

Bath & North East Somerset Council				
MEETING/DECISION MAKER:	Cabinet			
MEETING/DECISION DATE:	12 February 2026	EXECUTIVE FORWARD PLAN REFERENCE: E 3686		
TITLE:	Somer Valley Enterprise Zone Investment			
WARD:	Paulton			
AN OPEN PUBLIC ITEM				
List of attachments to this report: Appendix 1 – Equality Impact Assessment (EqIA)				

1 THE ISSUE

- 1.1 The Somer Valley Enterprise Zone (SVEZ) is a 13.5-hectare greenfield site which has been allocated for employment uses in the B&NES Local Plan since 2007.
- 1.2 The Council is intending to promote a Compulsory Purchase Order (CPO) to acquire the land and rights that are required to deliver the SVEZ scheme.
- 1.3 The purpose of this report is to secure continued support for promoting the SVEZ scheme and progressing the CPO, including pursuing various measures to secure additional funding and/or other means to ensure the delivery of the project.

2 RECOMMENDATION

The Cabinet is asked to;

- 2.1 Reaffirm its commitment to promoting the SVEZ scheme, notwithstanding the Council's recognition of potential viability concerns with the project.
- 2.2 If the SVEZ scheme proceeds, acknowledge that up to £53 million may need to be secured from various means to ensure the delivery of the project, including potential further investment from the Council, other public funding sources, public loans and developer partnership.

3 THE REPORT

3.1 Background

- (1) The SVEZ is an allocated site (Policy SSV9) within the Local Plan which seeks to deliver a mixed-use commercial development in the Somer Valley. The SVEZ is located on 13.5 hectares of land at Old Mills, which is situated to the north-west of Midsomer Norton.
- (2) The delivery of the SVEZ is identified as a corporate priority in the B&NES Economic Strategy (2014-2030).
- (3) The SVEZ will provide economic, environmental and social benefits including:
 - a) Supporting the Somer Valley to become self-reliant by enabling economic growth through the creation of up to 1,300 jobs for local people, increasing prosperity in the area.
 - b) Diversifying the type of employment available in the area, offering flexible space to accommodate new and expanding local businesses and creating up to circa 35,800 sqm of commercial floorspace.
 - c) Delivering new sustainable and attractive commercial space, addressing business and employment land losses experienced in the Somer Valley.
- (4) The SVEZ has been allocated as an employment site since 2007. However, the market has failed to deliver the development due to significant barriers to private sector led intervention. These include:
 - a) Viability – The Development has not been delivered by the private sector due to the high enabling and infrastructure costs.
 - b) Land ownership – The land is held in multiple ownerships. This makes the land assembly very complex and requires a comprehensive approach to delivery.
 - c) Planning consent – Planning permission requires time, cost and risk. The adopted Local Development Order (LDO) reduces the planning risk and cost to future developers and/or occupiers.

3.2 Governance

- (1) A Local Development Order (LDO) was approved by Cabinet in February 2024 under Decision E3486. The Cabinet approval granted planning permission on the site for the development of plots and buildings within the Use Classes B2, B8, C1, E and *sui generis*, and related enabling works, subject to conditions and limitations.
- (2) The adoption of the LDO addresses a market failure and partially de-risks the delivery of the site through a flexible planning framework. Compliance Applications will allow plots to be delivered in a swifter timeframe than the conventional planning route.

- (3) An amendment to the LDO was approved by Cabinet under Decision E3645 in September 2025. An amendment to Condition 5 of the LDO enabled the adoption of revised plans for the Thicket Mead roundabout and A362 works adjacent to Sunnyside. Furthermore, the wording of Condition 12 was amended to remove its status as a 'fixed compliance' condition. This enables approval by the Local Planning Authority (LPA) of any subsequent changes to the submitted highways general arrangement plans that arise during the technical design and approval process.
- (4) An Ambitions Paper, which sets out the development ambitions, was approved by Cabinet under Decision E3510 in February 2024.
- (5) The Council has committed to progressing land assembly and delivering enabling and infrastructure works (Decisions E3487 (February 2024), E3557 (July 2024), E3583 (November 2024)).
- (6) £9.3m of the West of England Combined Authority (WECA) Investment Fund grant was accepted under Decision E3606 to progress land assembly and technical design.

3.3 Viability concerns and the need to address them

- (1) In preparing to make the CPO, the Council's technical advisers have undertaken further analysis of the viability of the SVEZ scheme. In summary, the draft further viability assessment work (which is still being developed) indicates that even with the proposed interventions by the Council to assemble the land for the scheme, deliver the highway, enabling and site preparation works, the scheme is not currently viable to be delivered by the private sector and may need additional public sector support.
- (2) The requested reaffirmation of the Council's commitment to deliver the scheme is necessary due to current evolving advice on the viability deficit, which is revisiting the viability scenarios and assumptions underpinning the scheme.
- (3) As a result of that identified deficit, the Council must now consider the various means available to it to address any shortfall up to the £53 million currently identified. This will involve exploring a package of measures, and the Council anticipates implementing a combination of them in order to address the viability issue. The measures in contemplation include the following, although additional measures may be identified:
 - a) Potential further investment by the Council, including capital expenditure and/or utilisation of capital from land receipts. For the avoidance of doubt, this Cabinet decision does not include any obligation to allocate budget or pay a specified amount. The need for potential further investment from the Council, and the amount of that investment, could only be determined at a later date and would be subject to further approvals. However, Cabinet is asked to acknowledge that further investment from the Council may be required if the CPO is progressed and the decision is taken to deliver the project. If further Council investment is needed, it is likely to be staged over a number of years as the project is developed.

- b) Securing additional public sector grant funding, from regional or national sources. The Council is actively exploring additional funding opportunities and is also reviewing the appointment of expert consultants specialising in securing public funding for this type of scheme.
- c) Securing an in-principle loan from the Public Works Loan Board (or equivalent) which could be utilised if a viability deficit continues to be a concern during the delivery of the project. Again, entering into any such loan would need to be subject to further approvals.
- d) Procuring a developer partner to deliver the scheme. The Council has started taking advice from specialists on commencing a procurement process following a successful soft market testing exercise in which significant developer interest in the scheme was identified. If agreement is reached with a developer partner, it is expected that the costs of delivering the scheme will reduce through efficiencies as developers have access to beneficial supplier relationships and experience in delivering complex schemes. A developer may also be able to better adapt to differing occupier demand and secure higher rents. In any event, securing a development partner is likely to reduce the Council's risk as a negotiated contractual arrangement will be entered into for the delivery of the project.

(4) As explained further in section 5 (Resource Implications) below, the Council has already secured, or expects to secure, sufficient funding to allow the CPO and related side roads order (SRO) to be promoted, the land to be assembled and the enabling works (highways, utilities and other infrastructure) to be delivered. That investment unlocks significant obstacles to the delivery of the SVEZ scheme. The identified potential viability gap relates to the delivery of the development plots on the site. Based on current assumptions relating to anticipated build costs, rental values, yields and the proposed uses under the LDO, there are concerns that construction of the development plots may not be sufficiently viable for the private sector to develop without additional public sector support.

(5) The currently identified viability concerns with the construction of the development plots must be understood in context. There are various reasons why the viability issue may reduce. The reasons include:

- a) The scheme is due to be delivered over a long period of time, and there is scope for rental values and build costs to change over the lifetime of the scheme. Officers anticipate that in practice, rental values are expected to grow and build cost inflation is forecast to slow when compared to the assumptions used to assess viability in the draft advice.
- b) Viability assessments are based on assumptions, and the viability work by the Council's advisors is still being progressed. The viability position may change.
- c) If a developer partner is procured, for the reasons given above this may lead to different analysis of the costs profile for developing the plots and a different view on achievable rents.

(6) In light of the above, the purpose of this Cabinet decision is to demonstrate that, to the extent that viability concerns remain as the Council progresses the

scheme, there can be confidence that the Council is taking steps, including those listed at paragraph [3] above, to address the viability issue.

- (7) Cabinet approval is required to demonstrate the Council's commitment to delivering the scheme, subject to all previous Cabinet resolutions and final approval to proceed with the scheme. This commitment is necessary to support the proposed CPO required to facilitate the scheme. The Council must be able to satisfy the necessary tests and guidance, particularly as contained in the Ministry of Housing, Communities & Local Government's 'Guidance on the Compulsory Purchase Process' (the CPO Guidance). In summary, the CPO Guidance requires that all necessary resources are likely to be available to deliver the scheme within a reasonable timescale to justify the CPO in the public interest. This includes providing substantive information as to sources of funding for acquiring land and delivering the scheme, and an indication of how potential shortfalls will be met, which require (in outline) that there is at least a reasonable prospect that the development which is the subject of the CPO will be fully delivered.
- (8) One option to address any viability shortfall may be to make available additional funding (including potential further investment from the Council or other grant funding) to address specific viability concerns relating to the delivery of particular development plots. Whilst it is premature to provide detailed proposals for how the funds would be injected into the scheme if needed, the Council is taking subsidy control advice and is currently comfortable that appropriate mechanisms can be implemented. This may also allow the Council to influence the uses of the development plots (within the parameters permitted by the LDO) to ensure that the employment uses delivered reflect strategic priorities and not just the most viable uses for development.
- (9) The Council is aware of other schemes involving compulsory acquisition which have been consented where there have been a number of potential sources of funding available, but the exact funding source was yet to be determined. The CPO Guidance makes it clear that the general indication of funding intentions, and of any commitment from third parties, will usually suffice to reassure the confirming authority that there is a reasonable prospect that the scheme will proceed. Those potential sources have been outlined in this report, including funding from the Council.
- (10) However, the need for further investment or funding from other sources may be reduced or may not be required for the following reasons:
 - a) An estimated £6.4m of capital from land receipts.
 - b) Commercial rents within the current draft viability model reflect a conservative position. A higher rent range could be justified contributing circa. £2m in capital value.
 - c) Commercial property returns are currently depressed and a 1% shift in yields could contribute a further £6m in capital value.
 - d) The Council could secure funding to develop the plots (or some of them). Direct delivery by the Council would reduce or remove developer profit up

to circa. £30m. This option could be explored through the WECA Future Place Fund (or other national grant funding opportunities).

- e) As mentioned above, the Council are taking steps to procure a development partner. This would ensure additional scrutiny of build costs per plot, occupier demand, potential rental values and ultimately demonstrate that the scheme will be delivered.
- f) The SVEZ scheme is intended to be delivered over a period of 10-15 years and in multiple phases. Significant market changes will occur over a 10–15-year period.
- g) A projected increase in housing delivery in the Somer Valley is being sought in the emerging Local Plan, alongside the regeneration of Midsomer Norton high street, is likely to enhance the area's overall attractiveness to employers.
- h) Build cost inflation is likely to decelerate over the medium-term, reducing any viability gap.
- i) Bristol and Bath are heavily constrained land markets, with limited options for development of this scale in the south.
- j) Over time, market dynamics may alter necessitating a change to some of the uses delivered in later phases of development. This may have a positive impact on returns.

(11) The Council will reassess the funding position before affirming that it will proceed with implementing the CPO and the delivery of the scheme, if the CPO is confirmed. In particular, the Council can only fully commit to making capital investment available when the amount and timing is known. However, this decision is intended to demonstrate that the Council is aware of the potential need for additional funding (including potential further investment from the Council), is taking all reasonable steps to address viability concerns and remains in support of the delivery of the scheme.

(12) Should the funding assessment determine that there is an additional borrowing requirement on the Council then the associated revenue costs of capital financing would also need to be considered in terms of the impact on the Council's revenue budget position.

4 STATUTORY CONSIDERATIONS

4.1 The statutory considerations relating to the Council's decision to promote the CPO are set out in Decisions E3487, E3557, E3583.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

5.1 An Outline Business Case '+' (OBC+) requesting grant funding of £9.3m from the WECA Investment Fund has been approved. The funding was accepted under Decision E3606 to progress land assembly and technical design.

5.2 In 2026, it is intended that a Full Business Case (FBC) will be submitted to secure project implementation totalling £20.6m. The funding will be used to

complete enabling and infrastructure works including the completion of highway infrastructure, a new roundabout, and perimeter landscaping. It is proposed that a request to WECA will be made to grant £19.5m of these costs.

- 5.3 B&NES match funding of £1.1m will contribute towards FBC project implementation funding.
- 5.4 The total estimated cost for completing the next stage of the scheme, encompassing both OBC+ and FBC activities, is £29.9m. This funding will allow the CPO and related SRO to be promoted, land to be assembled and the enabling works (including highways and utilities) to be delivered. It is proposed that this is funded through a combination of £1.1m match funding from B&NES, alongside requests for £28.8m in grant funding from WECA.
- 5.5 It is not considered necessary for potential further investment to be allocated in the Council's budgets at this stage. As explained above, the further investment may not be required or may only be required in part. Furthermore, the timescales in which the funding may be required are uncertain. The development may take up to 20 years to be completed, and further investment may not be required until later in the development processes. If required, Council investment is likely to be needed on a phased basis as the development plots are brought forward.
- 5.6 As explained above, additional funding could be secured from a range of sources, such as regional or national grants, the Public Works Loan Board and capital from land receipts. Further Council approvals will be required before the Council commits to any additional funding or other measures.
- 5.7 Should the funding assessment determine that there is an additional borrowing requirement on the Council then the associated revenue costs of capital financing would also need to be considered in terms of the impact on the Council's revenue budget position.

6 RISK MANAGEMENT

- 6.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision-making risk management guidance.
- 6.2 A risk register is maintained for the SVEZ scheme.

7 EQUALITIES

- 7.1 The Council must pay due regard to its Public Sector Equality Duty (PSED) pursuant to s149 of the Equality Act 2010. The Council must have due regard to the need to:
 - a) Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited under this Act.
 - b) Advance equality of opportunity between persons who share a relevant protected characteristic (as defined in the Act) and the persons who do not share it.

- c) Foster good relations between persons who share a relevant protected characteristics and persons who do not share it.

7.2 Officers have had due regard to the Council's PSED progressing the SVEZ scheme to date.

7.3 An Equality Impact Assessment (EqIA) has been completed for the SVEZ (Appendix 1). This decision is not considered to affect the conclusions of that EqIA.

8 CLIMATE CHANGE

8.1 The Council declared a Climate Emergency in March 2019, committing it to providing the leadership necessary to enable Bath and North East Somerset to achieve carbon neutrality by 2030.

8.2 The SVEZ represents an opportunity to address several related issues which will help to address the climate emergency. It will help to reduce out-commuting in the Somer Valley through the provision of new jobs, and it will also provide a range of active and sustainable travel improvements including a new cycle link to the Norton Radstock Greenway and a new bus stop.

8.3 The development will achieve 100% regulated operational carbon emission reduction from Building Regulations Part L 2021 (or future equivalent legislation), in line with the hierarchy set out in Policy SCR7 and the B&NES Sustainable Construction Checklist SPD (2023). The SVEZ will help to reduce vehicle-related CO2 emissions through the provision of EV charging on site, in line with the Council's local transport policies and climate emergency declaration.

9 OTHER OPTIONS CONSIDERED

9.1 The Council has considered the other options available to it:

- 1) Do nothing – without continued support for further investment and based on the viability position as currently assessed, there is a considerable risk to securing the CPO. If the CPO is not secured, the scheme will not come forward. Support for further investment is therefore critical to the delivery of the scheme, in parallel with exploring other options for resolving potential viability concerns.
- 2) Delay – the Council could delay promoting the CPO until there is more certainty as to the viability position and other options being available for resolving viability concerns (for example, appointing a developer partner). However, the scheme has been in contemplation for many years and is needed to address existing issues in the area. Further delay adversely affects landowners affected by the scheme due to prolonged uncertainty. It could also risk funding sources which are already committed or expected to be committed. The Council considers that the scheme should come forward now and has already committed to progressing the scheme as soon as practically possible, subject to future approvals prior to implementation, and with other options pursued in parallel.

10 CONSULTATION

10.1 This report has been prepared in consultation with the Cabinet Member for Economic and Cultural Sustainable Development, the Leader, Section 151 Officer, Monitoring Officer and the Director Capital & Housing Delivery.

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Background papers	
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