

For: Elmbridge Borough Council

Biodiversity Net Gain: Commentary Note
Final

July 2023
DSP23834



1. Introduction & context

- 1.1. Elmbridge Borough Council (EBC) appointed Dixon Searle Partnership (DSP) to conduct a Viability Assessment (completed in March 2022) as part of the wider evidence base informing the new Local Plan. The Council has since completed the Regulation 19 Consultation and is looking to submit the plan for examination by the Planning Inspectorate in summer 2023.
- 1.2. Policy ENV6 of the Council’s draft plan sets out a requirement for development to meet the national minimum of 10% Biodiversity Net Gain (BNG) on all sites unless an exemption applied. The DSP Viability Assessment (2022) reflected this requirement as part of the overall set of assumptions for the study.
- 1.3. The Council is therefore intending to strengthen the ENV6 policy requirement to 20% BNG and has asked DSP to provide a high-level commentary note to consider the potential viability impact on development of this proposed increase in BNG on qualifying sites.
- 1.4. A number of LPAs are also seeking to or have sought to strengthen environmental policies by requiring BNG above the national minimum. Guildford Borough Council (GBC) successfully adopted their Development Management Policies in March 2023 following Examination in November 2022 which included a 20% BNG requirement. DSP supported GBC during this process and the Inspector concluded: *“Having regard to this evidence, in relation to build and other development costs, I am satisfied that the impact of a 20% BNG policy on viability in Guildford Borough would be marginal and as such would not undermine the deliverability of the LPSS”* and goes on to say that *“whilst 10% BNG strikes the right balance nationally between the ambition for development and the pressing need to reverse environmental decline, 20% BNG strikes the right balance between those objectives in the Borough”*.

2. Costs & Potential Viability Impact

- 2.1. The Environment Act 2021 introduced a requirement for new development to deliver a minimum 10% net gain in biodiversity either on or off site. The requirement is due to come into force in November 2023 with a later 2024 commencement date for small sites. LPAs are able to set higher targets subject to feasibility and achievability noting the potential impact on development costs¹. In summary a ‘net gain’ in development is a *“means of ensuring that there is an overall increase in habitat area or quality following a new development”*². At a site-

¹ DEFRA: Consultation on Biodiversity Net Gain Regulations and Implementation (January 2022), page 15.

² Biodiversity net gain and local nature recovery strategies: Impact Assessment (15/10/2019)

specific level, this will typically be assessed using the Defra biodiversity metric (not further explained here).

- 2.2. In the context of Elmbridge Borough, we understand that the emerging planned site supply is predominantly for sites on Previously Developed Land (PDL) and therefore the overall net gain baseline is at a lower level compared to greenfield sites i.e. the cost to achieve a ‘net gain’ of 10% or 20% is likely to be less, typically, than in comparison to development on greenfield sites.
- 2.3. The DSP Viability Assessment (2022) assumed costs to achieve the 10% BNG requirement in line with the Government’s Impact Assessment² (IA) (specifically Table 19 and 20), based on ‘Scenario B’ (i.e. that 75% of BNG requirements could be met on-site and 25% met through off-site contributions)³. Scenarios A and C are noted to be “extremely unlikely” whereas Scenario B represents an appropriate blend. The IA also indicates that the impact of changing the level of BNG from 10% to 20% increases the costs to developers by approximately +19% from the IA baseline (as set out in Tables 19 and 20). Table 1 below shows a comparison of the cost allowance assumed within the 2022 EBC viability assessment and then further analysed on a £/sq. m. basis in comparison with other typical development costs in Table 2.

Table 1: BNG Cost assumptions (assuming Scenario ‘B’)

Site Type	10% BNG extra-over cost (% of base cost)	20% BNG extra-over cost (% of base cost)
PDL	0.10%	0.12%
Greenfield	0.70%	0.83%

³ Scenario B is described in the Impact Assessment as “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”.

Table 2: BNG Costs £/sq. m. basis (assuming Scenario 'B')

Policy Costs £/sq. m.	PDL	Greenfield
10% BNG extra-over cost <i>(£/sq. m. - assuming houses only)</i>	£1.43	£10.00
20% BNG extra-over cost <i>(£/sq. m. - assuming houses only)</i>	£1.70	£11.90
Difference £/sq. m.	£0.27	£1.90
Example other development costs £/sq. m. <i>(based on the DSP Local Plan & CIL Scoping Viability Assessment (2022))</i>		
Base Build costs (Estate Housing)	£1,428	
Sustainable design/construction standards (houses)	£62.83	
Indexed CIL Rate	£185.26	

2.4. From the above, it is clear the cost of moving from a 10% to 20% BNG requirement is minimal, equating to approximately £0.27/sq. m. assuming a PDL site type. The total cost of achieving 20% BNG (again assuming a PDL site type) equates to £1.70/sq. m. or approximately £158 per dwelling⁴.

2.5. We understand since the publication of the IA there has been some work undertaken independently on the costs of biodiversity units relating to off-site credits for meeting the BNG targets. The Government's impact assessment assumed costs of around £11,000/biodiversity unit (BU). A study by Eftec⁵, suggests a figure of around £20,000/BU. Clearly, a strategic study of the type carried out by DSP considering the viability of the Plan as a whole, and over a period of 15 years, can only consider 'policy costs' at a high, broad level. As the cost of meeting either 10% or 20% BNG will be site specific, overall cost allowances need to be made. As a further analysis, we also considered the impact of assuming 'Scenario C' costs of the IA representing a 'worst-case scenario' as a proxy for the increased cost per BU. See Table 3 and 4 below.

Table 3: BNG Cost assumptions (assuming Scenario 'C')

Site Type	10% BNG extra-over cost <i>(% of base cost)</i>	20% BNG extra-over cost <i>(% of base cost)</i>
PDL	0.50%	0.60%
Greenfield	2.40%	2.86%

⁴ Assuming a 3-bed House at 93sq. m.

⁵ Eftec (2021) Biodiversity Net Gain: Market Analysis Study

Table 4: BNG Costs £/sq. m. basis (assuming Scenario 'C')

Policy Costs £/sq. m.	PDL	Greenfield
10% BNG extra-over cost <i>(£/sq. m. - assuming houses only)</i>	£7.14	£34.27
20% BNG extra-over cost <i>(£/sq. m. - assuming houses only)</i>	£8.57	£40.84
Difference £/sq. m.	£1.43	£6.57
Example other development costs £/sq. m. <i>(based on the DSP Local Plan & CIL Scoping Viability Assessment (2022))</i>		
Base Build costs (Estate Housing)	£1,428	
Sustainable design/construction standards (houses)	£62.83	
Indexed CIL Rate	£185.26	

- 2.6. From the above, assuming 'Scenario C' cost assumptions continues to indicate an overall minimal cost impact of 20% BNG, equating to approximately £1.43/sq. m. or £796/dwelling. This represents a difference of approximately 0.4% or £1.16/sq. m. between the costs for Scenario 'B' and Scenario 'C' on PDL sites.
- 2.7. On this basis, even with the increased cost indications discussed above, we consider a 20% BNG requirement would not undermine the ability of development proposed through the plan to come forward viably in support of a deliverable approach when viewed overall.
- 2.8. Finally, there is also recent precedent at examination that a 20% BNG requirement can be considered viable, supportable and justified, based on the same costs evidence as described in this note.

Biodiversity Net Gain: Viability Commentary Note ends – DSP (Final)

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