

VIABILITY ASSESSMENT

**Development
with a 10% uplift in
Biodiversity Net Gain above
the mandatory minimum 10%
in the Green Belt areas of
Cannock Wood**

Cannock Wood Parish Neighbourhood Plan

September 2022

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EXECUTIVE SUMMARY

Natural England's aptly titled 'Biodiversity Net Gain – more than just a number'¹ eloquently sets the context: 'This is a significant opportunity to ensure that developments provide lasting benefits for wildlife and to people's ability to experience nature where they live and work. For generations, the natural environment has all too often been negatively impacted by development. While designated sites have received certain protections under current law, other habitats have shrunk, connectivity between them has been lost and our ability to experience and encounter wildlife in our daily lives has been reduced. Biodiversity Net Gain provides a unique opportunity to begin to redress that, to support the nature recovery network and put nature back at the heart of planning and development.'

- The government favours a high level of Biodiversity Net Gain (BNG) in principle.
- The minimum 10% BNG in the Environment Act 2021 is based on the most achievable level of net gain which does not impact development in any English region, across a wide range of development types and sizes.
- Higher property values in some regions and local areas enable a greater contribution to biodiversity than the minimum in more disadvantaged areas without affecting the viability of development.
- With careful design and early consideration, on site BNG can be delivered at no or little cost. When delivered on site, BNG is usually cost-neutral.
- Net gain delivery costs are low as a proportion of key variables such as build costs and land prices and are unlikely to lead to a significant increase in existing average developer contributions.
- The majority of the cost of BNG is in achieving the initial minimum 10% required by the Environment Act 2021 and doubling that to 20% does not double the cost of achieving a higher level of net gain. A 10% increase in BNG (from 10% to 20%) costs only an extra 19%.
- House values in Cannock Wood are 30% higher than the average for the West Midlands, due to the Area of Outstanding Natural Beauty setting, high proportion of detached properties compared with the national levels and the high proportions of larger dwelling sizes (3,4, and 5+ bedrooms) compared with national levels. The median house value in Cannock Wood is £305,000.
- In Cannock Wood, an additional 10% BNG would require an average outlay for each new dwelling of £191, adding just 0.2% to build costs.
- Viability of developments is not significantly impacted by a 10% uplift in BNG above the mandatory minimum 10% in the Green Belt areas of Cannock Wood.
- The adjoining Lichfield District Council has required a minimum 20% BNG since 2016 and experience there to date suggests that developers are able to meet this requirement and often achieve much greater levels of biodiversity net gain.

1. INTRODUCTION

1.1 Significance of Biodiversity Net Gain (BNG)

Natural England's aptly titled 'Biodiversity Net Gain – more than just a number'¹ eloquently sets the context: 'This is a significant opportunity to ensure that developments provide lasting benefits for wildlife and to people's ability to experience nature where they live and work. For generations, the natural environment has all too often been negatively impacted by development. While designated sites have received certain protections under current law, other habitats have shrunk, connectivity between them has been lost and our ability to experience and encounter wildlife in our daily lives has been reduced. BNG provides a unique opportunity to begin to redress that, to support the nature recovery network and put nature back at the heart of planning and development.'

The government's 25 Year Environment Plan² recognises that in order to leave the environment in a better condition for the next generation, we need to restore and create wildlife habitats, looking beyond existing designated sites to the wider environment. The national biodiversity strategy³ recognises that biodiversity is important not just in its own right but because it is critical to human survival. It provides us with services that are vital to our wellbeing and economic prosperity. The UK National Ecosystem Assessment⁴ concluded that decision-making consistently undervalues nature, and that many of the services that it provides are in decline. The message at the national level is therefore clear that biodiversity issues need to be taken more seriously and are a key component of sustainable development.

The report 'Climate Change Adaptation and Mitigation'⁵ prepared for Staffordshire County Council and its constituent district councils explains that 'Biodiversity encompasses the breadth of plant and animal species, the genetic diversity among those species and the different biomes and ecosystems that they are a part of.' The report continues:

'Established BNG approaches use habitats as a proxy for biodiversity in a given area; this approach recognises that a mixture of connected high-quality habitats will support a wide range of plants, animals, fungi and microorganisms.'

The Local Government Association's Planning Advisory Service⁶ explains:

'Biodiversity net gain delivers measurable improvements for biodiversity by creating or enhancing habitats in association with development. Biodiversity net gain can be achieved on-site, off-site or through a combination of on-site and off-site measures.'

1.2 The legal framework

The Environment Act 2021 provides that grants of planning permission in England be subject to a condition requiring biodiversity value attributable to the development to exceed the pre-development biodiversity value of the onsite habitat by a relevant percentage. Schedule 14 of the Environment Act 2021 sets the relevant percentage at a minimum of 10% and empowers the Secretary of State by regulations to vary the relevant percentage. Biodiversity Net Gain should be achieved even where there are no losses as an integral part of sustainable development.

The Department for Environment, Food and Rural Affairs and Natural England Impact Assessment ‘Biodiversity net gain and local nature recovery strategies’⁷ (October 2019) (Defra Impact Assessment) considered two primary factors in selecting a suitable level of net gain for the Environment Act:

- ‘the capability of the policy to deliver genuine gains for nature (and thereby give confidence of enhancement to communities in receipt of development) and any consequent social and economic benefits
- the capability of the development sector (and others) to meet the requirement without significantly affecting development rates or inhibiting sustainable growth’.

In Annex 3 to the Defra Impact Assessment evidence is provided on the level of net gain:

‘There are a number of factors that make halting biodiversity loss through development an unlikely prospect with any level of gain which is close to 0% (e.g. 1%). The department therefore favours a high level of net gain in principle, though the available evidence does not identify any particular level of gain as uniquely suitable.

The analysis undertaken in this Impact Assessment indicates that the level of requirement makes relatively modest difference to the costs of mitigating and compensating for impacts when assessed against the more significant costs of achieving no net loss and wider development policy objectives. The majority of the costs associated with net gain are incurred to correct for the initial loss of biodiversity through development (i.e. achieving only ‘no net loss’). When compensation for development’s impacts is incorporated, a 10% net gain could be seen as a requirement to deliver approximately 110% of the total lost biodiversity (approximately because the 10% is applied to the full biodiversity value of the development site, rather than only those lost or in the structures’ footprint). A 10% gain therefore represents a relatively small proportion of overall habitat creation/enhancement requirements.

Industry evidence from developers and LPAs implementing biodiversity net gain approaches suggest that the average gains achieved on developments vary widely, between a few percent and over 300%. Whilst very high gains are possible for some developments and the aforementioned evidence demonstrates the desirability of a very high rate, the level of gain selected for a mandatory requirement must be applicable (and therefore achievable) for all appropriate development in scope: a wide range of development types and sizes.

The planning authority for Lichfield District requires a net gain of 20% on new development (this is measured against gross units lost, rather than the full within-boundary baseline, but this will be similar for many schemes), and experience there to date suggests that developers are able to meet this requirement and often achieve much greater levels of biodiversity net gain. Evidence was received during consultation of several commercial sites aiming for net gains of 25% (though it is unclear what metric these schemes were using).’

The Defra Impact Assessment relates to England as a whole and states that in simple terms a 10% gain ‘is the most achievable level of net gain that the department could confidently expect to deliver genuine net gain, or at least no net loss, for biodiversity and thereby meet its policy objectives’.

The Local Government Association’s Planning Advisory Service guidance⁶ points to:

‘The following text extracted from the [Defra] Impact Assessment highlights likely differences between impacts on developers:

We expect there will be a wide distribution of impacts, given that the costs and benefits will be highly dependent on the location and design of individual developments. In our analysis we assume that developers either: (1) already deliver net gain (entirely as we have proposed) or (2) do not deliver net gain (or even ‘no net loss’) and do little to mitigate or compensate habitat damage caused by their developments.

Given this, those currently doing the most to benefit the environment should find that this provides certainty. Since these developers already incur all or most of the costs of net gain, the most significant change for them (within our analysis) will be benefits associated with greater consistency in net gain within the planning process and greater consistency in expectations. The developers who currently cause high levels of environmental damage and do little to compensate for this will face the highest additional costs. This means, in practice, it is likely that the costs will fall unevenly across developers.

Biodiversity net gain should, therefore, steer development towards the least environmentally damaging areas and design practices. A significant proportion of costs imposed on developers are likely, in the medium to long term, to be ‘passed through’ to developable land prices, thereby affecting landowners.

In terms of costs to developers, the following conclusion is reached in the impact assessment:

Overall, the analysis indicates that net gain delivery costs are likely to be low as a proportion of key variables such as build costs and land prices. In addition, it is unlikely to lead to a significant increase on existing average developers contributions. While the analysis identifies regions where potential residential and non-residential viability issues may arise (e.g. Midlands, the North), this analysis is not a prediction of where site specific viability issues may arise in reality.

For residential development costs to developers:

Our analysis demonstrates that, while there is a range of expected cost from delivery of net gain, relative to build costs they are relatively small for brownfield (between 0.1% and 0.8%) and greenfield (between 0.1% and 3.9%) developments. However, regions in the Midlands and the North have the highest potential costs as a percentage of build costs, but also have lower developable land prices which indicates potential for site specific housing viability issues.

And for non-residential:

The analysis shows that the majority of the costs across scenarios are expected to be less than 5% of land value, and that regions with higher costs (i.e. implying a potential site specific viability issue) tend to be in the North.’

1.3 Planning responses

The Environment Act 2021 received Royal Assent in November 2021 so there is now opportunity for plan-makers to make their own more local assessments of the impact on viability of development of requiring a higher minimum net gain. Higher property values in some regions and local areas enable a greater contribution to biodiversity than the minimum in more disadvantaged areas.

Kent County Council commissioned a Viability Assessment of Biodiversity Net Gain across Kent⁸. The final report prepared by SQW for Kent County Council was published in June 2022 provides a useful summary of recent Defra and Natural England assessments:

‘Assessments by both Defra and Natural England have shown that a BNG requirement of up to 20% was not expected to have a significant effect on the financial viability of housing developments. The studies, based on national figures, concluded that:

- With careful design and early consideration, on site BNG can be delivered at no or little cost.
- When delivered on site, BNG is usually cost-neutral.
- If biodiversity net gain costs are significant, it is the landowner that will bear them rather than the developer.
- House prices and developer profits appear inelastic with respect to extra costs, with land prices absorbing the change.
- An increase in the biodiversity net gain requirement does not need to impact the number of dwellings, as some of net gain can be delivered off-site.
- Biodiversity net gain is not expected to reduce the number of affordable housing units.
- It is unlikely to lead to a significant increase on existing average developer contributions.
- The level of net gain requirement makes relatively modest difference to the costs of mitigating and compensating for impacts when assessed against the more significant costs of achieving no net loss and wider development policy objectives and biodiversity requirements.
- The additional investment required to move from 10% net gain to 20% does not mean twice the expense.’

After substantial detailed research and modelling, the county-wide Kent study found that:

- ‘A shift from 10% to 15% or 20% BNG will not materially affect viability in the majority of instances when delivered onsite or offsite.
- The biggest cost in most cases is to get to mandatory, minimum 10% BNG. The increase to 15% or 20% BNG in most cases costs much less and is generally negligible.
- Because the BNG costs are low when compared to other policy costs, in no cases are they likely to be what renders development unviable.’

1.4 Policy which is the subject of this viability assessment

If development is to be genuinely sustainable then it will be vital for it to play a full role in protecting and enhancing Cannock Wood’s biodiversity resources. In support of this role, the Cannock Wood Neighbourhood Plan⁹ includes the following section as part of policy CW8 ‘Protect and enhance the biodiversity and wildlife of the parish including tree and hedgerow coverage’:

‘The Environment Act 2021 provides that grants of planning permission in England be subject to a condition requiring biodiversity value attributable to the development to exceed the pre-development biodiversity value of the onsite habitat by a relevant percentage. Schedule 14 of the Environment Act 2021 sets the relevant percentage at a minimum of 10% and empowers the Secretary of State by regulations to vary the relevant percentage. Biodiversity Net Gain should be achieved even where there are no losses as an integral part of sustainable

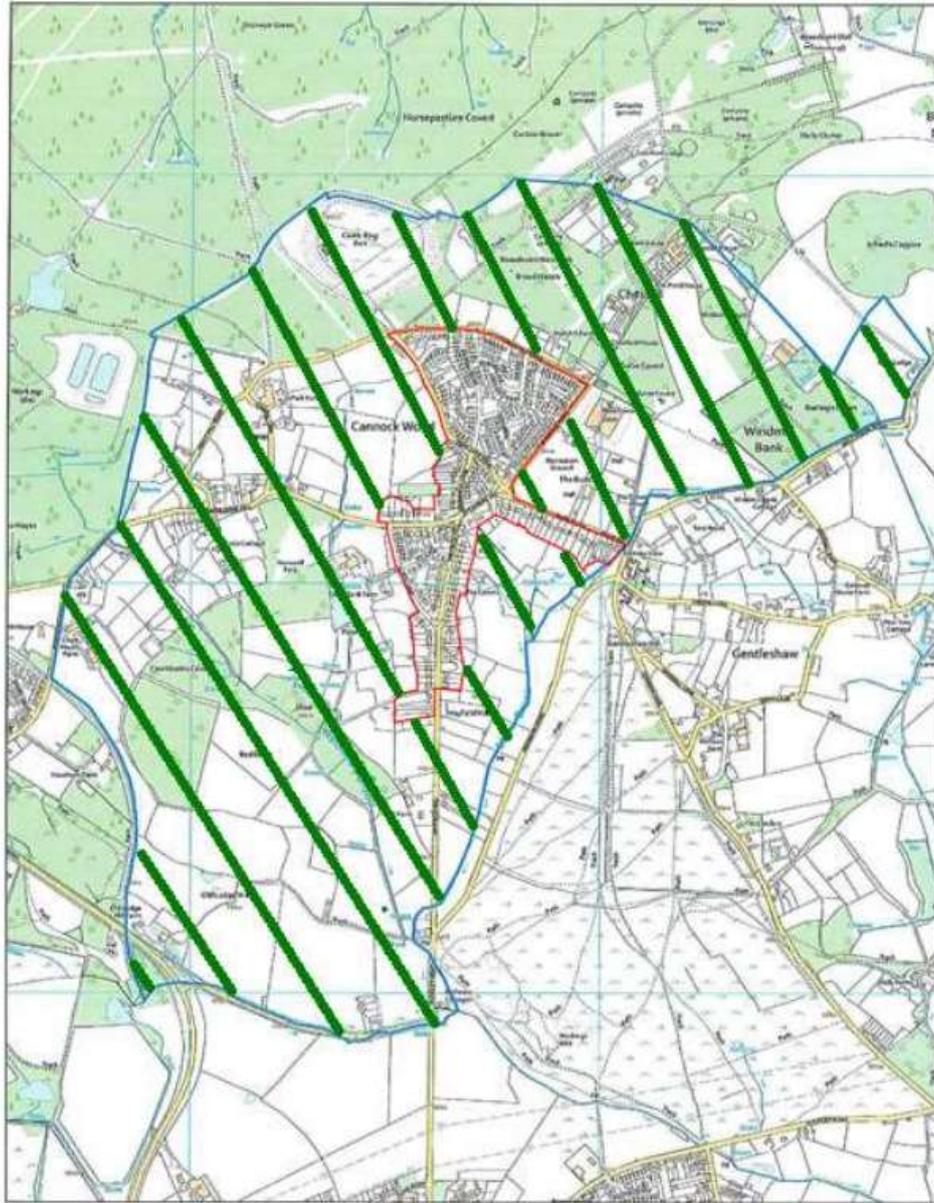
development. Development proposals on land designated as Green Belt in the parish of Cannock Wood should demonstrate a minimum gain of the higher of 20% and the relevant percentage under Schedule 14 of the Environment Act 2021.'

The supporting text provides the following justification:

'Adjacent to the parish to the south-east lies Gentleshaw Common, which is designated a Site of Special Scientific Interest (SSSI) and to the south-west of the parish is another SSSI, Chasewater and the Southern Staffordshire Coalfields. Designated Green Belt surrounds Cannock Wood's tightly drawn Settlement Boundary, the entire boundary of Cannock Wood parish is bordered by designated Green Belt and the whole parish lies within the Cannock Chase Area of Outstanding Natural Beauty attaching a premium to the importance of maintaining and enhancing biodiversity. The adjoining planning authority, Lichfield District Council has since 2015 embedded a Biodiversity Net Gain policy within its local plan¹⁵, requiring a minimum gain of 20% to be demonstrated and Stafford Borough Council adopted a similar policy in 2020. Of the entire length of the parish boundary of Cannock Wood, 70% is bordered by Lichfield District Council and Biodiversity Net Gain in Cannock Wood should be commensurate with the minimum Biodiversity Net Gain long-established by Lichfield District Council. Ecological networks must be maintained and fragmentation of important existing habitats avoided and it takes time for populations to establish and flourish, so better mitigation is provided by requiring a higher minimum Biodiversity Net Gain in the Green Belt areas of Cannock Wood. The Biodiversity Net Gain requirements of The Environment Act 2021 are effective from November 2023 but early adoption in Cannock Wood using Natural England's recognised Biodiversity Metric 3.0 is encouraged.'

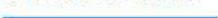
This Viability Assessment has been prepared for Cannock Wood Parish Council's Neighbourhood Plan Working Group to determine if an uplift to 20% BNG from the mandatory minimum 10% BNG will materially affect delivery of development from a viability perspective in the green belt parts of the parish as shown on the map at Figure 1 below. The policy of BNG uplift does not apply within the settlement boundary where space constraints may impact on delivering effective BNG in a cost-effective manner. In complying with the requirements of the green belt to preserve openness, any development would be likely to incorporate more space and landscaping and would, therefore, more easily achieve a higher BNG: green belt and BNG may be seen as being mutually complimentary.

Figure 1: Indication of green belt areas of the parish of Cannock Wood



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Indication of Green Belt rural areas of Cannock Wood

Boundary of Cannock Wood Neighbourhood Plan designated area 

Indication of settlement boundary 
(see [Cannock Chase Planning Policy Map](#) for the definitive settlement boundary)

Indication of Green Belt rural area 
(see [Cannock Chase Planning Policy Map](#) for the definitive boundaries)

2. POLICY CONTEXT

This viability assessment is focussed on testing the impact on the delivery of development of the marginal cost of a 10% uplift from the minimum 10% BNG mandated by the Environment Act 2021 in the Green Belt parts of the Neighbourhood Plan designated area. The method and approach have been informed by national primary legislation and national, regional and local planning policy and guidance as follows:

2.1 National Planning Policy Framework (NPPF)¹⁰, last updated July 2021

- **Development contributions** (paragraph 34)
Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure). Such policies should not undermine the deliverability of the plan.
- **Planning conditions and obligations** (paragraph 58)
Where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. The weight to be given to a viability assessment is a matter for the decision maker, having regard to all the circumstances in the case, including whether the plan and the viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force. All viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance, including standardised inputs, and should be made publicly available.
- **Achieving sustainable development** (paragraph 8)
Achieving sustainable development seeks to achieve net gains across economic, social and environmental objectives. This includes improving biodiversity.
- **Conserving and enhancing the natural environment** (paragraph 174)
Planning policies and decisions should enhance the local and natural environment by minimising impacts on and providing net gains for biodiversity, including by establishing coherent ecological networks.
- **Areas of Outstanding Natural Beauty** (paragraph 176)
Great weight should be given to conserving and enhancing landscape and scenic beauty in National Parks, the Broads and Areas of Outstanding Natural Beauty which have the highest status of protection in relation to these issues. The scale and extent of development within all these designated areas should be limited, while development within their setting should be sensitively located and designed to avoid or minimise adverse impacts on the designated areas.
- **Habitats and biodiversity** (paragraph 179)
Plans should identify and pursue opportunities for securing measurable net gains for biodiversity.
- **Proposals affecting the Green Belt** (paragraphs 147 to 149)
147. Inappropriate development is, by definition, harmful to the Green Belt and should not be approved except in very special circumstances.

148. When considering any planning application, local planning authorities should ensure that substantial weight is given to any harm to the Green Belt. ‘Very special circumstances’ will not exist unless the potential harm to the Green Belt by reason of inappropriateness, and any other harm resulting from the proposal, is clearly outweighed by other considerations.

149. A local planning authority should regard the construction of new buildings as inappropriate in the Green Belt. Exceptions to this are:

- (a) buildings for agriculture and forestry;
- (b) the provision of appropriate facilities (in connection with the existing use of land or a change of use) for outdoor sport, outdoor recreation, cemeteries and burial grounds and allotments; as long as the facilities preserve the openness of the Green Belt and do not conflict with the purposes of including land within it;
- (c) the extension or alteration of a building provided that it does not result in disproportionate additions over and above the size of the original building;
- (d) the replacement of a building, provided the new building is in the same use and not materially larger than the one it replaces;
- (e) limited infilling in villages;
- (f) limited affordable housing for local community needs under policies set out in the development plan (including policies for rural exception sites); and
- (g) limited infilling or the partial or complete redevelopment of previously developed land, whether redundant or in continuing use (excluding temporary buildings), which would:
 - not have a greater impact on the openness of the Green Belt than the existing development; or
 - not cause substantial harm to the openness of the Green Belt, where the development would re-use previously developed land and contribute to meeting an identified affordable housing need within the area of the local planning authority.

2.2 Viability Planning Practice Guidance (PPG)¹¹, last updated May 2019

There is extensive guidance within the PPG which has been considered as part of this assessment but the following excerpts provide an overview.

- Viability assessment is a process of assessing whether a site is financially viable, by looking at whether the value generated by a development is more than the cost of developing it. *(Paragraph 10)*
- 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. *(Paragraph 10)*
- It is the responsibility of site promoters to engage in plan making, take into account any costs including their own profit expectations and risks, and ensure that proposals for development are policy compliant. Policy compliant means development which fully complies with up to date plan policies. A decision maker can give appropriate weight to emerging policies. The price paid for land is not a relevant justification for failing to accord with relevant policies in the plan. Landowners and site purchasers should consider this when agreeing land transactions. *(Paragraph 2)*

- Where up-to-date policies have set out the contributions expected from development, planning applications that fully comply with them should be assumed to be viable. *(Paragraph 6)*
- Assessing the viability of plans does not require individual testing of every site or assurance that individual sites are viable. Plan makers can use site typologies to determine viability at the plan making stage. *(Paragraph 3)*

2.3 The Environment Act (2021)

The Environment Act 2021 provides that grants of planning permission in England be subject to a condition requiring biodiversity value attributable to the development to exceed the pre-development biodiversity value of the onsite habitat by a relevant percentage. Schedule 14 of the Environment Act 2021 sets the relevant percentage at a minimum of 10% and empowers the Secretary of State by regulations to vary the relevant percentage. Biodiversity Net Gain should be achieved even where there are no losses as an integral part of sustainable development.

The Biodiversity Net Gain requirements of The Environment Act 2021 are effective from November 2023.

2.4 Cannock Chase District Council (Local Planning Authority)

The following Preferred Policy Direction was the subject of consultation in spring 2021 on the emerging new Local Plan¹².

‘POLICY SO7.2: BIODIVERSITY NET GAIN Major development proposals will provide a net gain in biodiversity through the restoration and re-creation of priority habitats and ecological networks, and the protection and recovery of protected and priority species populations. The delivery of net gains in biodiversity will be designed to support the delivery of a District-wide biodiversity network based on the designated biodiversity sites. The level of biodiversity net gain required will be proportionate to the type scale and impact of development. Enhancements for wildlife within the built environment will be sought where appropriate [from] all scales of development. Major development schemes will provide for the long term management of biodiversity features retained and enhanced within the development site and of those features created off site to compensate for development impacts.’

2.5 Cannock Chase Area of Outstanding Natural Beauty (AONB) Management Plan 2019-2024¹³

- **Purpose of the Management Plan**

It is a locally prepared and agreed statement of public policy for managing this nationally important landscape.

The AONB is governed by the Joint Committee (JC) which has devolved authority from the five local authorities that cover the Chase (Staffordshire County Council, Stafford Borough, Cannock Chase District, South Staffordshire District and Lichfield District). It is the Joint

Committee's responsibility to produce this Plan as required by Section 89 of the Countryside and Rights of Way Act (CRoW) 2000 and to ensure it is reviewed every five years. This Plan aims to meet and then go beyond this statutory requirement. Through telling the story of this special, nationally important landscape it aims to galvanise, prioritise and inspire action.

- **National leadership in biodiversity net gain**

The measures already being taken using developer funding to protect the Cannock Chase SAC from the negative impacts of new housing development, and the pioneering role being taken by Lichfield District Council in planning policy, provide a launch pad for the AONB Partnership to respond proactively to the development that will take place around the Chase. This will enable the Partnership to relieve pressure on the nature and natural beauty in the Chase, becoming a pathfinder amongst other protected landscapes.

Policy WN10: The AONB Partnership will take a leading role in supporting and facilitating practical delivery of biodiversity net gain, through measures such as Section 106 and the Community Infrastructure Levy, to provide suitable areas of new habitat that enhance the resilience and recovery of wildlife living in the AONB.

3. METHODOLOGY

Viability assessment is a process of assessing whether a site is financially viable, by looking at whether the value generated by a development is more than the cost of developing it. (Text in italics in the Methodology section has been taken from the Viability PPG¹¹).

3.1 Value generated by development

Gross development value is an assessment of the value of development. For residential development, this may be total sales and/or capitalised net rental income from developments.

For broad area-wide or site typology assessment at the plan making stage, average figures can be used, with adjustment to take into account land use, form, scale, location, rents and yields, disregarding outliers in the data. For housing, historic information about delivery rates can be informative.

For viability assessment of a specific site or development, market evidence (rather than average figures) from the actual site or from existing developments can be used. Any market evidence used should be adjusted to take into account variations in use, form, scale, location, rents and yields, disregarding outliers. Under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan.

Value generated by development is drawn from the house price data prepared as part of the Housing Needs Assessment¹⁴ produced by AECOM in February 2022 for the Cannock Wood Parish Neighbourhood Plan Working Group. This applies to the parish as a whole where there were 441 residential properties in 2021. Additional sources include the government's UK House Price data relating to Cannock Chase District Council area and the nine regions of England.

Consideration is given to the typologies in terms of those within the settlement boundary (where the BNG uplift policy does not apply) and those outside the settlement boundary (where the BNG uplift policy does apply). Due to the constraints imposed by planning policies at national, local and neighbourhood levels, no major development and only a very low number of developments are anticipated outside the settlement boundary.

As the whole of the Neighbourhood Plan area lies within the Cannock Chase Area of Outstanding Natural Beauty and as the BNG uplift policy only applies within green belt, it is not considered likely that there will be any major commercial development proposed in the small parish of Cannock Wood; therefore no data has been presented in this assessment relating to such potential land use.

3.2 Cost of development

Assessment of costs should be based on evidence which is reflective of local market conditions. As far as possible, costs should be identified at the plan making stage. Plan makers should identify where costs are unknown and identify where further viability assessment may support a planning application.

Costs include:

- *build costs based on appropriate data, for example that of the Building Cost Information Service*
- *abnormal costs, including those associated with treatment for contaminated sites or listed buildings, or costs associated with brownfield, phased or complex sites. These costs should be taken into account when defining benchmark land value*
- *site-specific infrastructure costs, which might include access roads, sustainable drainage systems, green infrastructure, connection to utilities and decentralised energy. These costs should be taken into account when defining benchmark land value*
- *the total cost of all relevant policy requirements including contributions towards affordable housing and infrastructure, Community Infrastructure Levy charges, and any other relevant policies or standards. These costs should be taken into account when defining benchmark land value*
- *general finance costs including those incurred through loans*
- *professional, project management, sales, marketing and legal costs incorporating organisational overheads associated with the site. Any professional site fees should also be taken into account when defining benchmark land value*
- *explicit reference to project contingency costs should be included in circumstances where scheme specific assessment is deemed necessary, with a justification for contingency relative to project risk and developers return.*

For the purpose of this Viability Assessment the costs to be considered are not as wide-ranging as those quoted above which provide guidance principally to those preparing viability assessments in relation to contributions for affordable housing and s106/CILs. Costs for brownfield development sites have not been considered as there is little or no such land in the green belt parts of Cannock Wood.

The Local Government Association's Planning Advisory Service guidance⁶ reports that 'Salford Borough Council assessed the impacts of BNG on viability for their Local Plan and a background paper sets out the conclusions of this, alongside other issues raised with their Local Plan policy for 10% BNG. The conclusion was that 'net gain delivery costs are low as a proportion of overall costs'.

The following methodology established⁶ by Swale Borough Council's Viability Assessment of uplift in BNG has been adopted in this Viability Assessment - the marginal cost of the Cannock Wood green belt BNG uplift policy is based on the principles adopted by the Defra Impact Assessment⁷, using the central estimate cost per dwelling for the West Midlands.

4. VALUE GENERATED BY DEVELOPMENT

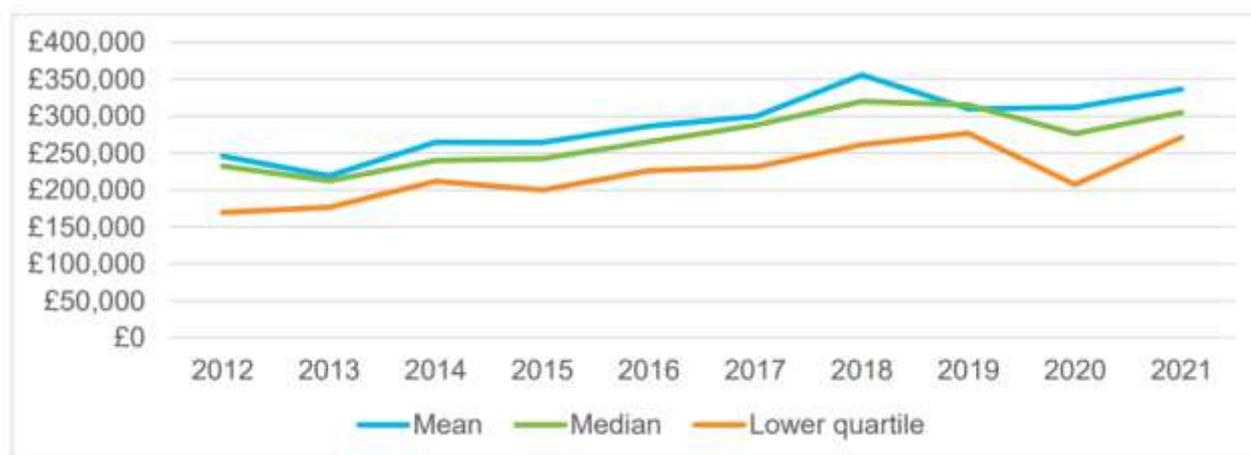
Value generated by development is drawn from various sources including house price data prepared as part of the Housing Needs Assessment¹⁴ produced by AECOM in February 2022 for the Cannock Wood Parish Neighbourhood Plan Working Group. This applies to the parish as a whole where there were 441 residential properties in 2021. **(Text in italics in the Value section has been taken from the Housing Needs Assessment¹⁴, as have Tables 1,2 and 3 and Figure 2.)** Additional sources include the government's UK House Price data relating to Cannock Chase District Council area and the nine regions of England.

4.1 House prices

House prices provide an indication of the level of demand for homes within an area. An entry-level home in Cannock Wood currently (Dec 2021) costs £271,250. This is not far below the median of £305,000 because housing in Cannock Wood is fairly homogenous, being dominated by detached housing. The graph below, Figure 2, looks at selected measures of house prices in Cannock Wood. It shows that prices have generally risen over the long term despite some year-on-year fluctuations. The mean, median and lower quartile have followed a similar trend line, ending 37%, 31% and 60% higher in 2021 than 2012.

The sample size of transactions in Cannock Wood in recent years has been extremely small, with the effect that average measures disguise a wide range of price points and risk not fully capturing the available options. This study relies primarily on the average costs of housing in the most recent year of data because it is the most up-to-date indication of costs, which change over time.

Figure 2: House prices by quartile in Cannock Wood, 2012-2022



Source: Land Registry PPD

Table 1 below breaks down house prices by type, presenting the median within each type. It emphasises the lack of variety in the housing stock, with only detached or semi-detached homes sold in most years. It also reveals significant volatility in the average price per year. This is primarily a function of the small sample size, which means that the houses that happen to go on sale in a given year have an outsized impact on the average. A particularly high starting figure in 2012 and particularly low final figure in 2021 suggests that detached homes have not increased in value, but this is again a product of the sample size rather than indicative of stagnating values.

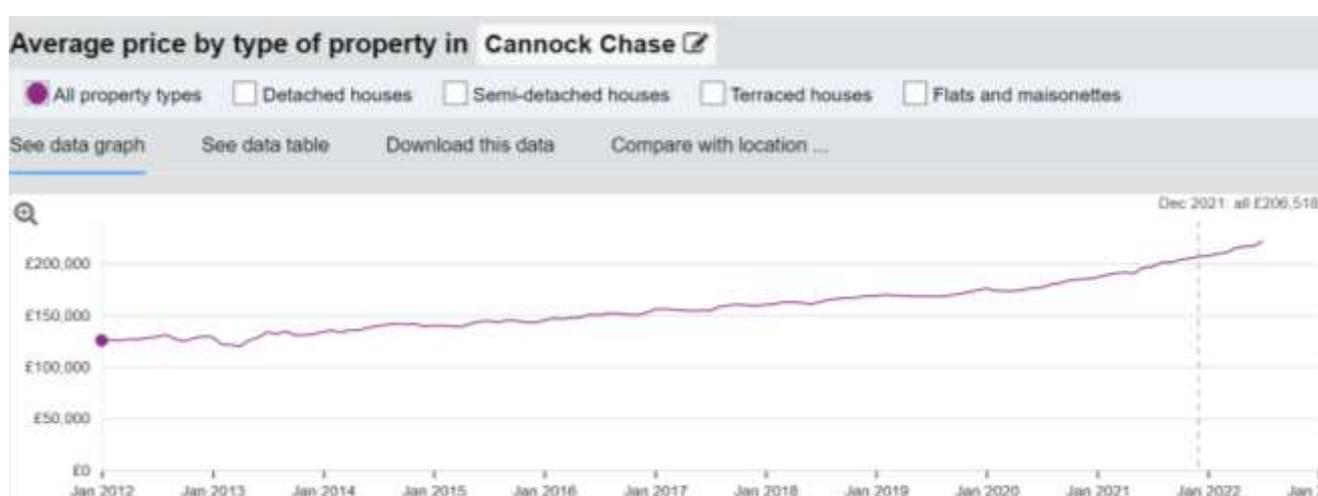
Table 1: Median house prices by type in Cannock Wood, 2012-2021

Type	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Detached	£325,000	£222,500	£265,000	£315,000	£290,000	£307,500	£340,000	£337,000	£495,000	£310,000
Semi-detached	£195,000	£178,000	£199,000	£187,500	£210,000	£228,000	£200,000	£213,000	£210,000	£260,000
Terraced	£226,000	£325,000	-	£199,000	£180,000	-	-	-	-	-
Flats	-	-	-	-	-	-	-	-	-	-
All Types	£232,250	£212,500	£240,000	£242,475	£265,000	£287,500	£320,000	£315,000	£276,250	£305,000

Source: Land Registry PPD

Median house prices across the Cannock Chase District Council area taken as a whole are significantly lower than the values for Cannock Wood. Figure 3 reflects the government UK Price Index data for the Cannock Chase with an average price of £206,518 in December 2021.

Figure 3: UK House Price Index for Cannock Chase (based on Land Registry data of completed sales)



4.2 Dwelling type

Table 2 presents Census 2011 data on the stock of housing by type in the Neighbourhood Plan area and the wider district and country. It is immediately clear that Cannock Wood is dominated by detached housing (at a proportion double that of the district or country) and semi-detached housing, leaving just 5% of homes for the other categories of terraces and flats. This is not unusual for a rural village.

Table 2: Accommodation type, Cannock Wood, 2011

Dwelling type	Cannock Wood	Cannock Chase	England
Detached	63.3%	29.3%	22.4%
Semi-detached	31.3%	47.0%	31.2%
Terraced	2.5%	12.0%	24.5%
Flat	2.9%	11.6%	21.2%

Source: ONS 2011, AECOM Calculations

It is also relevant to consider the provision of bungalows, which are a clear preference among local people according to the household survey results. While the Census does not record bungalows as a separate category, the Valuation Office Agency provides this information. The parish is too small an area for VOA data. However, it is worth noting the proportion of homes that are bungalows in the wider area (including Cannock Wood but also Prospect Village, with a total population 63% larger than the parish itself). Across this area 23% of homes are bungalows, compared with 13% across Cannock Chase and 9% across England as a whole.

4.3 Dwelling size

In terms of size, again using Census 2011 data, Cannock Wood is characterised by higher than average proportions of larger homes, with nearly double the proportion of 4+ bedroom homes existing across the wider district and correspondingly fewer smaller properties as shown in Table 3. That said, on its own terms the size mix in Cannock Wood is relatively well-balanced, with a majority of 3-bedroom homes (as is the case nationwide) and nearly equal proportions of homes that have fewer and more bedrooms.

Table 3: Dwelling size (bedrooms), various geographies, 2021

Number of bedrooms	Cannock Wood	Cannock Chase	England
1	3.7%	10.6%	11.8%
2	17.6%	25.3%	27.9%
3	51.3%	48.3%	41.2%
4	22.4%	13.4%	14.4%
5+	5.1%	2.2%	4.6%

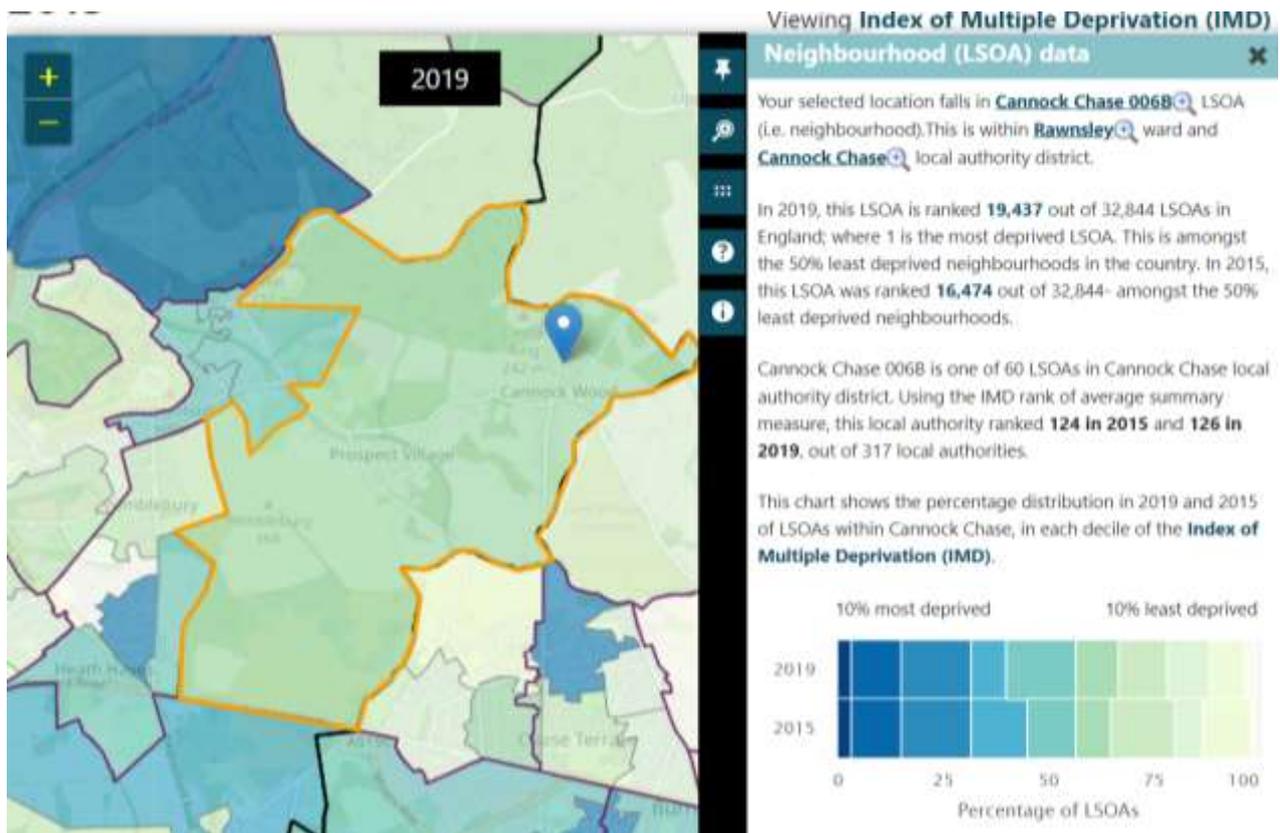
Source: ONS 2011, AECOM Calculations

4.4 Relative degree of deprivation

For the government’s indices of deprivation, Cannock Wood is too small to be considered on its own. In the map extracts shown in Figure 4 below, the area outlined in yellow includes a nearby area which is characterised by lower value properties than those in Cannock Wood as illustrated in the property ‘heat-map’ in Figure 5 below. Even so, the outlined area falls amongst the 50% least deprived neighbourhoods in the country.

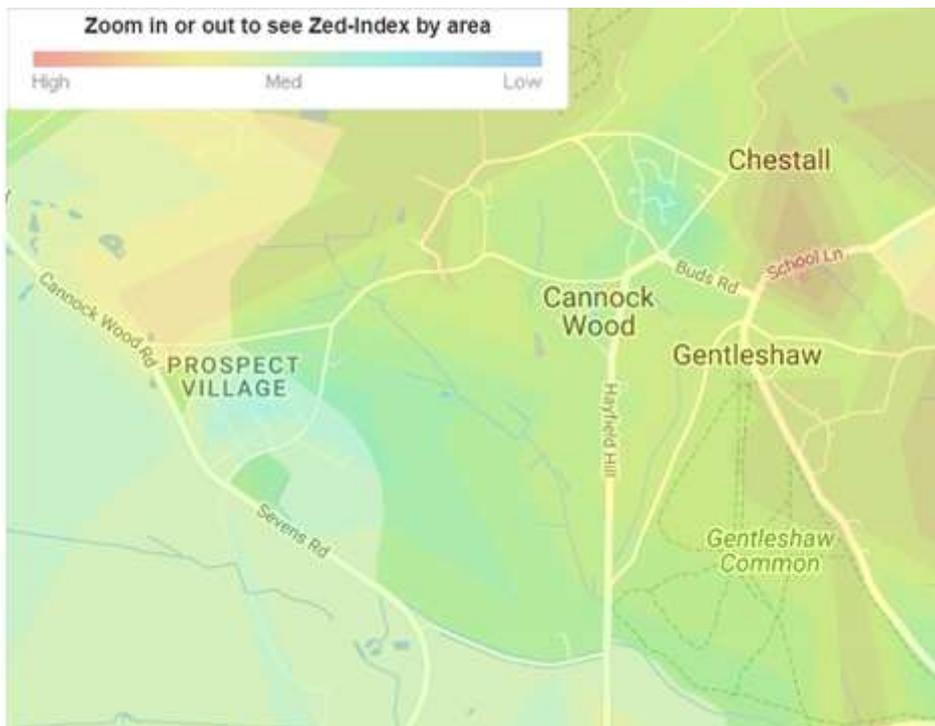
Although no more than indicative, a visual comparison of the Cannock Wood settlement boundary indicated in Figure 1 with the colour shading indicated in Figure 5 shows that the lowest priced housing is within the village centre with higher values in the surrounding green belt parts of the parish (to the limited extent that any properties in the green belt parts of the parish are on the market).

Figure 4: Deprivation indices (outlined area includes Cannock Wood and some nearby locations)



[English indices of deprivation 2019: mapping resources - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

Figure 5: Heatmap of UK property values (www.primelocation.com/heatmaps)



The Zed index is based on current asking prices (September 2022).

4.5 National and regional comparison of house prices

Average property prices for the English regions is shown in Table 4 below, based on the government’s UK price index data from the Land Registry at December 2021. The date has been chosen to enable direct comparison with the available information for Cannock Wood from the study made by AECOM for the Housing Needs Assessment, showing a median price for Cannock Wood of £305,000, as shown in Figure 6 below. The price for Cannock Wood is very close to that for the South West of England and 30% above that for the West Midlands region.

Table 4: Average property prices for the English regions

Average property price	
English region	UK House Price Index (Land Registry data for December 2021)
London	£513,572
South East	£370,762
East	£334,997
South West	£305,843
West Midlands	£233,331
East Midlands	£230,570
North West	£198,622
Yorkshire and The Humber	£193,481
North East	£147,847

Figure 6: Average property prices for the English regions and Cannock Wood.



5. COST OF DEVELOPMENT

The marginal cost of the Cannock Wood green belt BNG uplift policy is based on the principles adopted by the Defra Impact Assessment, using the central estimate cost per dwelling for the West Midlands. **(Text in italics in the Cost section has been taken from the Defra Impact Assessment⁷ as have Tables 5, 6 and 7.)**

5.1 Key assumptions

The analysis is based around three scenarios, which each represent a version of the options available to developers under biodiversity net gain:

- *scenario A, the developer is able to avoid significant loss of distinctive habitats, and therefore mitigates and enhances on site. We assume ‘no net loss’ is achieved via site design and 10% net gain achieved through habitat creation on-site. This scenario is modelled and reflects the expected minimum cost of the policy*

- *scenario B, the developer is unable to compensate all impacts on-site, but is able to secure local compensatory habitat creation including purchasing statutory biodiversity credits provided by government-backed provision. This scenario is not modelled explicitly, as this would require making assumptions for what an individual development, which are subject to site specific and spatial variation, might look like*

- *scenario C, the developer is unable to compensate on site and is unable to find local compensatory habitat in which to invest. Instead they have to pay for their units through the biodiversity unit offsetting market, which may involve paying for statutory biodiversity credits offered by government for a fixed price. This scenario is modelled and reflects the likely maximum cost of the policy, and provides a ceiling to offset market prices. We assume that the biodiversity unit price is applied to the total biodiversity unit loss plus 10% net gain.*

The realisation of the upper and lower bounds is extremely unlikely. Scenario A necessitates that it is possible for developers to completely avoid the loss of distinctive habitats (i.e. by building around the habitat) while also creating habitat in the development. It is improbable that this would be effective or even possible for all developments. Scenario C would only occur if developers failed to respond to incentives and did not actively work to mitigate on site or to decrease costs. It is reasonable to assume that developers would carry out on-site and/or off-site mitigation when it is more time and resource effective to do so than solely relying on the market to mitigate their developments. In summary, the key uncertainty is the extent to which developers mitigate their developments on site or off site. In reality, we expect costs to be within this distribution, and evidence from existing biodiversity off-setting schemes suggests that the majority of mitigation will take place onsite. This also supports the assumption we made in the consultation Impact Assessment where we assumed 75% of net gain would be delivered on-site – this was not challenged in consultation responses and was supported anecdotally. In light of this, our central estimate assumes that Scenario A occurs 75% of the time and Scenario C 25%. Therefore, Scenario B is captured implicitly in the range between scenario A and C.

For the green belt areas of Cannock Wood, a higher weighting towards Scenario A is considered likely; however, in the interests of prudence, the central estimate of the Defra Impact Assessment is used in this Viability Assessment.

5.2 Pass through of costs to land prices

When mandatory requirements are imposed *that are transparent and clearly defined across all developers, developable land prices should fall to absorb the policy cost as developers ‘pass through’ the cost. Evidence from industry and academia supports the theory, showing that development costs are passed back through to land prices once the market has adjusted to the new policy. House prices and developer profits appear inelastic with respect to extra costs, with land prices absorbing the change.*

Developable land is valued using a residual land value calculation: the maximum revenue a developer could expect to receive from sales, minus the minimum cost needed to achieve this, risk factors and a profit margin. The sale price is set externally by housing demand variables (including wages and interest rates). Profit margins are set largely by competition between developers. Therefore, these things are unresponsive to cost increases and land prices adjust instead.

*For this reason, we would expect to see most of the monetisable costs (and benefits) to developers passed through to the price of land that has planning permission, thereby impacted landowners. In the case of additional development costs, this will revise down the result of a residual land value calculation: there will be a dampening effect on the uplift to the price of land following planning permission. **Therefore, we anticipate that developers or house buyers should not bear the cost of biodiversity measures if they are mandatory and apply uniformly to all developers for a given piece of land.***

Based on the above, we use a conservative assumption for this impact assessment that 90% of costs to developers are passed through to the post-planning-permission uplift in developable land values, which represents a loss (i.e. a cost) to land owners. For the purposes of this analysis, we assume that while the costs imposed on developers are direct, the pass through effect that impacts landowners is indirect. This indirect effect is contained within the headline figures since it is a pass through (i.e. a proportion) of direct effects.

5.3 Costs to developers of delivering 10% net gain

Table 5 displays the regional average delivery costs per building unit to residential developers under each scenario for a 10% net gain. Delivery costs were calculated by averaging estimated local authority costs and dividing by housing density.

Table 6 considers the build costs of residential development (£/m²) by region. The subsequent columns are estimated by multiplying according to average greenfield (0.033 ha) residential development sizes. These figures were used to find net gain delivery costs (Table 5) as a proportion of build costs shown in Table 7 for greenfield developments. Our analysis demonstrates that, while there is a range of expected cost from delivery of net gain, relative to build costs they are relatively small for greenfield (between 0.1% and 3.9%) developments.

Regions in the Midlands and the North have the highest potential costs as a percentage of build costs, but also have lower developable land prices which indicates potential for site specific housing viability issues. This statement is very broad brush because there is a large degree of variation in developable land prices (and house prices) within the Midlands and the North. Table 4 and Figure 6 show that Cannock Wood is on a par with the South West region and therefore showing there is no such indication of potential for site specific housing viability issues in the green belt areas of Cannock Wood.

Table 5: Net gain delivery costs for a 10% net gain for greenfield development (residential)

Region	Estimated biodiversity unit loss per ha of development	Average housing density	Costs per housing unit (£, 2017 prices)		
			Scenario A	Central estimate	Scenario C
East	7.3	25	175	1,018	3,545
East Midlands	7.7	27	161	1,011	3,562
London	7.6	64	110	467	1,538
North East	8.2	24	192	1,159	4,059
North West	8.0	26	192	1,137	3,972
South East	7.4	27	162	948	3,305
South West	7.0	25	170	998	3,481
West Midlands	7.3	26	172	1,003	3,496
Yorkshire and The Humber	8.0	24	203	1,212	4,242

Table 6: Residential build costs

Region	Build costs (£/m ²)	Average m ² of new dwelling	Build costs (£/ new dwelling, 2017 prices)
East	1,240	98	121,029
East Midlands	1,316	100	131,067
London	1,516	82	124,606
North East	1,228	93	113,951
North West	1,291	94	121,896
South East	1,391	101	140,287
South West	1,203	100	120,399
West Midlands	1,266	90	113,733
Yorkshire and The Humber	1,115	97	108,126

Table 7: Greenfield delivery costs for 10% net gain as a proportion of build costs

Region	<i>(delivery costs by scenario, as a % of build costs)</i>		
	Scenario A	Central estimate	Scenario C
East	0.1	0.8	2.9
East Midlands	0.1	0.8	2.7
London	< 0.1	0.4	1.2
North East	0.2	1.0	3.6
North West	0.2	0.9	3.3
South East	0.1	0.7	2.4
South West	0.1	0.8	2.9
West Midlands	0.2	0.9	3.1
Yorkshire and The Humber	0.2	1.1	3.9

5.4 Marginal costs to developers of delivering an additional 10% net gain

A sensitivity analysis was performed as part of the Defra Impact Assessment⁷ which shows that doubling (to 20%) the net gain percentage increases costs to developers by 19%.

Table 8 shows the marginal cost to developers of delivering 20% net gain using the central estimate cost from the Defra Impact Assessment for the West Midlands.

Table 8: net gain delivery costs per housing unit

Costs of net gain delivery per housing unit			
	For the first 10% net gain	Additional costs of uplifting net gain by 10%	Total cost of delivering 20% net gain
<i>Derivation of amounts</i>	<i>Central estimate, Table 5</i>	<i>19% of cost shown in first column of Table 8</i>	<i>Sum of previous two columns in Table 8</i>
West Midlands	£1,003	£191	£1,194

Table 9 shows the cost of net gain delivery as a percentage of build costs:

Costs of net gain delivery as a proportion of build costs			
	Residential build costs	% of build costs of delivering mandatory 10% net gain	% increase in build costs of uplifting net gain by 10% to 20% net gain
<i>Derivation of amounts</i>	<i>Table 6</i>	<i>£1003 cost from Table 8 as % of amount in first column of Table 9</i>	<i>£191 cost from Table 8 as % of amount in first column of Table 9</i>
West Midlands	£113,733	0.9%	0.2%

The study⁸ prepared for Kent County Council noted that:

‘Although quantifying and monetising the benefits and costs of changes to natural capital is outside the scope of this study, and not part of formal development viability process, it should be noted that the financial cost of implementing BNG can actually lead to enhanced values. **Developers should bear in mind that enhanced value could manifest itself in higher residential values being achieved for units which would increase viability.** We have not included a value premium for this but it is clear that there are many benefits which developers should also consider when providing BNG. Also it is likely that developers will find that delivering BNG will align with their corporate social responsibility and contributions to carbon net zero.’

A marginal uplift of 10% in net gain may, therefore, be cost free or even produce a good return on investment for a very small initial outlay of less than 0.1% of median sale value of £305,000 in the AONB setting of Cannock Wood.

6. CONCLUSION

The government favours a high level of BNG in principle. Higher property values in some regions and local areas enable a greater contribution to biodiversity than the minimum in more disadvantaged areas without affecting the viability of development.

House values in Cannock Wood are 30% above average for the West Midlands region. The explanation for this lies in the Area of Outstanding Natural Beauty setting, the very high proportion of detached properties compared with the national levels and the high proportions of larger dwelling sizes (3,4, and 5+ bedrooms) compared with national levels. Development value in Cannock Wood is on a par with South West England, where the Defra Impact Assessment does not envisage any viability issues.

With careful design and early consideration, on site BNG can be delivered at no or little cost. When delivered on site, BNG is usually cost-neutral. If biodiversity net gain costs are significant, it is the landowner that will bear them rather than the developer.

Costs of BNG are small in relation to other costs. The majority of the costs of BNG is in achieving the initial minimum 10% required by the Environment Act 2021 and doubling that to 20% does not double the cost of achieving a higher level of net gain. A 100% increase in BNG (from 10% to 20%) costs only an extra 19%, and in monetary terms the extra cost averages £191 per dwelling unit.

As the BNG uplift policy applies only in the rural green belt parts of Cannock Wood, it is anticipated that on-site delivery will be possible which will reduce the cost of BNG further.

The additional cost is less than 0.1% of current median sales value and therefore the viability of developments is not significantly impacted by the BNG uplift policy in the green belt parts of Cannock Wood.

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