

For feasibility purposes only

Scoping opinion on viability

SEM 10: Land to the west of Turnpike Close (the
Auction Field)

by
Bailey Venning Associates Limited on behalf of
Semington Parish Council

March 2024

Content

1.0	Introduction	3
2.0	Methodology	5
3.0	The site at SEM 10: Land to the west of Turnpike Close (the Auction Field)	7
4.0	Main appraisal assumptions.....	8
5.0	Results and conclusions	12

Appendices

- 1 Comparable sales data for new builds and resales
- 2 Extract of BCIS build costs
- 3 Appraisal model of site with commercial shop
- 4 Appraisal model of site with community based shop

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1.0 Introduction

- 1.1 Bailey Venning Associates Limited (BVA) is instructed by Semington Parish Council (the Parish Council) through Locality, to undertake a scoping viability assessment and to prepare this report to review the development potential of the land identified in the emerging neighbourhood plan at SEM 10: Land to the west of Turnpike Close (the Auction Field).
- 1.2 *The contents of this report are for feasibility assessment purposes only and are conducted on current values and costs specific to the planning application as at the date of report and do not constitute a valuation, in accordance with Valuation Standards of the RICS Valuation – Professional Standards – Global Standards 2020, and should not be relied upon as such.*
- 1.3 *In preparing this report, no ‘performance-related’ or ‘contingent’ fees have been agreed.*
- 1.4 *This report is addressed to our client only and its contents should not be reproduced in part or in full without our prior consent. No duty of care can be extended to any other party other than our client.*
- 1.5 *In carrying out this assessment, we have acted with objectivity, impartiality, without interference and with reference to all appropriate, available, sources of information. We are not aware of any conflicts of interest in relation to this assessment.*
- 1.6 This report has been prepared in accordance with the Royal Institution of Chartered Surveyors (RICS) “Professional Statement on Financial Viability in Planning: conduct and reporting” (1st Edition, May 2019). The report has been prepared by Richard Bailey and in line with the requirements of this guidance I can confirm the following is true.
- The author of this report has acted with objectivity, impartially, without interference and references all appropriate sources of information.
 - Terms of Engagement were set out clearly and included in all reports and comply with the RICS statement ‘Conflicts of Interest’.
 - No performance-related or contingent fees have been agreed.
 - Information used is market led and not client driven.
 - Inputs to the Financial Viability Appraisal (FVA) are reasonably justified and based upon industry benchmarks and the Local Plan Evidence Base.

Information

- 1.7 This report has been completed taking additional information from:

- Semington Neighbourhood Plan, Pre-submission Regulation 14 Consultation Draft, Semington Parish Council, January 2024
- Semington Parish Housing Needs Survey Report, Wiltshire Council, August 2021
- Semington Site Options and Assessment Report, Semington Neighbourhood Plan, AECOM, 16 January 2023
- The Auction Field, Semington, , Wiltshire, Neighbourhood Planning Call for Sites Vision Statement, Hollins Strategic Land June 2022
- Assessment of Local plan viability and the review of the Wiltshire Community Infrastructure Levy Charging Schedule for Wiltshire Council, Porter PE and Urbà, September 2023

Limitation

- 1.8 It should be noted also that this viability assessment tests the policies contained within the neighbourhood plan in terms of the allocation of sites, it is not a rehearsal of viability testing policies contained within the overarching Local Plan which forms the adopted policy framework and to which the Neighbourhood Plan must be consistent.

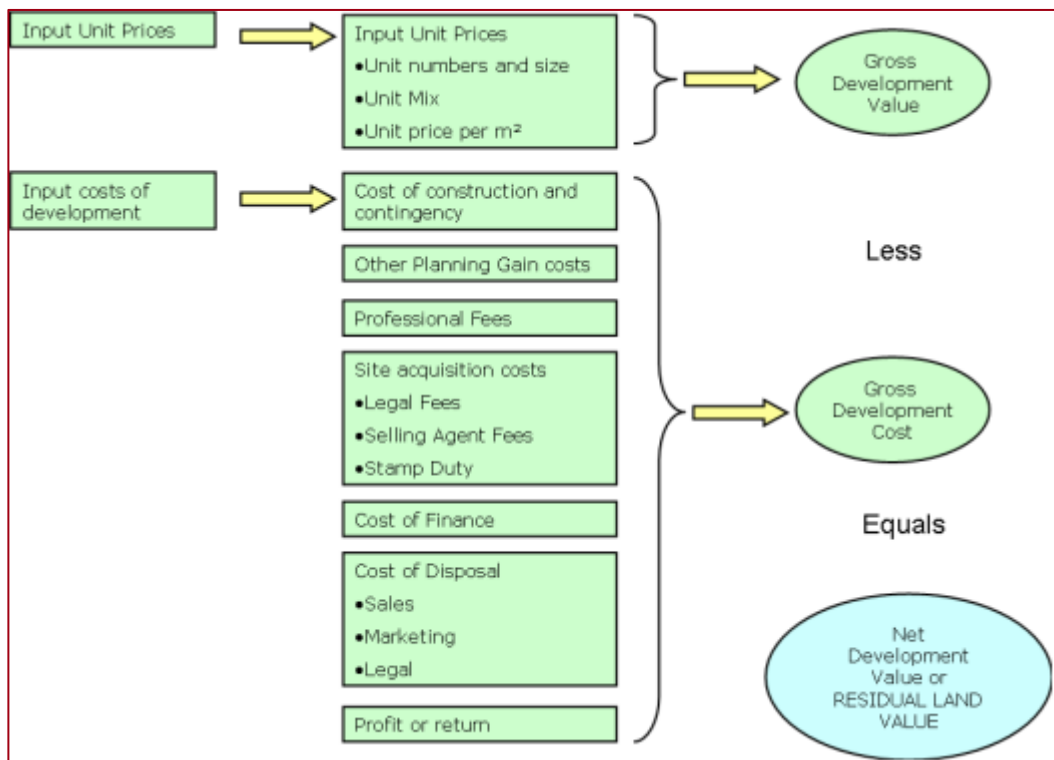
2.0 Methodology

- 2.1 Economic Viability is established as a material consideration in the establishment of planning policy and determination of planning applications. The NPPF considers development viability to be a central consideration in delivering sustainable development.
- 2.2 It is therefore important to assess whether the local plan's requirements for planning gain and affordable housing can be delivered as part of a financially viable development.
- 2.3 Traditionally, the principles underlying economic viability rely on the assumption that land will be used in the form that secures an appropriate site value for the land owner. Therefore, unless the Residual Land Value (RLV) of a proposed development exceeds the market value in existing use or Alternative Use Value for the land, then the land owner will not release or sell the land and it will not be brought forward for development. The threshold to test the viability of the proposed scheme against other alternatives is referred to as the Benchmark Land Value.
- 2.4 To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable.
- 2.5 The methodology to assess viability described in the PPG is the commonly used Residual Land Value (RLV) appraisal. This method is one which is used industry wide in land purchase and that has been established as the pre-eminent method through various development plan examinations and planning appeals.
- 2.6 An RLV appraisal treats the land value as the output of a calculation which compares the costs of development with the revenue generated by it. Since the revenues from housing and the costs of development are relatively inelastic and outside the developer's control the one element of the appraisal that can vary is the land value. Therefore, where planning gain and affordable housing is required, the cost of it must be deducted from the land value where possible.

2.7 The residual amount contained within the appraisal is assessed using the following formula:

$$\begin{aligned} & \text{Gross Development Value LESS Gross Development Cost} \\ & = \\ & \text{Residual Land Value} \end{aligned}$$

2.8 This is represented by the following figure:



2.9 For this scoping opinion we are seeking to determine whether the site would generate a residual land value greater than the benchmark land value when comparing the value of development against the costs of achieving it, firstly for 100% open market housing, and then the impact of the introduction of affordable housing and other policy requirements.

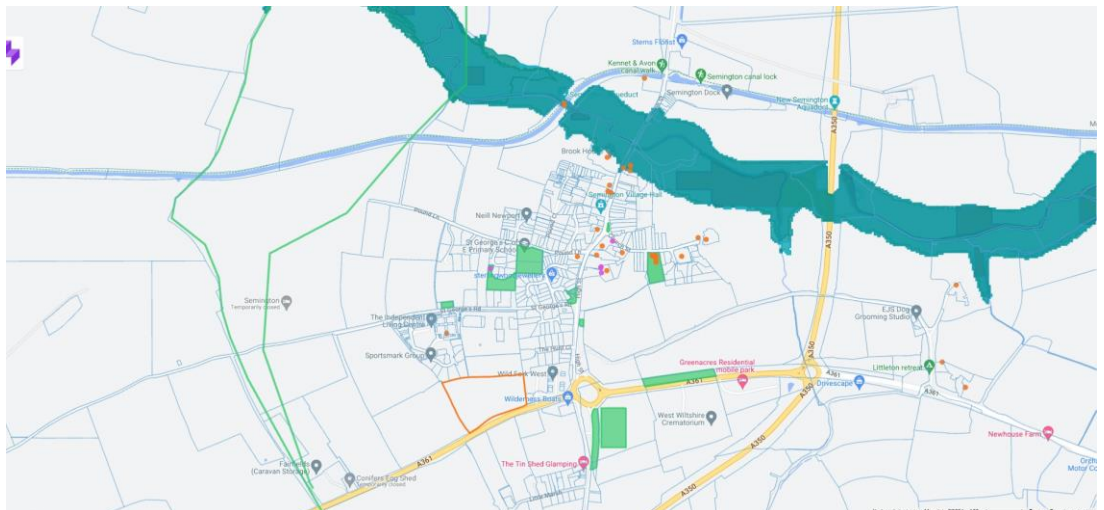
3.0 The site at SEM 10: Land to the west of Turnpike Close (the Auction Field)

3.1 The land under consideration lies to the north of the A361, to the west of Turnpike Close and the south of St Georges Place. There is an existing agricultural access from the A361 and from Turnpike Close.

3.2 The land extends to 2.53 hectares outlined in orange as below and is in agricultural use:



3.3 The site falls outside of any area identified as at risk of flooding:



4.0 Main appraisal assumptions

4.1 In order to conduct an appraisal, underlying assumptions need to be made across a range of areas. In the main, assumptions mirror those used in the Local Plan evidence base as this was updated and published in 2023 and so is considered to be sufficiently up to date to warrant inclusion. Some assumptions have been updated to the most recent data for build costs and sales values.

Development mix

4.2 The site is allocated for an intended 40 dwellings, plus a shop. The following mix has been applied to the 40 dwellings, informed from the Local Plan evidence base and the local housing needs information. The mix includes 30% affordable housing of which 25% is assumed to be First Homes.

Mix House Type	Size m ² Mkt/AH	Affordable rent	First Homes and Shared Ownership	Total affordable housing	Market homes
Tenure split		60%	40%		
1 bed		0	0	0	0
2 bed	72/77	3	2	5	5
3 bed	93	3	2	5	16
4 bed	120/111	1	1	2	7
Totals		7	5	12	28

4.3 The proposals also include a village shop. This has been modelled in two ways. Firstly on the basis of a commercial enterprise of 200m² GIA and secondly as a community enterprise of 200m² GIA, and in both instances assuming a 95% gross:net floorspace ratio.

Open market values of dwellings

- 4.4 Open market values for each unit type are set out in detail in the relevant appraisals and where appropriate for each site set out below. Relevant comparable information is included in Appendix 1.
- 4.5 From our research, and consistent with findings in the Local Plan evidence base adjusted for the specifics of the location, the following open market values have been applied:

	Unit size m ²	£ / m ²	Sales value £
1 bed			
2 bed	72	4,097	295,000
3 bed	93	3,817	355,000
4 bed	120	3,750	450,000

Affordable housing values

- 4.6 Values for affordable housing are based on a 60/40 tenure split of affordable rent to intermediate sale. Intermediate sale is noted to be predominantly First Homes which would make up 10% of site capacity and 25% of affordable housing as Government guidance for policy compliance, with a cap on value of £250,000.
- 4.7 The value of affordable rented housing is assumed to be 50% of open market value. Shared ownership completed unit values are assessed at 70% of open market value. First Homes values are assessed at 70% of open market value, subject to the cap of £250,000. These are the same assumptions used in the Local Plan evidence base and remain valid.
- 4.8 Affordable housing values have been determined on a generic basis and are conservative based on predicted rents for affordable rented housing and sales values for market linked tenures. Of necessity these are based on a present day value model, however at the point of delivery affordable housing values should be tested with a range of registered providers.

Commercial space

- 4.9 Consistent with the Local Plan evidence base, the shop is most closely represented by the category for Express Retail Greenfield (<350m²). Taking into account the aspirations in the Draft Neighbourhood Plan and adjusting for location, a shop of 200m² is modelled firstly at a commercial rent of £200/m² and a yield of 7.5%. A second model is then undertaken assuming the community run the shop and its value is set at £1.

Costs of construction

- 4.10 In order to determine build costs, data from the RICS BCIS tables is extracted, as attached to this report at Appendix 2. Build costs relevant to the dwelling typology is selected, rebased to the location of West Wiltshire, using BCIS data at the median based on the default sample. Base build costs applied are therefore £1,453 per m² for estate housing.
- 4.11 Lifetime Homes standards have now been incorporated into Part M of the Building Regulations. The majority of the standard reflects spatial standards which are incorporated into the unit sizes assumed for assessment. As these requirements and standards have been prevalent for some time it is assumed that any additional cost is subsumed within the BCIS build cost rates.
- 4.12 Turning to the shop, data from BCIS adjusted for location, indicates a build cost of £1,478 per m² at the median.

Additions to base build cost

- 4.13 Additional costs for external works have also been assessed with reference to the Local Plan evidence base.
- 4.14 It should be noted that additional costs are then applied to the base build cost as follows:

	Houses (rate per dwelling)
Building regulations costs	£3,800
Biodiversity net gain Greenfield land	£1,000
EV charging	£1,000
Garages, one per market home	£10,000

- 4.15 External works is assumed at approximately 12.5% of base build cost, an enhancement over the Local Plan assumption of 10% given the low density of development.
- 4.16 Contingency for build and development is assumed at 5% of build costs.

Other assumptions

- 4.17 Other assumptions are:
- Professional fees: 8.00% of build cost
 - Sales fees on market: 3% of market housing sales value, legal fees of £1,000 per unit, unless otherwise noted.
 - Interest on development cost: 8.0% per annum.
 - Profit on GDV: 17.5% of value of open market housing, 20% on value for sheltered housing, 12.5% of value of First Homes + 6% of value of affordable housing, commercial at 15% of capitalised value. These are consistent with the Local Plan evidence base.
 - Acquisition costs of : site agent fees at 1% of residual land value, legal fees on site acquisition at 0.75% of residual land value, stamp duty at prevailing commercial land rates applied to residual land value. These costs do not appear where residual land value is below zero (negative land).

Planning obligations and CIL

- 4.18 CIL is applied to market housing floorspace only, at the rate of £75.10 per m², as appropriate to open market residential development in CIL Zone 2. It is assumed that full relief from CIL is granted for affordable housing of all tenures. It is also assumed that the commercial space does not attract a CIL charge as it is outside of the defines centres set out in the charging schedule.
- 4.19 Further planning obligations are unknown at this stage and have not been included.

5.0 Results and conclusions

- 5.1 The site has been modelled on two different approaches based on the intentions for the shop, incorporating the assumptions outlined above.
- 5.2 At this point we have not included planning obligation costs other than CIL.
- 5.3 The overall development as described above for the development of the Auction site with 40 dwellings plus commercial shop use, with 30% affordable housing, generates a land value of £2,028,402 which equates to £801,740 per hectare. This is well above the benchmark land value of £370,000 per hectare used in the Local Plan viability testing and suggests some headroom for other planning obligations where justifiable.
- 5.4 A second model is then compiled replicating the assumptions used above, save for the shop which assumes a value of £1 but includes the full cost. This model generates a residual land value of £1,707,773 equating to £675,009 per hectare. Again, on the same metric for benchmark land value, this would be considered to be viable with some headroom for other planning obligations.