Appendix 31:

Committee Report

KEY DECISION OR FOR INFORMATION: For Information

COMMITTEE: Economy and Skills Committee

DATE: 16 February 2026

TITLE: Viability Working Group Closure Report

Ward(s): Citywide

Officer presenting the report: Alex Hearn **Job title:** Director Economy of Place

Committee Chair: Cllr Andrew Brown

Executive Director lead: John Smith: Executive Director for Growth & Regeneration

Proposal origin: Councillor

Purpose of Report:

To provide an update on the work of the Viability Working Group and recommend further exploratory work.

Evidence Base

Background

1. Following the July 2025 Economy and Skills Committee decision to convene the Development Viability Working Group, the paper summarises its findings about the profound changes to the delivery of new development in the city. It recommends work packages that could help adjust to new development norms and stimulate or accelerate regeneration activity that meets the council's ambitions for the city.

Introduction

2. The July 2025 meeting of the Economy and Skills Policy Committee agreed to convene a working group to consider and understand the viability of development in Bristol as the city experiences similar challenges felt in UK cities. In the majority of cases, building mid and higher density developments in the city (particularly in the city centre) costs more to build than its end value resulting in a change in investor appetite and a slow-down in delivery. The Viability Working Group heard that this is due to significant increases in construction costs, macro-economic conditions, housing association investment decisions and the impact of new standards and processes related to the Building Safety Act 2022.

3. In Bristol, this has been exhibiting in:
    - Difficulties with the financial viability of development in the centre and most urban parts of the city where construction costs and building densities are higher.
    - Increasing challenges related to securing the level of subsidy-free affordable housing expressed

in local plan policy through the planning process.

- A shift toward investment in single occupancy and shared living, particularly Purpose-Built Student Accommodation and the emerging Co-Living product in the centre and most built up places because this denser form of development is able to generate a return.
- A slow-down of the supply of new grade A office space, despite pent up demand and the highest rents nationally outside of London.
- A number of stalled development proposals, even with planning permission or resolution to grant.
- A further lack of supply of new homes to rent or buy, with housing need now expressed as having over 20,000 households on the Home Choice Register waiting for affordable housing, and 1700 households are living in Temporary Accommodation, including 1950 children.

4. As the Core City in the West of England region, Bristol remains fundamentally attractive to investment and development due to the size and dynamism of the economy. However, if development in parts of Bristol become unviable, this will adversely impact the council's ambitions around regeneration, inclusive and sustainable growth, and infrastructure delivery. Significantly, equity for residents through access to homes, learning and work, and financial sustainability, could become more difficult to achieve in the medium to long term.

5. Development renews the physical fabric that accommodates jobs, training, business investment, community infrastructure, culture, placemaking and a range of housing types that a well-functioning place requires. It delivers Community Infrastructure Levy and s106, including funding for transport and it secures council tax and business rates revenues (which comprise 96% of the council's core spending power in the latest settlement). Development funding is primarily sourced from institutions that create returns and sustainable income streams for pensions for millions of people across the country. Investors are therefore able to deploy - and move - funding across the country dependent of a range of factors, including the ability to secure planning permission and develop in a particular place. Development as a sector employs many people in the supply chain locally and regionally from design through to construction, including a large number of businesses in professional services.

6. If investment into parts of the city centre was to slow, this could impact the eco-system that supports and connects sectors and activities across the economy within the city and nationally. Experience in Bristol and elsewhere is that the perception of decline can spiral – lack of development activity also reduces investor confidence in the city. If value is neither created nor retained within places then they can become weaker, and the lack of development activity can lead to asset management decisions by property owners that can further disincentivise investment – places can become run-down if investment dries up.

Viability Working Group

7. The membership of the Working Group consisted of a core membership nominated by Whips and included a number of members of the Economy and Skills Committee. Members from the Local Plan Working Group and Planning Committees were invited to sessions focussed on the "Viability Calculation" applied when assessing non-policy compliant affordable housing. The core membership was Cllr Andrew Brown (chair), Cllr Jenny Bartle, Cllr Toby Wells, Cllr Serena Ralston, Cllr Lisa Stone, Cllr Tom Renhard, Cllr Fabian Breckels, Cllr Susan Kollar, Cllr Richard Eddy.

8. Officers from Planning, Regeneration and Housing Delivery joined the Director of Economy of Place to contribute to discussions. Development professionals included senior representatives from the Sovereign Housing Group, The NHS Integrated Care Board, Alford Hall Monaghan Morris, Arcadis, Goram Homes, Savills, Avison Young, Vistry Homes and The Hill Group.

9. The Economy and Skills Committee agreed to examine the following themes during structured briefing and discussion sessions taking evidence from officers and development professionals.
   i. **Understanding development viability**: refresher training for members in the residual valuation method.
   ii. **Housing types and tenures across the city**: market and affordable tenures, how they are funded and the role of registered providers of affordable housing.
   iii. **Density, height and the Building Safety Act:** height, density and so called 'gentle density'; and the implications of the Building Safety Act.
   iv. **Construction costs:** what is driving cost inflation, what can help slow it down and why is the UK/Bristol so expensive?
   v. **Construction skills and supply chain:** understanding the challenges in the labour market, supply chain and how this is being addressed.
   vi. **Infrastructure funding and delivery:** infrastructure planning, planning obligations (such as s106 and Community Infrastructure Levy) and working with partners, such as the Integrated Care Board (ICB)
   vii. **The council's roles:** as planning authority, landowner; developer (including council housing and Goram Homes) and partnerships.

10. The final session also provided an opportunity for working group members to discuss recommendations for further work and these are summarised in paragraphs 21 and 22 later in this paper.

Summary of Key Findings

11. This section consists of a summary of key findings from the Working Group sessions that explored how nationally prevalent characteristics are being exhibited in Bristol. Each of the issues identified are significant in their own right. Taken together it is apparent that the approach to investment and development is changing in a profound way.

12. It is clear that the factors influencing investment and development viability are not short-term fluctuations but longer-term shifts that will shape new development patterns and norms in the years ahead. The way the planning system sets policy and makes decisions—alongside the council's role in regeneration and management of its estate—will play a significant part in how effectively we respond to these changes.

13. While the Working Group primarily focused on the implications for delivering homes in the city, other asset classes are facing significant headwinds. For example, despite being able to attract the highest rents for Grade A office space in the UK outside of London, new office space is also not currently viable.

14. The following paragraphs outline how development in cities like Bristol is evolving and how these trends are likely to continue for the foreseeable future.

15. Location and Scale of Opportunities

- Much of Bristol's planned growth is within relatively central or urban and built up parts of the city where development viability has become most challenging. The characteristics of Bristol's development opportunities results in a much greater proportion of new homes being apartments than houses (estimated to be an approximate split of 70:30 split) whereas the national average is approximately 30% apartments and 70% houses.
- A number of projects within these areas are struggling to realise affordable housing that meets policy expectations set out in the local plan. Where planning permission is extant, there are some sites now experiencing difficulties with financial viability or identifying a housing association partner to take on the affordable housing consented. In central Bristol, there may be a need for the council and the development community to collectively explore different ways of approaching the type of new homes and the affordable housing that can be secured through the planning process, and how these are funded.
- Bristol typically has development sites that are smaller and held under more fragmented ownership than in other core cities, which limits the ability to achieve a larger, concentrated scale of development over time.
- This challenge is compounded by the UK's preference for bespoke, less standardised design and construction approaches, which makes it harder to achieve efficiencies and consistency across multiple smaller sites.

16. The relationship between density and delivery

- The viability of city centre, mid and higher density development is currently significantly constrained. Developments further from the city centre and in the wider region are less costly, are likely to attract housing association investment and be characterised by better cashflow conditions and thus more likely to come forward.
- It does not automatically follow that lower density (included forms described as 'gentle' density) is viable in these locations, since the sites are likely to be worth more in their existing use or form, without being redeveloped. This becomes less of a challenge on sites further out of the city centre where existing use values are lower.
- To generate a value higher than the existing use value and therefore be financially viable, some sites in Bristol will require a very high density and buildings of a height that can be challenging for existing communities or those that are in principle concerned with the city's skyline.
- Single occupancy and shared living developments (such as Purpose Built Student Accommodation ((PBSA)) and Co Living) are more able to withstand viability pressures and attract institutional funding, not least because they can mitigate the impact of the Building Safety Act requirements.
- Mixed developments that comprise of a PBSA block alongside homes are coming forward as PBSA within taller buildings is often required to generate value to cross subsidise the delivery of homes for general needs, including affordable housing.
- Other than PBSA and Co living, the actual delivery profile of homes in the city could be described as being 'de-densified' where sites further out are now coming forward and in forms of housing or low to mid density apartment blocks (including that characterised by the label of 'gentle' density).

17. Construction Cost

- According to one measure, Bristol is the 8th most expensive place to construct a building in the world, and the 2nd most in the UK, after London. It is important to recognise that the UK is generally a relatively expensive place to build. The UK is a more regulated place to build than many other countries and the construction industry is less characterised by standardisation and mechanisation. A more regulated and more bespoke design and construction process inevitably drives higher build costs.
- Bristol is likely to be more expensive due to its relatively high cost of labour (because of high housing costs due to a shortage of supply), a limited and relatively lumpy pipeline with few large sites, and local planning policy requirements exacerbating a national challenge. Bearing in mind its proximity, the draw of the nationally significant infrastructure project at Hinkley Point may also be distorting the supply chain.

18. Skills and Supply Chain

- The average age of construction workers in the UK is high (42 years with over 30% 50 years and over) with approximately 140,000 unfilled vacancies in construction nationwide. There is no coordinated national or regional programme to increase skills capacity or tie together existing smaller local initiatives.
- Compared with other core cities, there are relatively few tiers one and two building contractors (i.e. larger ones) active in the city region and some smaller companies have gone into administration in recent years. This lack of depth and breadth of contractors and their supply chains (driven by the limited and lumpy pipeline referred to above) drives up cost because there are relatively few comparable projects that can be accurately 'priced' for construction without building in a premium (as in additional cost) for risk.
- Planning for and building more homes in the city will build more cost certainty into the construction process and supply chain.

19. Funding and Financial Viability

- The financial model of delivering higher density development of apartments is more cash and debt intensive than lower density or housing-led schemes where sales can contribute income during the build period. This has partly led to the trend towards institutionally funded, owned and operated buildings (particularly forms of Build to Rent) where institutional finance (such as pension funds) can forward fund the delivery of homes.
- The introduction of the Building Safety Act has required a series of physical design changes to be made to buildings, most notably the requirement for dual cores in buildings over 18 metres high, which usually equates to six storeys. This has reduced the amount of floor space within a building that can generate financial value (by around 12%) and increased the cost of constructing the building, set against a backdrop of genuinely increasing build costs.
- Engaging with the Building Safety Regulator is believed to have added 14 months to the approvals process for a building thus far, although the Regulator is now making progress with accelerating this process. The compound impact of this is that buildings over a certain height now cost substantially more, are worth less and take longer to realise a return on investment, harming viability. Forthcoming legislation is expected to bring 11–18-metre-tall buildings more formally into Building Safety Regulator oversight.

20. Affordable Housing Delivery

- There is increasing downward pressure on both the amount and type of affordable housing that can be delivered without subsidy in central, higher density developments through the planning system. This is due to a combination of reducing value available to cross subsidise affordable housing from the sale or renting of private homes, reduced interest from Registered Providers and the amount they are able to offer for taking on s106 units. In Build to Rent and Co-living schemes there is therefore an increasing trend towards the provision of affordable housing units as affordable private rent. -density developments
- Even if a level of affordable housing is deemed to be viable through the planning process, some Registered Providers (housing associations) have become averse to purchasing or building high density development of affordable housing, and in some cases anything over four storeys noting the anticipated future scope of the Building Safety Regulator).
- Nationally, many housing associations are diverting financial resources to building remediation measures related to fire safety, damp and mould which is affecting their financial capacity to fund new affordable housing.
- In response to these difficulties, the development process is now seeing more proposals for affordable private rent, a growing role of for-profit Registered Providers and the use of PBSA to generate cross subsidy for affordable housing. There is also a move towards lower density development away from central areas where grant funded affordable housing that Registered Providers are prepared to fund and deliver may result in levels beyond policy expectations.

Recommendations

21. The key findings of the Working Group sessions identified urban development in the UK is facing a profound set of challenges and these are also being acutely experienced in Bristol.

22. In discussion with Working Group members, a series of areas for further investigation have been identified that could become interventions or policy changes in the short and long term. These could define the council's response to these challenges, including to stimulate activity in the short term. These areas are:

    i. Working with the Combined Authority to understand how the council's approach to regeneration and masterplanning can create larger opportunities to build a longer-term development pipeline with a greater critical mass, including the potential for assembly or use of council assets.
    ii. Review how the council makes use of its property interests in the city to actively enable development that both delivers outcomes and helps to stimulate investment that can result in sustainable and inclusive growth.
    iii. The extent to which we can create new or revise existing policies and guidance that encourage a more productive approach to development delivery by being less bespoke and more permissive. This would include commencing a review of the Urban Living Supplementary Planning Document (SPD), noting that the Levelling Up and Regeneration Act requires that SPDs be phased out, with any replacement subject to an Examination in Public process.
    iv. Develop financial and planning policy measures that could help to stimulate delivery of affordable housing through the emerging Strategic Place Partnership (between Homes England and the Combined Authority) by maximising the use of investment or grant funding

for homes, land, development costs or infrastructure. Publish and keep under review the Affordable Housing Practice Note and supporting guidance, and review the Affordable Housing Delivery Plan, to identify different ways of securing and funding affordable housing can be applied as proposals come forward.

v. Carefully consider the potential for specific and time limited measures associated with detailed planning requirements to help stimulate development activity in the short term, supported by monitoring of effectiveness and being alert to unintended consequences. The Working Group noted that a series of time limited changes are being consulted on by the Mayor of London.

vi. Work with the Combined Authority and education partners to encourage the development of an approach construction skills to deepen and broaden the construction labour market and explore the application new technologies that can increase the rate of delivery in the medium to long term.

vii. Work to understand and recognise the potential opportunities derived from this fundamental change to development delivery, including:
   - Could the current trend of de-densification result in *more* family sized homes (including affordable housing) being delivered away from the central and more urban parts of the city, than would otherwise be realised in the city centre?
   - The emergence of new housing types that meet particular market and affordable housing requirements, such as Co-living and 'single family housing' (a way to describe Build to Rent houses as opposed to flats).
   - The opportunity for greater participation in the city by for-profit Registered Providers (FPRPs) – regulated landlords that can deliver affordable housing (including social rent), benefit from grant funding from Homes England and make use of significant institutional funding but not having to focus their resources on building remediation.
   - Support regional efforts to prepare and adopt a Spatial Development Strategy with the Mayoral Combined Authority to broadly plan for regional housing delivery that recognises the differences and complexities of investment in and planning and delivery of homes within urban, suburban and rural contexts.
   - The long-term impact of a longer and more expensive design process through the Building Safety Regulator could help to simulate more investment in modern methods of construction which can bring design standardisation, increase productivity and address long term skills and supply chain challenges. Experience in the last decade demonstrates this will only be feasible with a broader, deeper and longer-term pipeline of opportunities for new homes through the planning process.

Alternative options considered:

1. Not applicable

Officer Recommendations: -

That the Committee for Economy and Skills:

1. Notes the content of the report as a reflection of the work of the Viability Working Group and key

findings.

2. Notes the recommendations from the Viability Working Group and instructs officers to investigate the potential for these in responding to both systemic changes to delivery models or stimulate activity, and report back to committee in due course.

Corporate Strategy alignment:

1. The investment and delivery of new homes is a foundational principle to every Corporate Strategy priority. Good quality, safe and affordable homes demonstrably improve the health, wellbeing, educational attainment and life chances of people in the city, particularly children.
2. Regeneration through development provides direct benefits to communities through the renewal of existing and provision of new infrastructure and safe and healthy neighbourhoods.
3. Sustainable mixed use and mixed tenure development reduces the need to travel and drives patronage for new bus services. Development can provide space for new connections and provide funding to help deliver strategic transport interventions.
4. Development in Bristol is overwhelmingly on brownfield land in urban areas and helps to reduce the environmental impact of population growth. It can deliver projects to improve climate resilience and help to renew nature in and around the city.
5. Without a steady pipeline, the council's ability to fund and delivery good quality services and take early preventative action for positive outcomes is undermined.

City Benefits:

1. As set out above, the investment and development of new homes in Bristol is fundamental to all of the council's priorities. The decline of a pipeline of development will undermine the council's efforts to strive for a city that enables everyone to be safe, well and thrive.
2. Exploring how the council, in partnership with the wider investment, development and housing community can kick start delivery could help to arrest this decline.

Consultation Details:

This report considers the work of the Viability Working Group, that has been an exercise of engagement and consultation of members and has sought the input of a range of practitioners involved in planning, design, development and infrastructure. The recommendations section of the report proposes further investigation into issues and policy development that will require public consultation in due course, whether this be led by the council or the Combined Authority.

Background Documents:

1. Development Viability Task and Finish Group report to Economy and Skills Committee 28 July 2025 (agenda item 11)

Revenue Cost	**£**	**Source of Revenue Funding**	
Capital Cost	**£**	**Source of Capital Funding**	
One off cost ☐	**Ongoing cost** ☒	**Saving Proposal** ☐ **If yes - existing or new saving?** N/A	

	OR Income generation proposal ☐

Professional comments section:

1. **Finance Advice:**
The aim of this report is to reflect of the work of the Viability Working Group and note key findings, along with recommendations from the Viability Working Group and instruct officers to investigate the potential for these respond to both systemic changes to delivery models or stimulate activity, and report back to committee in due course.

   As urban development in the UK is facing a profound set of challenges, these are also being acutely experienced in Bristol. If viability issues persist, the council faces medium- to long-term financial risks tied to regeneration ambitions, infrastructure delivery, and economic growth. Stalled developments risk reducing future council tax and business rates income, as well as contributions from Community Infrastructure Levy (CIL) and Section 106 agreements. This could affect funding for transport, infrastructure, and community services.

   The report suggests exploring interventions such as grant funding, policy adjustments, and partnerships to mitigate these risks. No additional costs in relation to the report recommendations are applicable, as all associated costs will be managed within existing budget, and will inform ways of working in the future.

   Finance Business Partner: Vivi Sargioti – Finance Business Partner Growth & Regeneration 23 December 2025

2. **Legal Advice: Legal Advice:**

   The recommendation in the report for further investigations into interventions such as grant funding, policy adjustments and partnerships to mitigate risks identified in the report do not pose any legal risk. However, officers should be mindful to ensure that legal advice is sought prior to taking any action/work that go beyond identification such making application for grant funding, policy adjustment or entering collaborative and joint working arrangements.

   Legal Team Manager: Anita Kearney, Specialist Lawyer and interim Team Manager Commercial and Governance Lead (Monday and Friday) 26 January 2026

3. **Implications on IT:** I can see no implications on IT arising from this paper.

   IT Team Leader: Alex Simpsom – Lead Enterprise Architect – 28 January 2026

4. **HR Advice:** There are no HR implications evident

   HR Partner: Celia Williams, HR Business Partner, 26 January 2026

APPENDICES

Appendix A – Further essential background / detail on the proposal	**NO**
Appendix B – Equality Impact Assessment (EqIA)	**YES**
Appendix C – Environmental Impact Assessment (EIA)	**NO**
Appendix D – Decision Risk Assessment	**NO**
Appendix E – Exempt Information	**NO**
Appendix F – Details of consultation carried out - internal and external	**NO**
Appendix G – Options appraisal matrix	**NO**
Appendix H – Business case / financial analysis	**NO**