-set accordingly (i.e. running beyond the construction period) – see Appendix I for detail.

2.12 Key policy areas tested – Summary

2.12.1 A number of policies that the Council is considering implementing through the emerging Local Plan may have impacts on development viability, both directly and indirectly. Some do not add or add significantly to the typical costs of development or costs that, at the time of completing this assessment in autumn 2023, are now resulting from or shortly due to relate to national level policy or requirements.

2.12.2 As discussed previously, a key purpose of this process was to test whether and to what degree those policies could be absorbed by development whilst enabling it to come forward viably (and therefore supporting the viability of the Plan Review overall).

2.12.3 The direct impacts are from policies which ultimately result in a specific fixed cost assumption within the appraisal modelling. Those key elements not already discussed above - e.g. dwelling mix, affordable housing, etc. are considered below. Appendix I, Table 1d also provides a summary 'Policy Analysis'.

- **Net zero construction (Policy DP6)**

All new buildings will be required to achieve net zero operational energy compliance in respect of both regulated and unregulated energy and minimise embodied carbon. A new Approved Document Part L published on 15th December 2021 came into effect on 15th June 2022. Approved Document Part L supports Part L of Schedule 1 to the Building Regulations 2010 by providing guidance and requirements relating to the conservation of fuel and power in buildings, and onsite generation of electricity.

Part L is in two sections - Volume 1 relates to new dwellings, and extensions to and work on existing dwellings and Volume 2 relates to other buildings. The recent changes to Approved Document Part L form part of the government's move toward net zero carbon, including through the proposed Future Homes Standard and Future Buildings Standard which will see a phased reduction in energy use. The new Part L represents approximately a 31% reduction in energy use in dwellings compared to the previous Part L (2016 amendments), and 27% in non-residential buildings. This is an interim step prior to the full Future Homes and Future Building Standard which are due to be implemented in 2025.

The Future Homes Standard (FHS) is due to be implemented in full in 2025 and intends to achieve 75% lower carbon emissions from new homes compared to current Part L Building Regulations. The first phase of Government consultation states that from 2025 new homes will be "zero carbon ready" i.e. no further retrofitting for energy efficiency

will be required to achieve “zero carbon” status, as the electricity grid continues to decarbonise.¹⁷

NSC will require all new buildings to achieve net zero operational energy. For residential development this is via a requirement for no on-site use of fossil fuels, ultra low energy use with a site average space heating demand of no more than 15kWh/m²/year and a site average total energy use intensity (EUI) demand of less than 35kWh/m²/yr. Alternatively, compliance can be demonstrated through Passivhaus Plus standard accreditation.

For the purposes of this assessment we have assumed that the net zero policy is achieved through alignment with the Low Energy Transformation Initiative (LETI) principles with space heating demand of no more than 15kWh/m²/yr with an average total energy use intensity (EUI) demand of 35kWh/m²/yr assuming a 'fabric first' approach.

There are a number of published sources of information relating to the costs of achieving various carbon reduction measures with varying degrees of detail and cost outputs. We have assumed a range of costs of between 4-9% on base build costs to meet the policies described above. This includes an assumed uplift in base cost from Part L 2013 to Part L 2021 given that our base build costs utilise the Building Cost Information Service (BCIS) data which itself relies on data supplied that won't fully reflect latest building regulations. However, over time BCIS data will progressively reflect latest building regulations and as such, the above cost uplifts will reduce over the short term.

For non-residential development net zero operational energy must be demonstrated through an energy statement showing that there is no use of on-site fossil fuels, energy use is minimized to the end use, on-site renewable energy generation is maximized equivalent to at least the onsite energy demand and that end users report their energy use in operation for 5 years post-completion. Alternative compliance can be reached by using BREEAM Excellent level accreditation.

¹⁷ MHCLG: The Future Homes Standard 2019 Consultation document and summary

The cost of meeting BREAAAM Excellent are relatively low with some sources indicating that the range is between 0.4% and 1.5% of construction costs¹⁸ whilst the RICS found that buildings with Excellent BREAAAM ratings achieved a 16% premium (on value) on average.¹⁹ There is obviously an incentive for non-residential development to achieve higher energy use standards and therefore the likely impact of policies such as the above are unlikely to negatively affect viability or make an otherwise viable scheme, unviable.

- **Water efficiency (Policy DP6)**

All development must demonstrate measures to minimise potable water use, aiming to achieve an estimated water consumption of no more than 100 litres per person per day (lpppd). A base assumption of 100 lpppd has been used in all appraisals with the assumed cost (over Building Regulations base at 125 lpppd) considered to be nominal and part of standard construction .

- **Electric vehicle charging points (Policy DP15, Policy DP19)**

Development supported where the use of electric vehicles is supported by providing electric vehicle charging points.

Policy may be superseded by national policy: Building Regulations 2010 Infrastructure for the charging of electric vehicles: Approved Document S 2021 edition and any subsequent guidance and codes of practice for electric vehicle charging.

An allowance of between £865 / £1,961 per dwelling (houses and flats respectively) has been assumed within this study representing the typical costs of complying with policy on new sites building in the policy from the design process onwards. This is based on the Department for Transport Residential Charging Infrastructure Provision Impact Assessment (September 2021).

- **Open space & green / blue infrastructure requirements (Policy DP34)**

¹⁸ Tata Steel, British Constructional Steelwork Association Limited, AECOM, Cyril Sweett, The Steel Construction Institute, Development Securities PLC, 2012.

¹⁹ <https://www.masterseries.com/blog/what-cost-benefits-does-being-able-to-produce-a-life-cycle-assessment-lca-provide#:~:text=For%20example%2C%20a%20basic%20BREEAM,additional%205%25%20to%2010.1%25.>

New development must make adequate provision for and maintenance of green infrastructure and open space. Costs assumed within typical development cost allowance plus planning obligations costs contingency allowance (see Appendix I). Separate allowances for open space and biodiversity net gain (BNG) have also been included (Appendix I).

- **Biodiversity Net Gain (BNG) (Policy DP35, Policy DP36)**

Proposals must demonstrate at least a 10% net gain accounted for in a biodiversity net gain plan. For the purposes of this assessment, we have assumed 10% net gain within all of the modelling undertaken. Assumes Scenario C (worst case) as set out in the Impact Assessment²⁰ associated with the Government consultation on BNG – 2021 assessment work as a proxy to the uplift to the cost of achieving biodiversity units to £20,000 per unit (from £11,000 per BNG unit assumed within the Impact Assessment). Appendix I provides more detail.

- **Affordable Housing (Policy DP43)**

Affordable housing will be sought on all developments of 10 or more dwellings (or on sites of 0.5 hectare or above), and 5 dwellings or more within the AONB. Proposed policy following this assessment is to expect development to provide 38.5% affordable housing on greenfield sites and 20% on previously developed land (PDL). The Council will seek to achieve 25% of affordable housing as First Homes with the remaining 75% provided as 90% social rent and 10% shared ownership. Where First Homes is not provided, the mix should be 77% social rent; 23% shared ownership.

The DSP approach to viability testing the affordable housing is discussed earlier in this chapter and detailed assumptions are contained within Appendix I.

- **Gypsy, Travellers and Travelling Showpeople (Policy DP44, Policy LP1)**

Suitable sites have been identified within the Local Plan with longer term need met through development at the Wolvershill Strategic Development Location.

Allowance have been made for G,T and TS plots at Wolvershill within the site specific modelling carried out for this assessment. Appendix I provides more detail.

²⁰ DEFRA: Biodiversity net gain and local nature recovery strategies Impact Assessment (October 2019)

- **Residential Space Standards (Policy DP45)**

Requirement for proposals to be designed to comply with the Nationally Described Space Standard (NDSS). The dwelling size assumptions used in the viability testing are set out earlier in this report and in Appendix I, consistent with the NDSS ranges to meet the requirements of the Council's objectives. (Source: Technical Housing Standards - former DCLG, 2015).

- **Housing Type & Mix (Policy DP46) / Older Persons Accommodation (Policy DP47)**

Older Persons accommodation, proportionate mix and Self and Custom-build (Policy DP46)

On developments of 10 or more dwellings proposals will be expected to demonstrate that they have taken account of local needs evidence to, where appropriate, make provision for older persons accommodation, a proportionate and appropriate mix of 1,2,3 and 4+ bed homes to meet local needs and self-build and custom build plots based on local need identified on the Council's self-build register.

Older person's accommodation has been tested as part of this overall viability assessment (see Appendix I) and as discussed earlier in this report, the dwelling mix principles applied within the modelling for this exercise reflect the Council's latest housing needs assessment.

From DSP's experience of this self-build / custom build development, we consider the provision of plots (serviced and ready for development) for self or custom-build has the potential to be sufficiently profitable so as not to provide a significant drag on the viability of a scheme in general. Broadly, we would expect this activity to be at least neutral in viability terms, with the exact outcomes dependent on site-specific details, as with other aspects of the development process. In our view however, there may be the potential for practical challenges to be involved in integrating plots within general market housing schemes if applied in a rigid way. In practice, many self-builders will look to satisfy their own specific aims through the market – finding either an individual plot, re-build opportunity or similar.

Accessible and Adaptable Homes

Requirement for all dwellings on major developments to meet the requirement for the optional higher Building Regulations of M4(2) with 5% of affordable homes required to meet the more onerous M4(3) standard.

The assumed cost of achieving the M4(3)(b) and M4(2) standards are set out in Appendix I (Table 1b) - based on details set out within the Government's consultation on raising the accessibility standards of new homes²¹.

2.13 Infrastructure costs provision – Section 106 (s106)

- 2.13.1 On 18th January 2018 a Community Infrastructure Levy (CIL) was brought into effect in North Somerset. The CIL Charging Schedule identifies differential charging rates for residential development in three Zones (see Figure 4 above).
- 2.13.2 North Somerset Council will need to carry out a review of the CIL rates relating to the new Plan and proposed growth across North Somerset to ensure that the CIL remains appropriate in supporting the Local Plan. The Council is also mindful of the proposed introduction of the new Infrastructure Levy in due course, albeit with an uncertain timeframe currently. The Council intends to procure a separate study in order to support a review of CIL / IL in due course. While we are looking to lay some groundwork for that through this LP viability assessment, more detailed work will be needed in due course.
- 2.13.3 For the purposes of this assessment we have included the costs of CIL (as indexed to 2023) and it is expected that the monies collected will contribute towards the cost of infrastructure in the Plan area.
- 2.13.4 In addition to allowances for CIL we have also included additional allowance of £3,000 per unit to cover site specific mitigation within the site typologies. Specific mitigation measures (where available and costed) have been applied in relation to the strategic development location at Wolvershill. Cost information for this however was not fully developed, meaning that there is the possibility that other costs may be incurred which have not been reflected by assumptions within the appraisals at this stage. Accordingly,

²¹ <https://www.gov.uk/government/consultations/raising-accessibility-standards-for-new-homes/raising-accessibility-standards-for-new-homes-html-version#raising-accessibility-standards-of-new-homes>

we have run the modelling on the basis of considering the ‘surplus’ available to meet planning obligations / infrastructure requirements (education, highways, open space etc. where not included already within the appraisal modelling). The Council will need to consider whether the indicative surpluses as far as reported in Appendix III results at this stage are likely meet the infrastructure requirements and any other costs as details of those become available. It should be possible to compare the indicative outcomes and the assumptions on included costs with the more detailed lists of infrastructure requirements, once those are built up further in due course.

2.13.5 Again, Appendix I (at Tables 1a – 1c) provides an overview of the assumptions made at this stage – within both the typologies testing and the more specific review of the larger / strategic site allocation proposals.

2.14 Indicative land value comparisons and related discussion

2.14.1 The PPG²² states the following:

‘To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to comply with policy requirements. This approach is often called ‘existing use value plus’ (EUV+)...

Benchmark land value should:

- *be based upon existing use value*
- *allow for a premium to landowners (including equity resulting from those building their own homes)*
- *reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees*

²² <https://www.gov.uk/guidance/viability#standardised-inputs-to-viability-assessment> Paragraph: 014 Reference ID: 10-014-20190509
Revision date: 09 05 2019

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

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

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

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

- 2.14.2 In order to consider the likely viability of any development scheme, the results of the appraisal modelling (the RLVs viewed in £/ha terms) need to be measured against an appropriate level of land value. This enables the review of the strength of the results as those change across the range of value levels, affordable housing policy targets (%) and other planning obligations.
- 2.14.3 The process of comparison with land values is, as with much of strategic level viability assessment, not an exact science. It involves judgements and well-established acknowledgements that, as with other appraisal aspects, the values associated with the land will, in practice, vary from scheme to scheme.

- 2.14.4 The levels of land values selected for this context are known as ‘benchmark land values’ (BLVs). They are not fixed in terms of creating definite cut-offs or steps in viability but, in our experience, they serve well by adding a filter to the results as part of the review. BLVs help to highlight the changing strength of relationship between the values (scheme revenue (GDV)) and development costs as the appraisal inputs (assumptions) change.
- 2.14.5 As noted above, the PPG on viability is very clear that BLVs should be based on the principle of existing use value plus a premium to incentivise the release of the site for development. Land value in any given situation should reflect the specifics of existing use, planning status (including any necessary works, costs and obligations), site conditions and constraints. It follows that the planning policies and obligations, including any site specific s106 requirements, will also have a bearing on land value where an implementable planning consent forms a suitable basis for an alternative use value (AUV) based approach that could be in place of the primary approach to considering site value (benchmark land value – BLV), which is now always “EUV plus” (existing use value plus) consistent with the PPG on Viability.
- 2.14.6 As part of our results analysis, we have compared the wide scope of resulting residual land values with a range of potential BLVs used as ‘Viability Tests’, based on the principles of ‘existing use value plus’ (EUV+). This allows us to consider a wide array of potential scenarios, outcomes and the resulting viability trends seen in this case. The coloured shading within the results tables appended to this report provide a graded effect intended only to show the general tone of results through the range from clearly viable (most positive – boldest green coloured) to likely non-viability scenarios (least positive, where the RLVs show no surplus or a deficit against the BLVs).
- 2.14.7 The land value comparison levels (BLVs) are not fixed or even guides for use on scheme specifics; they are purely for this assessment purpose. Schemes will obviously come forward based on very site-specific circumstances, including in some cases on sites with appropriately judged land values beneath the levels assumed for this purpose.
- 2.14.8 As part of the process of developing appropriately robust BLVs, we have reviewed other available evidence, including previous viability studies (as well as those conducted for

North Somerset by DSP and others) both at a strategic level as well as site-specific viability assessments where available. In addition, we have also had regard to the consultation responses and published Government sources on land values for policy appraisal²³ providing industrial, office, residential and agricultural land value estimates for locations across the country – including North Somerset.

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

2.14.10 The MHCLG model provides a much higher level of land value for ‘residential land’ as it assumes the following:

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

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

²³ MHCLG: Land value estimates for policy appraisal – most recent version 2019 published August 2020

- 2.14.12 As set out in the tabled results appendices, for results reviewing context consistent with an established approach, we have made indicative comparisons at land value levels across an overall range between £250,000/ha and £2,500,000/ha, enabling us to view where the RLVs fall in relation to those levels and to the overall range between them.
- 2.14.13 Typically, we would expect to apply an EUV+ based land value benchmark (BLV) at not more than approximately £250,000/ha (applied to gross i.e. overall site area) for bulk greenfield (GF) land release sites of around 200 – 300 units or more (although not rigidly, as circumstances and land takes will vary). This is based on a circa ten times uplift factor (the “plus” element) from the EUV for agricultural land at not exceeding c. £25,000/ha.
- 2.14.14 The release of smaller greenfield sites including edge of village paddocks or similar may typically support / warrant consideration of higher BLVs and so we have considered, primarily, up to £500,000/ha being likely applicable for smaller, greenfield development below the 200-300 dwelling range indicatively, as above. The above is however a relatively cautious / prudent approach in our view at this plan making overview stage, as we have experienced proposals with BLVs presented or agreed at lower than the noted assumption levels here, when applied overall. This context includes both smaller and larger sites, which in some instances include significantly extended areas of non-developed land and it can be appropriate to apply a significantly lower level of BLV to a proportion of the overall site area, resulting in a lower ‘blended’ BLV overall.
- 2.14.15 This reflects the viability in planning policy principles within the PPG as opposed to a more market orientated approach that may be influenced by comparison with older (pre-PPG) deals and include more emphasis on ‘hope value’ or similar, rather than being purely EUV plus based. We need to bear in mind that especially for bulk greenfield (GF) land, the stated BLV figures should not be regarded as a minimum or other cut-off level. Scenarios will vary. As noted here, gross land area figures may include areas of land where for example lower values may be appropriate in support of ancillary provision, undeveloped mitigation land such as Suitable Alternative Natural Green Space (SANG), for biodiversity or similar.

- 2.14.16 Looking beyond the lower BLVs (of up to £250,000/ha), and again generally reflecting smaller, non-strategic scale development, we would expect an EUV+ based BLV of up to £500,000/ha could be applicable for greenfield / amenity land use releases. The commentary above reflects this. We will consider the above further as part of the context for the review of the Appendix II, IIa and III results (within Findings Review – section 3 – below).

- 2.14.17 Taking into account the overall picture of delivery in terms of site type and planned locations, we consider the key BLV levels for reviewing the results range from £250,000/ha to £500,000/ha (greenfield), with those potentially offering some tolerance in GF scenarios, as above, and with results “filtering” against BLVs in the range £500,000/ha to £2,500,000/ha overall for previously developed land (PDL) as guides. In some PDL scenarios, we also need to be mindful that EUV+ based BLVs will be higher still; hence the overall expanded range as set out below and seen in use within the Appendix II typologies results tables.

- 2.14.18 DSP understand that the emerging Plan site supply (mix of new dwellings totalling 12,862 excluding windfall) is comprised of significantly more greenfield than PDL sites; 5,408 PDL (42%) and 7,455 greenfield (58%). This supply total figure excludes small windfall sites (2,861 dwellings).

- 2.14.19 Figure 12 below shows, with some explanatory notes, the range of selected BLVs which have been used as ‘viability tests’ (filters) for presentation / interpretation of the results as per II - III where these BLV levels are also shown as part of the ‘key’ or notes.

Figure 12: Range of BLVs (‘Viability Tests’)

EUV+ £/ha	Notes
£250,000	Greenfield Enhancement - reflecting larger scale development
£500,000	Greenfield Enhancement (Upper) - reflecting smaller scale development
£750,000	Lower PDL reflecting lower grade PDL (e.g. former community uses, yards, workshops, former industrial etc)
£1,000,000	Lower to typical PDL – industrial / commercial
£1,500,000	Typical PDL
£2,500,000	Upper PDL / residential land values

(DSP 2023)

- 2.14.20 It is important to note that all RLV results indicate the potential receipt level available to a landowner after allowing, within the appraisal modelling, for all development costs (as discussed earlier). This is to ensure no potential overlapping / double-counting of development costs that might flow from assuming land values at levels associated with serviced/ready for development land, with planning permission etc. The RLVs and the indicative comparison levels (BLVs) represent a “raw material” view of land value, with all development costs falling to the prospective developer (usually the site purchaser).
- 2.14.21 Matters such as realistic site selection for the particular proposals, allied to realistic landowner’s expectations on site value will continue to be vitally important. Site value needs to be proportionate to the realistic development scope and site constraints, ensuring that the available headroom for supporting necessary planning obligations (securing AH and other provision) is not overly squeezed beneath the levels that should be achieved.

3. Findings review

3.1. Overview of 3-stage review and results reporting context

- 3.1.1 Building from the project commencement in January 2023 and progressed as noted at 2.1.1 – 2.1.3 above, as a first phase DSP provided emerging findings to NSC in April 2023. That preliminary overview was informed by the early stages use of sample development typologies - to initially test viability around the emerging policy positions. We refer to this as Stage 1 below.
- 3.1.2 Looking at cumulative development costs using latest available information, the key theme from the outset was reviewing the likely influence of other policies on the scope to support affordable housing in different circumstances; whilst accommodating other key planning objectives as fully as possible. Particularly the increasing ambition on sustainable construction (carbon reduction through energy efficiency), which is a common and strengthening theme across our current plan making related workload. This theme has remained key throughout the assessment.
- 3.1.3 Reflected in the comprehensive development of the review from there, the two-way process of information feeding into the assessment and out from it continued. Leading to fully building the picture and findings, the assessment further informed the ongoing refining of policy development, supported by continuing discussion with NSC officers and our 'Final Interim Update Statement' for the Council in October 2023. This is referred to as Stage 2 in the following reporting.
- 3.1.4 This assessment is based on monetising the emerging policy set in order to understand the likely impact of policies on viability (at varying levels in some cases) when considered cumulatively with the usual development costs and national policy influences.
- 3.1.5 To develop an initial updated baseline picture on viability (Stage 1 carried into and widened out for Stage 2) we reviewed how the strength of the relationship between development values and costs varies across the test scenarios (using the typologies based approach as described above). Kept under review, this then formed the preparation for expanding the testing (Stage 2 and final work towards this full

reporting) and by then also including review of the more specifically tested largest strategic scheme proposal as required by NSC, being key to the LP delivery overall, i.e. Wolverhill.

- 3.1.6 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, the above noted focus is because 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 North Somerset, rather they are common threads throughout our wide experience of both strategic and also experienced through site-specific (decision taking stage) viability assessments.
- 3.1.7 Affordable housing proportion (%) and type (its tenure) is key in considering viability prospects because it is significantly more costly to support than other policy requirements. This effect comes from the fact that it costs a very similar amount to develop as the market housing but supports a significantly lower development value in order to make it as accessible as possible in all the local circumstances. The assumptions used in this assessment and the appraisal outcomes reflect this.
- 3.1.8 From the point of view of sustainable development and normal planning criteria, other policies (beyond those having costs reflected directly as per the stated assumptions) will have typical and indirect implications and as such do not need to be specifically included within the development appraisal scope. The proposed policies with a direct cost impact on viability (i.e. that need appraising and exploring, and potentially at varying levels) are included within the 'Policy Analysis' at Table 1d within Appendix I (Development appraisal and assumptions build up and overview), the final version of which is displayed with this final report, rather than earlier versions.
- 3.1.9 Similarly, avoiding repeating largely very similar earlier information provision and for clarity, the results now tabled in Appendices II (typologies of 5 to 300 dwellings), IIa (further typology at 500 dwellings also tested to include primary school) and III (Wolverhill current stage testing), are all the final stage sets.

- 3.1.10 Consistent with this, in setting out below the assessment findings, we will outline those from Stage 1 (initial emerging findings) and Stage 2 (Final Interim Update Statement point) before going on to overview the appended results (third, final, revisiting and checking stage) completed October to November 2023.
- 3.1.11 In doing so, we will not repeat the information included within Chapter 2 above and Appendix I on methodology and assumptions. The context for the results review in terms of economics, market sale housing value levels (VLs), benchmark land values (BLVs) and the policy positions and costs cumulatively tested alongside the key test variable of affordable housing (AH) % to this stage, is all as set out above and appended.
- 3.1.12 The results tables in Appendices II, IIa and III show the VLs, AH%s and CIL charging zone variables used in each test scenario (i.e. assumptions combinations that have been used to generate each appraisal result - as per all the residual land value (RLV) indications provided). The BLV levels used to “filter” the RLV results (make comparison with those) are also shown in each case, as are other key assumptions.
- 3.1.13 Building on this, a key consideration for NSC has been how the variable strength of viability generally available in different circumstances relates to the proposed site supply that is planned overall – the new LP development strategy and allocation proposals. Again, this has been noted above.
- 3.1.14 Through this process and continued to the results provided and information offered via this final report in late 2023, it has to be acknowledged again that there is a mixed development viability picture here overall. This has been seen through the previous viability work and experienced “on the ground”, and realistically it can be anticipated that there will continue to be some challenging or very challenging viability scenarios amongst some more viable and clearly viable circumstances overall. This may well be in emphasised focus in the short term (and likely encountered in Weston-super-Mare (WSM) town more than elsewhere, particularly central areas) given the difficult economic and market conditions we have continuing at a national / wider level too.
- 3.1.15 However, viability is not the only consideration. Clearly there are external factors, outside the scope of the Council’s planning policy setting remit in any event. The influence of LP policy positions on the reasonable viability prospects for development

needs to be considered in balance with the pressing need for affordable housing (at 38.5% of new housing supply), climate change response supported by sustainable construction and other requirements related to creating a suitable mix and standard of new homes. The level of affordable housing need is directly behind the Council's firmed up AH headline policy proposal at 38.5% (from greenfield development).

- 3.1.16 There is also a need not to over-complicate policy and to avoid too many differentials that might either mean the potential to provide AH is underplayed in some circumstances, or still not met in others with lower policy positions in place.
- 3.1.17 Allied to this, there is the potential role that external funding can play in supporting AH and / or planning infrastructure, which effect has also been significant in some of the delivery in the district, we understand. Policy at AH levels potentially restricting this, set potentially too far towards the response to challenging viability, might have the effect of limiting some of the packages of planning obligations that can be achieved alongside the CIL (which as above and set out in the appendices, has been accounted for at the 2023 indexed charging rates).
- 3.1.18 All in all, the Council is looking to balance all of this as best able, and needs to ensure that its policies, especially on affordable housing as well as sustainable development, will not underplay or potentially even restrict what may be achieved across a wider range of situations. As is noted through this report this means that policy needs to be able to work effectively as viability changes over the plan period, not under-providing for affordable homes in periods where there is less viability pressure, for example. Likewise, sites may come forward in locations or with characteristics supporting improved viability over time.
- 3.1.19 The findings summaries for above noted Stages 1 and 2 are set out next, in this context, before we provide a guide to reviewing the final, Stage 3, results as per Appendices II, IIa and III.

3.2 Stage 1 - Emerging findings review – early stage viability indications (April 2023)

3.2.1 Pending later widening of the review process, in order to review baseline results and provide emerging findings as part of an iterative approach overall, we appraised two key example typologies:

- 50 mixed dwellings (houses and flats) – Greenfield (GF) and PDL basis – reflecting a variety of sites and locations.
- 50 flats – PDL – reflecting development in a variety of urban locations – Weston-super-Mare centre or outer / other towns.

3.2.2 Varying affordable housing proportions were applied as tests across the full range of researched values levels (VLs). Reviewing the emerging policy proposal at 40% at the time, AH on the PDL typology was tested at 0%, 10%, 20% and 30% and, for the greenfield (GF) tests, 20%, 30% and 40%). This was while also testing cumulatively with:

- AH tenure comprising a mix of 25% First Homes (at 30% discount from MV), the remainder being 90% social rent (SR) and 10% shared ownership (SO).
- Adopted CIL together with s.106 tested at both £3,000 and £5,000/dwelling, all dwellings.
- Council’s emerging policy DP6 seeking an enhanced sustainable construction standard (for energy efficiency and hence carbon reduction) beyond the Government’s Future Homes Standard. Emerging Policy DP6 set out detailed requirements to achieve net zero operational energy compliance in respect of both regulated and unregulated energy (from plan adoption) and net zero embodied carbon by 2030. The detailed specification requirements for the former align with the London Energy Transformation Institute (LETI) recommended ‘Climate Energy Design Guide’ via:
 - Space heating demand of <15kWh/m²/year;
 - Operational energy use of <35kWh/m²/year; and
 - Maximising on-site renewable energy generation equivalent to at least the on-site energy demand.
- Water usage efficiency - limited to 100 lpppd

- NDSS compliant new homes. All new homes on major developments (10+) to comply with M4(2); 10% market homes and 20% AH to meet the higher M4(3) standard (overall blended proportion of M3(3) assumed was 10%-14% depending on the proportion of affordable housing units, with this noted to be very costly.
- 10% BNG.
- Electric vehicle charging serving all dwellings.
- All other typical development costs, consistent with the approach carried through the assessment – as per the Appendix I basis and described in Chapter 2 above.

Initial typology test – mixed scheme (houses and flats – PDL)

- 3.2.3 Assuming PDL and CIL Zone B representing the outer WSM area indicated a marginal result with the RLV/ha only just exceeding the BLV £1m/ha with 0% affordable housing at VL1 – market sales at £3,500/sq. m. This indication moved to a clearly unviable with more than 0% affordable housing applied. A less marginal result was seen when assuming VL2 at £3,750/sq. m. However, this was also seen to quickly fall away with between 10-20% affordable housing factored in (i.e. once more than the 10% AH test level was included). Overall, this scenario indicated that particularly with the cumulative set of emerging policy requirements (including the social rented AH and net zero carbon as at 3.2.2 above) an affordable housing requirement above 10% was viewed as likely to be challenging in viability terms.
- 3.2.4 Reviewing the PDL indications assuming CIL Zone C representing the rest of the district, again assuming a the PDL BLV of £1m/ha (as likely relevant more frequently than higher value existing use sites), we saw more positive indications at the key VL3-VL4 £4,000 - £4,250/sq. m range of tests. At VL3 with 10% affordable housing the result comfortably exceeded that target BLV – producing an RLV of circa £1.8m/ha. However, again we noted the viability indication heading towards a more marginal level with the 20% AH test producing an RLV of circa £1.1m/ha i.e. above but closer to the £1m/ha BLV level. Indicatively, viability was seen to improve with higher VLs assumed, so that at VL5

(£4,500/sq. m.) the 30% AH tests suggested likely marginal / potential viability prospects.

- 3.2.5 Overall, this indicated that typically 10 – 20% AH (up to 20% AH) appeared likely to be viable on PDL in such circumstances, generally, with the emerging policy set applied fully.

Initial typology test – mixed scheme (houses and flats – greenfield)

- 3.2.6 Turning to this type of development scenario as a GF typology, reviewing the initial outcomes assuming CIL Zone B indicated a marginal result with the RLV/ha falling just beneath an assumed BLV of £500,000/ha with 20% affordable housing at VL2 (£3,750/sq. m). This indication deteriorated to unviable at VL1 £3,500/sq. m. and / or with more than 20% affordable housing applied. Overall, therefore, this initial scenario indicated that with the cumulative set of emerging policy requirements affordable housing at up to 20% should be workable in viability terms, albeit currently appearing potentially challenging in some scenarios supported by the lower-end values in the district.
- 3.2.7 The initial outcomes reflecting CIL Zone C (rest of district area), with the same BLV at the key relevant range of VL3 £4,000 to VL4 £4,250/sq. m. indicated a more positive viability scenario at 20% affordable housing. For example, at this level, we noted RLVs at circa £700,000/ha (at VL3) and £1.1m/ha (at VL4), both clearly exceeding the higher GF BLV of £500,000/ha. However, on moving to the 30% AH test, we could see the equivalent indication suggesting viability prospects that were becoming potentially marginal at VL4 - with an RLV of circa £525,000/ha. As above, assuming values at VL5 £4,500 to VL6 £4,750/sq. m. we saw indications that 30% AH would be viable. Overall, we noted this scenario indicated AH as viable at probably not more than 30%, typically.

Initial typology test – mixed scheme (flats – PDL)

- 3.2.8 This typology was selected as most likely representing development in WSM (principally town centre and potentially in the outer WSM area) and possibly in the other larger towns – Portishead, Clevedon, Nailsea. On this basis, the set of results assuming £5,000/dwelling s106 results were considered the most likely to reflect the town centre

characteristics whereas the £3,000/dwelling s106 results probably more closely reflect development in the outer WSM area (but as points to consider with NSC amongst the wide range of aspects, and – as with all of this - subject to ongoing review. Representing a PDL site, we assumed a BLV at £1m/ha along with a higher development density.

- 3.2.9 Reviewing the results assuming CIL Zone A (i.e. including nil CIL cost) representing WSM town centre (with £5,000/dwelling s106), indicated a non-viable scenario assuming the above BLV with 0% affordable housing and the provisional key range of values assumed at VL1 £3,500 to VL2 £3,750/sq. m. This was not an unexpected initial indication, with reference to the previous viability assessment work and, we understand, both longer running and recent experience of WSM development delivery in practice, especially in the central areas of the town. This was noted as likely to remain a key theme to recognise, albeit also to be reconsidered and kept under review, both as we progress the assessment and time moves on with delivery experience monitored.
- 3.2.10 Looking at the indications for CIL Zone B representing WSM outer area (and assuming £3,000/dwelling s106), we saw a similar tone of results not getting to more than 0% AH appearing supportable at the stage of review, with again both the VL1 and VL2 tests and again indicating likely challenging viability scenarios generally.
- 3.2.11 For the purposes of analysis of the wider context, the CIL Zone C results representing the rest of the district area showed marginally more positive results for this typology, when likely supported by stronger values. For example, assuming the more likely key VL4 at £4,250/sq. m. (in this area) the result marginally exceeds the £1m/ha BLV at 0% affordable housing. However, as the level of tested AH increased, the results were noted to quite quickly fall away and move to indications of likely non-viability again. However, higher values could be applicable and could therefore support some AH provision along with the other policy costs.
- 3.2.12 Although a more general initial observation, and one that remains applicable, we often find reduced viability scope for flatted development generally, unless relatively high sales values are available to support the higher associated development costs and the often relatively significant BLVs for sites in relatively valuable existing uses. This is a common theme across all similar viability studies and is not a finding only relevant to the NSC area context. As far as we understand the emerging supply picture, flatted

development is likely to be the most practical form of development to come forward on constrained sites in WSM (i.e. where viability is already challenging generally, regardless of scenario type) and less likely in much of the rest of district area. Overall, it was clear that flatted only development particularly in the likely most relevant location (WSM) indicated a very challenging viability picture at this initial stage of updated viability review, even with nil affordable housing assumed alongside other emerging policy requirements.

Stage 1 (emerging findings) – summary

- 3.2.13 Our analysis above, indicated generally a relatively challenging viability picture once the emerging policies and in some cases increased national requirements are allowed for, with particular pressure looking likely on the viability of PDL sites in WSM. Although some more positive results were indicated in some circumstances, overall these appeared unlikely to regularly support affordable housing at any level unless other forms of funding support were available. However, in terms of balance it will also be relevant to consider that the ongoing “place-making” regeneration activities can reasonably be expected to have a positive influence on the demand and achievable values over the long-term.
- 3.2.14 PDL sites in the rest of the district area show more positive results compared to the above with the ability to support a low level of affordable housing – although considered likely at not more than 20%. We noted this finding to be quite sensitive to values reducing to beneath £4,000/sq. m. with the indicative viability scope quickly falling away at VL1/2, as above.
- 3.2.15 Again, as above we were able to indicate emerging findings of a broadly more positive viability scenario for smaller-scale greenfield sites (i.e. non-strategic level / sites without large on-site infrastructure requirements) having the ability to support a more positive and likely more consistent level of AH, but perhaps still not likely at more than 30% affordable housing regularly, although of course with the other emerging policies applied fully.
- 3.2.16 Accordingly, the key finding emerging from the review of those new LP policies which would impact viability alongside the affordable housing and the national requirements,

was a suggestion that a differential approach to affordable housing would be likely to need consideration by NSC from a viability perspective. While noting the wider pressures and context as set out above, we considered this should be looked at in favour of a straight AH policy at 40% (with no variation in expectations) as had been set out.

3.2.17 The emerging level of requirement for new homes to meet the M4(3) requirement was another discussion point to take forward.

3.3 Stage 2 – Development of full review exercise – Interim Update (October 2023) Statement - Full typologies review completed early Spring 2023 – Residential

3.3.1 Pending the final review of findings and write up of this full, final report (as Stage 3), DSP provided the Interim Update Statement to the Council to briefly summarise the current viability assessment evidence. This was part of the suite of information considered by the Council's Executive on 18th October 2023 as part of the NSC decision making cycle towards finalising the Pre-Submission version Plan for approval and consultation (Regulation 19) commencing in November / December 2023.

3.3.2 Our Interim Update Statement is available on NSC's 'Pre-submission plan (reg 19) – Autumn 2023' web page²⁴. We will not repeat that here, therefore.

3.3.3 The policy costs assumed were as at the initial stage, above, except that the full suite of typology appraisals and the current (still relatively early stage high level) appraisal runs representing Wolverhill now included a reduced 5% homes assumed as provided to meet the higher accessibility Building regulations Part M4(3) standard. That was an assumption update which favoured viability, being a costly measure to achieve – as noted above. Going the other way, but at a nominal extra cost considered to be allowed for within the existing extra-over costs assumptions for net zero construction (so not further impacting viability), having added the consideration of embodied carbon to the policy scope, and amended Policy DP6 to specify a target of a maximum of 900kgCO₂e/m² in order to provide clarity on the delivery of this element.

²⁴ <https://n-somerset.gov.uk/my-services/planning-building-control/planning-policy/our-local-plan/local-plan-2038/publication-version-2023>

- 3.3.4 At this stage there has been no allowance made for any positive influence on achievable values or other sales related assumptions related to more sustainable, more energy efficient homes. Together with placemaking this could prove to have a positive effect moving ahead. We also note a reasonable expectation that the currently assumed extra-over costs of the still new / further developing technologies will reduce over time. For some time now there has been emerging evidence on how this is having a positive effect on demand for properties and / or values in the commercial sector. We may before long see something more than theory / anecdotal indications on this in the residential sector too.
- 3.3.5 Similarly, we expect also that multi-purpose solutions to supporting measures for achieving biodiversity and other elements of the landscaping, open space, environmental and ecological requirements will be developed too, whereas currently we are taking more of an individual costs assumptions approach to some of these elements. All in all, within the nature of viability in planning it is appropriate to consider how development can and will come forward, rather than only how it might not be able to comply with reasonable requirements. The same context applies to other policy related matters proposed by NSC.
- 3.3.6 We have not adjusted the VLs assumptions basis for the final work and review of viability results. This has remained based on the position set out in the appendices to this report, with the summary overview as per 2.6.5 above and reported in the Interim Statement. For ease of reference:

Broadly, for added context here, this research indicated the following on value levels available to support viability (with reference to typical new build housing that will support the planned growth):

- Weston-super-Mare (WSM) – Values typically £3,500/sq. m. to £3,750/sq. m. (approx. £325 – £348 £sq. ft.) overall.
- Rest of the district generally supporting higher values - including town centres and the current Service Villages (Portishead, Nailsea, Clevedon, Yatton, Backwell, Banwell, Churchill, Congresbury, Long Aston, Easton-in-Gordano/Pill, Winscombe, Wrington) – Values typically £4,000/sq. m. to £4,250/sq. m. (approx. range £372 to £395/sq. ft.) overall.

3.3.7 The key findings drawn out were consistent with the key themes drawn out as informal emerging findings earlier on, at Stage 1, as above, but now reviewed in light of the full results sets provided for NSC's information and enabling a wider overview of the influence of the main variables – all as discussed above. See Appendices II, IIa and III, which will be overviewed in the final section – Stage 3 – below.

3.3.8 The key findings of the exercise, provided by the statement, have been as follows:

- Differential approach to affordable housing policy remains appropriate to consider, with two main variables behind this, and how these interact being key:
 - Reduced viability scope on PDL generally compared with GF land due to typically higher existing use values (EUVs) of PDL sites, which often impact in combination with higher development costs.
 - Variable sales value levels (VLs) available to support the viability and therefore the cumulative policy costs. For example, typically lower values in combination with PDL redevelopment, such as in Weston-super-Mare.
- Consistent with DSP's earlier and other review work, together with our understanding of local delivery experience, a challenging viability picture is again found for PDL sites viability in WSM, generally. Although some more positive results are indicated and this is a viability only finding, viability is indicated as insufficient to support affordable housing from the development finances, again generally. Other forms of funding support would most likely be needed to support AH provision. Progress with regeneration initiatives and associated "place-making" prospects have also been noted, however.
- We consider the WSM outer urban area offers the potential for improved viability prospects relative to this in some circumstances, including GF developments, although our findings to date indicate this might not be at more than 20% AH.
- With typically higher sales values (on the positive site of what is effectively a cusp of viability) available to support viability elsewhere, PDL sites in the rest of

the district area show more positive results although the indications are generally at likely not more than 20% AH. We noted that these scenarios appear likely to be quite sensitive to downward pressure on values in a relatively difficult economic period such as we have now, particularly beneath £4,000/sq. m. However, as has been noted in all aspects of this assessment, the longer run of the LP is also key in setting the strategic aims, approach, and expectations.

- Looking more widely and bearing in mind the local site supply nature overall, smaller-scale, relatively straight-forward greenfield sites (typically those with no significant new infrastructure requirements i.e. non-strategic sites or similar) can be expected generally to support AH at 30% overall; potentially more in some instances or again should additional funding be accessed. This again is based on a fully applied emerging LP policy positions, assuming no additional funding sources.
- So, although broadly 30% AH is indicated as likely to be more viable in a wider range of circumstances than a more ambitious level given the typical values, our wider findings also suggest that a higher level of AH (we noted 35% in the statement) is not ruled out as viable in some of these scenarios.
- The Council's emerging Plan also requires all new homes to be built to net zero operational energy compliance for both regulated and unregulated energy. This is a progressive approach going beyond the Government's Future Homes Standard, reflecting the Council's desire to do all possible locally to mitigate climate change, with more efficient new homes (and other buildings) supporting delivery of carbon neutrality in the district by 2030. Again. The above indications on affordable housing assume this approach as a baseline.

3.4 Stage 2 – Development of full review exercise – Interim Update Statement (October 2023) – Wolvershill review

- 3.4.1 The review conducted as far as possible using information available to this point suggested 30% to possibly 35% AH on such a scheme; with more than 30% appearing a potentially ambitious position viewed at this time - possibly requiring the support of significant movement in assumptions favouring viability; or other funding.

- 3.4.2 We have noted a likelihood that over time the details of the maximum supportable AH delivery and wider infrastructure package details will need closer consideration as more information becomes available.
- 3.4.3 Such an early stage is not a good point at which to set potentially too low a position on affordable housing or other matters though. The market picture is likely to have changed and costs moved around by the point sales on such a site commence, let alone over the long development period. In these circumstances, it is not appropriate to consider only the short term / early years ongoing potential downside influence of the current market / economic backdrop – a longer-term view needs to be taken. In previous downturns it has also been found that planning applicants and those seeking to progress developments may be open to enhanced AH provision as part of maintaining cashflows and employment of construction teams. A level of profitability may be achievable in some cases under wider models of provision.
- 3.4.4 As will be expected, if a secondary school or other similarly expensive additional infrastructure is required, our results at this stage suggest a reduced viability picture most likely supporting fewer affordable homes overall. Values growth appears to have the potential to help begin to redress some further viability pressure over the longer term but, overall, it appears at this stage that such extra infrastructure provision will not be supportable from the development funds alone and certainly at the point which the requirement is likely to be needed. This further scenario test was requested by NSC at this stage, however.

3.5 Stage 3 – finalised presentation of full results and report for NSC’s use

- 3.5.1 As noted, the full results are now provided within Appendices II and IIa (typologies review) and III (re Wolvershill) to this report. With the assumptions provided (Appendix I) and the tested variables all set out in the results tables, we will not review the figures in detail.
- 3.5.2 In the following commentary we will revisit the above, using the final stage wider detail to check the results trends and key findings as reported to this point. Where considered appropriate we will provide any update on the above, therefore, and in rounding up we will also use this to draw out any new overview points / themes for NSC – that were not reported above.

Appendix II – typologies results (5 to 300 dwellings – Tables 2a to 2p)

Development of houses

- 3.5.3 Generally, viewed at this level, schemes of houses are found to be more viable than others – mixed, and particularly all flatted. This is a typical finding, using the stated assumptions.
- 3.5.4 Appraised at 10 and 20 houses, expecting larger schemes to be mixed, the viability on a GF site should support up to 40% AH, although with the results indicating a possible exception of locations supported by only the lowest tested values (VL1).
- 3.5.5 Envisaged on a PDL site, the 10 – 20 houses are indicated to support 20% AH with VL2 values, with the RLVs passing the £1m/ha BLV; but not consistently more than the 20% with a higher PDL BLV assumed unless values are at VL3-4 plus.
- 3.5.6 5 houses represents a single set of tests beneath the (major development i.e. 10 dwellings) policy thresholds and should be a clearly a viable form supporting the net zero and other relevant policies.

Development of mixed schemes

- 3.5.7 The sharp contrast between the indications for greenfield and PDL developments continue to be seen – for example when viewing the 50 mixed dwellings typologies outcomes between Table 2i (PDL) and 2j (GF), primarily given the higher BLVs needing to be met when looking at PDL.
- 3.5.8 Overall, the results continue to inform and support the proposed PDL / GF AH policy differential.

Development of flats

- 3.5.9 Again, continuing and emphasising the earlier findings, given their likely occurrence on PDL, the indications from these tests clearly show this same justification for proposing the differential AH policy (to recap, the LP proposes positions of 20% PDL; 38.5% GF).

- 3.5.10 The sheltered (retirement living) and extra care apartments typologies tests (Tables 2h and 2l respectively) follow the same general theme. With the Council proposing the differential, it has not been considered necessary or appropriate to put forward recommendations for a further differential treatment of these specialist housing types, which typically come forward on PDL sites.
- 3.5.11 Using the assumptions set out including higher new build sales values, as can be seen these schemes appear if anything potentially more viable than general market apartments development. However, this is when assuming a significant values premium that may need to be considered further upon dealing with specific scenarios. DSP reviews quite a number of such schemes at planning application stage, when it is for the decision taker to consider how much weight to apply to viability. We have not dealt with any market-led older peoples housing schemes that have provided on-site AH, although these schemes regularly support meaningful levels of financial contributions towards affordable housing enabling funds.
- 3.5.12 In North Somerset, the CIL charging schedule nil rates (sets a charge of £0/sq. m for) extra care development that clearly falls within Use Class C2. Otherwise, as appraised through DSP's typologies testing, developments are charged as per all other residential. This is consistent with these developments forming part of the spectrum of schemes within the wide housing market offer. It is also consistent with the suggested approach here in respect of LP policy.
- 3.5.13 Overall, at this stage it is felt that the proposed affordable housing policy differential should appropriately reflect and respond to the range of local circumstances as far as is practical - without undershooting the potential to achieve the maximum towards meeting AH needs. Looking across the flatted and wider PDL scenarios as whole, in these circumstances we consider it appropriate that these parts of the market housing spectrum should not be treated differently.

Generally – s.106 tests

- 3.5.14 As another general finding to add, the increased s.106 cost tests (£5,000 compared with £3,000/dwelling) are not seen to have a very significant effect overall. A greater difference is seen in the flatted schemes (and to some extent schemes including flats)

because the costs applied per dwelling are consistent assumptions across all dwelling types as a testing basis agreed with NSC, and these are having a greater effect on smaller dwellings, proportionally. There are other cost assumptions that are lower for flats (e.g. for achieving net zero) but the significantly higher base build costs outweigh that difference.

Larger scale greenfield (mixed) developments

- 3.5.15 The 100 and 300 mixed dwellings typologies tests (results at Appendix II Tables 2o and 2p respectively) again indicate what should be achievable on GF as opposed to PDL – in terms of viable affordable housing alongside the other policies.
- 3.5.16 With a BLV of £500,000/ha at 100 dwellings, 40% AH appears achievable with values at VL2 plus and the £3,000/dwelling s.106 assumption alongside CIL allowed for. This is marginal at VL2, however, and would be made more so or potentially become unviable with more than this level of s.106 included. Nonetheless, this indicates 35 – 40% AH potential across a range of circumstances; broadly consistent with the Pre-Submission Plan GF policy headline at 38.5%.
- 3.5.17 The same is essentially seen through the 300 mixed typology where, as noted at 2.14.14 above, the lower GF BLV of £250,000/ha could become appropriate. With the Zone B indexed CIL charging tested, there is a marginal range of results between 30 and 40% AH at VL1, becoming clearly viable at VL2. With the higher Zone C CIL assumed, this falls away at 40% AH – indicating 30 - 35% AH (and again with £3,000/dwelling s106 tested rather than a higher level).

Appendix IIa – 500 mixed dwellings

- 3.5.18 As part of building on the assessment for Stage 3, at Table 2aa we now include results for an additional typology which broadly represents development of this scale tested to include the CIL (c. £2.9m at 40% AH), £3,000/dwelling s.106 and the estimated costs of including a primary school on-site (£6m assumed plus site servicing costs). These costs assumptions could also broadly represent equivalent cost of other requirements or infrastructure.

- 3.5.19 The display is included separately to Appendix II as the format of the results is different. The 3 tables showing tests at each of the CIL charging levels follows the presentation used in Appendix II. However, this time we are deducting the BLV level of £250,000/ha (total £5m assumed for land based on 20ha gross site area) from the RLV results, having run appraisals across the wide range of sensitivity tests shown. As well as sensitivity testing across the full VLs range, the RLV indications show the effect of making trial adjustments to the assumed base build costs; moving those up and down by 5% as the values change. This means the results can be used to consider how the viability position might look and change depending on how costs move as well as values. Again, high-level information.
- 3.5.20 Overall, this set of tests indicates that at V1 such a scheme would support only a lower AH%, at VL2 plus 35 – 40% AH could be achievable, based on the assumptions used at this stage. The results show that with increasing VL available to support viability, there could be scope to support further cost. These must be regarded as high-level indications based as they are on information available at this stage.
- 3.5.21 Again, a sample appraisal summary is included to the rear of Appendix IIa.

Appendix III - Current stage review of Wolverhill – high level viability prospects

- 3.5.22 Finally, we have reviewed more specifically the viability prospects for approximately 2,800 new dwellings and other uses at this proposed strategic location north of Banwell. Reflecting the nature of the exercise and available information at this stage, this is acknowledged as being a relatively high-level review as well.
- 3.5.23 Tables 3a and 3b use the same display mode as Appendix IIa. Table 3a sets out the base results i.e. when appraised without a secondary school being provided on-site. At NSC's request, the results in Table 1b show how the viability picture reduces with the cost of a secondary school included, using provided indicative figures.
- 3.5.24 These current stage appraisal runs point to values around VL3 (c. £4,000/sq. m) likely being needed to support viability at 35 – 40% AH, without the school provision. The effect of rising costs potentially reducing the VL3 40% AH outcome to a deficit, however. At VL4 plus, the viability scope to support the affordable housing required

under emerging policy looks very positive, but Table 3b shows that this would still not support the school alongside other policies tested (when relying on the development funds, with no other monies assumed). Values at VL5 plus, a significant increase from current, would be needed to support all the Table 3b cumulative cost, although we can still see viability falling away as costs rise.

- 3.5.25 So, upon further review, the Wolvershill viability indications appear slightly more positive than at first review at Stage 2 as above. However, they are very similar in pointing upwards of 30% AH at this time in our view rather than clearly at 40% or thereabouts.
- 3.5.26 Again, however, overall the findings continue to be broadly consistent with the NSC selected policy positions and differential on affordable housing.

3.6 Further rounding up points

- 3.6.1 Different appraisal inputs could result in different viability indications so that for example a varied dwelling number or mix, assumed density or other alternative assumptions could be expected to have an influence. The assessment does not amount to an options appraisal for sites or similar, whereas prospective developers can be expected to work up the most viable scenarios that will be able to address the individual site characteristics and requirements as far as possible.
- 3.6.2 It is possible also to consider the likely effect of intermediate levels of AH or other assumptions through interpolation – i.e. viewing between two results points, if relevant. Overall, the sensitivity testing information could also be used to broadly assess different combinations of appraisal inputs (assumptions) that would support similar outcomes or which might be viewed on a “trade-off” type basis if needs be in particular instances.
- 3.6.3 DSP notes that this has been a common factor across such assessments undertaken in recent years and continues to be. The dynamics described here are by no means unique to North Somerset. In our extensive experience of these matters, they are typical

considerations (albeit at varying policy levels etc. according to local characteristics and at this point in time exacerbated by circumstances in terms of short-term effects).

- 3.6.4 Although clearly unhelpful for affordability within the market, a significant positive viability influence is seen to come from increasing market housing sale values which are a key driver of the viability scope and variations between locations and sites / schemes in some circumstances. The trend of increasing viability indications and consistency of positive outcomes supported by the mid to higher values tested shows that the achievable value level (VL tested) will be a key influence.
- 3.6.5 The relevance of the housing values around the cusp of viability (c. VL2 - VL3; VL4 in some scenarios) that has been identified here is also key to consider in respect of the influence of values moving against viability, such as we could experience in the short term. This picture, how it may develop and what it may mean in the coming period, is very difficult to assess at the present time. However, within the mixed results indications overall are positive signs too, so that an apparently relatively ambitious policy approach in respect to affordable housing does not seem out of place with the context the Council is working with overall.
- 3.6.6 This has been a challenging time at which to consider development viability, over the period in which we have been concluding this assessment – through 2023; as it has for development activity.
- 3.6.7 On the whole, taking the wider Local Plan context rather than only the short term, we are able to support the viability prospects related to the policy directions and nature of development coming forward. All in all, we consider that the approach proposed by the Council should be capable of guiding viable developments. The policy adjustments that have been made on affordable housing and Part M4(3) requirements are positive responses to the useful two-way dialogue that has run throughout, from a viability perspective.
- 3.6.8 The policy proposals have been tested cumulatively and the nature of the development proposed is considered able to come forward viably, including on the proposed strategic allocations as reviewed.

- 3.6.9 However, it is also appropriate in our view to consider that in the short term (potentially the next few years) the increased development costs related to local as well as national policy requirements will be impacting at a time when the economic circumstances seem likely to continue to be difficult, with general costs inflation pressures. So, it is likely that there will be a coming together of aspects that will be challenging for viability in some cases. This will be likely to influence matters across the board to some extent, but the assessment suggests this will be at its most challenging on some PDL sites. These are where more frequently there will be inherently less or very limited viability headroom owing to higher site values (BLVs based on existing use plus as per the PPG) in combination with often higher development costs.
- 3.6.10 With this context set out we have provided further commentary extending this point about the difference between the necessary Local Plan overview (e.g. including reflecting matters as economic circumstances pick up and currently viewed extra over policy costs reduce) and the immediate period / short term. Similarly, although build costs are continuing to rise, there are some indications that this pressure may be beginning to ease and this can be expected to happen in the event of a decline in demand.
- 3.6.11 Nevertheless, as reflected in the policy proposals that have been discussed through this assessment, it appears likely that NSC will probably need to consider some elements of potential flexibility over the operation of policy aims in the short term.
- 3.6.12 We reiterate here that this is not to undermine the relevant Local Plan overview that the policy aims should be supportable and reasonably placed over the longer run. The Council has to consider the sustainability of development, the affordable housing and other community needs in balance with viability. It is able to consider how much weight to give to viability at decision making stage as per the PPG. The purpose of viability in planning is to inform rather than constrain sustainable development and in doing so to enable the optimising of planning obligations to be considered.
- 3.6.13 The Local Plan policies are developing so as to be constructed with some appropriate flexibility in view, but with that potentially exercisable once all compliance has been fully explored and tested. So that the bar would be kept high in terms of expectations as the starting point and that clarity of approach to those is provided

- 3.6.14 Very soon it should be possible to assess whether more energy efficient homes and business premises attract higher values. There have been suggestions of this for some time, but mostly anecdotally that we have seen and so with data on this awaited. We have noted that this is being seen already in some commercial sectors, but we expect it to flow through into the residential market. Developer’s marketing campaigns are now often including or focusing on energy efficiency. That along with the cost efficiencies anticipated over time (demand leading to bigger markets, economies of scale, improved designs and technologies) may well help further to balance out what will likely be some initial viability pressures seen as new policies and requirements come in together or over a short space of time. Nevertheless, it seems very likely that there will be some form of transition to make and probably time taken with that.
- 3.6.15 DSP will be pleased to assist North Somerset Council with any further work or points in relation to this assessment.

Notes and Limitations

- i. The purpose of the further assessment reported in this document (as conducted between January and November 2023) has been to inform and subsequently support the firmed-up policies now included within the Pre-Submission version North Somerset Local Plan – due to be issued for consultation (Reg. 19) towards the end of 2023.
- ii. Gathering up and reflecting on the testing of typologies and strategic scale development over 2 main phases of assessment over the above noted period, this report sets out additional information considered as part of the Council’s development of its Local Plan proposals from a viability perspective whilst also taking into account national policies and initiatives that may have an impact on development viability.
- iii. This has been a desk-top exercise based on information provided by NSC supplemented with information gathered by and assumptions made by DSP, once again as appropriate in the context of Local Plan development (‘plan making’).
- iv. This review has been carried out using well recognised residual valuation techniques by consultants highly experienced in the preparation of strategic viability assessments for local authority policy development including whole plan viability, affordable housing and CIL economic viability as well as providing site-specific viability reviews and advice. In order to carry out this type of assessment many assumptions are required alongside the consideration of a range of a large quantity of information which rarely fits all eventualities.
- v. It should be noted that every scheme is different, and no review of this nature can reflect all the variances seen in site specific cases. Accordingly, this assessment (as with similar studies of its type) is not intended to directly prescribe assumptions. Assumptions applied for our test scenarios are unlikely to be appropriate for all developments. A degree of professional judgment is required. We are confident, however, that our assumptions are reasonable in terms of making this viability overview and further informing and supporting the Council’s approach to and proposals for a robust and viable Local Plan.

- vi. Small changes in assumptions can have a significant individual or cumulative effect on the residual land value (RLV) or other surplus / deficit output generated – the indications generated by the development appraisals for this strategic purpose will not necessarily reflect site specific circumstances. Nevertheless, the assumptions used within this study inform and then reflect the policy requirements and strategy of the Council and therefore take into account the cumulative cost effects of policies.
- vii. The research, review work and reporting for this assessment has been assembled at a time when there remain economic uncertainties associated with the after effects of Brexit, the COVID-19 (Coronavirus) pandemic situation, more latterly the war in Ukraine, other conflicts. Challenging economic circumstances in general have been a theme, and continue to be, coming to the fore as this assessment got underway and was progressed during a period of high inflation, with living costs and high borrowing and now causing some downward pressure on house prices and a significant slowing of the market while costs continue to rise (albeit in the very latest period with inflation now easing back).
- viii. 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 of course only possible to work with available information at the point of carrying out the assessment. At this stage it appears that it will be for Local Authorities and others to consider how this picture may change – monitor it as best possible and consider any necessary updating of the evidence and local response in due course.
- ix. This is consistent with the approach that typically is taken already when either a significant amount of time passes, or other circumstances change during the period of Plan preparation/review and potentially pending or during examination. In the meantime, this work contains information on the impact of varied assumptions applied within a wide range of sensitivity tests. Run in this way and supported through regular dialogue with the Council while in progress, this has helped inform the Council’s consideration of development viability in the wider plan delivery context - and continues to.
- x. 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.

- xi. To the extent that the document is based on information supplied by others, Dixon Searle Partnership Ltd (DSP) accepts no liability for any loss or damage suffered by the client or others who choose to rely on it.
- xii. In no way does this study provide formal valuation advice; it provides an overview not intended for other purposes nor to over-ride particular site considerations as the Council's policies will be applied from case to case.
- xiii. DSP conducts its work only for Local Authorities and selected other public organisations. We do not act on behalf of any development interests. We have not undertaken and are not undertaking other work in the Council's area at the time of this project, but have undertaken viability assessments on behalf of former and other authorities in the region.
- xiv. In any event we can confirm that no conflict of interests exists, nor is likely to arise given our approach and client base. Our fees are all quoted in advance and agreed with clients on a fixed or capped basis, with no element whatsoever of incentive/performance related payment. Our project costs are simply built-up in advance, based on hourly/day rates and estimates of involved time. In the preparation of this assessment DSP has acted with objectivity, impartiality, without interference and with reference to appropriate available sources of information.

Final Report ends (v8)