AGENDA ITEM 8

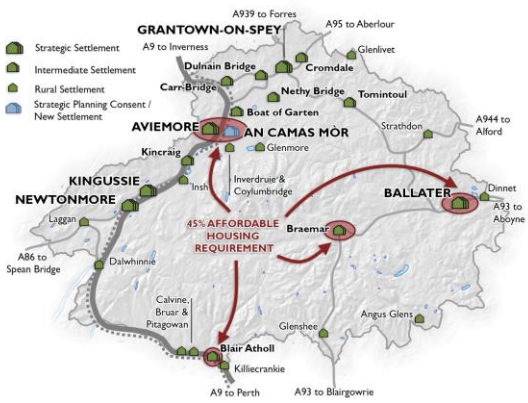
APPENDIX 3

VALUATION REPORT FOR CNPA: AFFORDABLE HOUSING LAND VALUATIONS AND COMMUTED SUM PAYMENTS

Valuation Office Agency

DVS Property Specialists for the Public Sector

Valuation Report for Cairngorms National Park Authority: Affordable Housing Land Valuations and Commuted Sum Payments



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Case Number: 1749005

Client Reference: CNP7603

Date: 13 November 2020

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Contents

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Executive Summary

1.1 Description

Cairngorms National Park Authority (CNPA) have commissioned research to determine at what level a commuted sum, defined as a 'financial contribution to affordable housing' should be set for each of the Local Authority areas in the National Park area and for the National Park as a whole, for developments under 4 units.

1.2 Location

The commuted payment policy is to apply to the CNPA area.

1.3 Tenure

Owner's heritable interest with vacant possession.

1.4 Valuation Date

13 November 2020

1.5 Methodology and Basis of Valuation

The methodology used to arrive at the level of developer contribution is taken as being the difference between the value of land for affordable housing and the market value of the land for private residential development,

Although my advice will not constitute a formal valuation, it will generally accord with the concept of Market Value, which is defined at VPS 4, para 4 as:

'*The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.'*

1.6 Special Assumptions

The valuations are for notional house plots for the erection of a four apartment/three bedroom detached house within each of the Local Authority Areas within the National Park and a valuation for the National Park as a whole as shown on the Boundary Map at Appendix 2.

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1.7 Market Value

The opinion of **Market Value** of the owner's heritable interest with vacant possession of the notional house plots and the resultant commuted sums are as follows:

LA area	Affordable Housing Plot value	Private Housing Plot Value	Commuted Payment
Aberdeenshire	£0	£32,500	£32,500
Angus	£0	£16,000	£16,000
Highland	£0	£18,500	£18,500
Moray	£0	£17,000	£17,000
Perth and Kinross	£0	£30,000	£30,000
CNPA (average of 5 LA)	£0	£23,000	£23,000

1.8 Remarks

The land values for the unrestricted plots are based on the assumptions stated within the report, specific sites with abnormal costs relating to infrastructure, site conditions or planning obligations could well produce different plot values. Similarly if the characteristics of the notional unit were to change, then higher or lower values could be generated.

As the hypothetical site could be located anywhere within the radius of the Local Authority areas as shown, values in reality would likely vary within each area and there would likely be some 'blurring' at the borders of the authority areas.

1. Introduction

I refer to your original enquiry dated 11 February 2020 and subsequent email exchanges and my email of 19 March 2020, which included my fee quote. The case was put on hold for a number of weeks as a result of the Covid-19 pandemic, however you advised CNPA still required the advice in an email dated 14 August 2020 and I was able to confirm the fee quote was still valid. A purchase order number was received on 2 September and the case was taken on.

I also refer you to my Terms of Engagement dated 3 September 2020.

I have carried out the valuations and I am pleased to report to you as follows.

2. Valuation Parameters

2.1 Identification of Client

The valuation advice is prepared for CNPA.

2.2 Purpose of Valuation

It is understood that you require the valuation advice in order to assess at what level a commuted sum, which is defined as a “financial contribution to affordable housing” should be set for each of the Local Authority area in the National Park area and the National Park as a whole, for developments under 4 units.

2.3 Subject of the Valuation

The valuations are for notional house plots for the erection of a four apartment/three bedroom detached house within a development of around ten houses in each of the five Local Authority Areas within CNPA, and also valuations for the CNPA area as a whole (as shown on the Map at Appendix 2 and the maps of the Housing Market Areas in Section 3.1)

2.4 Date of Valuation

The date of valuation is 13 November 2020.

Please note that values change over time and that a valuation given on a particular date may not be valid on an earlier or later date.

2.5 Confirmation of Standards

The valuation has been prepared in accordance with the professional standards of the Royal Institution of Chartered Surveyors: RICS Valuation – Global Standards and RICS UK National Supplement, commonly known together as the Red Book.

Compliance with the RICS professional standards and valuation practice statements gives assurance also of compliance with the International Valuations Standards (IVS).

Measurements stated are in accordance with the RICS Professional Statement **'RICS Property Measurement' (2nd Edition)** and, where relevant, the **RICS Code of Measuring Practice (6th Edition)**.

As specifically requested by you, the residential property has been reported upon using a measurement standard other than IPMS, and specifically Gross Internal Area (GIA) has been used. Such a measurement is an agreed departure from ‘RICS Property Measurement (2nd Edition)’.

2.6 Agreed Departures from the RICS Professional Standards

As specifically requested by you, and as captured above with explanation, certain property has been reported upon using a measurement standard other than IPMS.

2.7 Basis of Value

Although my advice will not constitute a formal valuation, it will generally accord with the concept of Market Value, which is defined at VPS 4, para 4 as:

The basis of value adopted is Market Value which is defined at VPS 4, para 4 as:

‘*The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.’*

2.8 Special Assumptions

The following agreed special assumptions have been applied:

The valuations are for notional house plots and the following assumptions have been applied:

- The house plots are for the erection of a standard new build four apartment/three bedroom detached house of approximately $96m^2$ GIA.
- It should be assumed that it has private garden grounds, off-street parking but no garage.
- The plot will be ready for development with services located close by, which is in line with section 22 of PAN 2/2010 Affordable Housing and Housing Land Audits, which states the commuted sum should be of ‘a value equivalent to the cost of providing the amount of serviced land required by the policy’.

2.9 Nature and Source of Information Relied Upon

In addition to relying upon VOA held records and information, I have assumed that all information provided by, or on behalf of you, in connection with this instruction is correct without further verification – for example, details of tenure, tenancies, planning consents, etc.

My advice is dependent upon the accuracy of this information and should it prove to be incorrect or inadequate, the accuracy of my valuation may be affected.

You provided a Brief outlining the approach, methodology expected and background information along with your instructions (copied in Appendix 6.2).

The valuation methodology is outlined below in section 4 with reference to the Scottish Government PAN2/2010, More Homes Division Guidance Notes 2020/02 and the guidance notes issued by the RICS, in particular 'Valuation of Land for Affordable Housing Scotland' GN100/2013, VIP 12 'Valuation of Development Land' and RICS "Valuation of Development Property" October 2019.

I have also had regard to the Local Plans and Supplementary Planning Guidance published on the internet by the relevant Local Authorities.

In undertaking my research I have also used property marketing websites such as TSPC, ASPC, Rightmove and local Estate Agents websites.

2.10 Date of Inspection

The valuation reflects notional house plots and no inspections were undertaken.

2.11 Extent of Investigations, Survey Restrictions and Assumptions

An assumption in this context is a limitation on the extent of the investigations or enquiries undertaken by the valuer. The following agreed assumptions have been applied in respect of your instruction, reflecting restrictions to the extent of our investigations.

- As agreed with you, no inspection of the property was undertaken and the advice and valuation has been prepared on a 'desk-top basis'; i.e. it is provided on the basis of 'restricted information'.

- No detailed site survey, building survey or inspection of covered, unexposed or inaccessible parts of the property was undertaken. The Valuer has had regard to the apparent state of repair and condition, and assumed that inspection of those parts not inspected would neither reveal defects nor cause material alteration to the valuation, unless aware of indication to the contrary. The building services have not been tested and it is assumed that they are in working order and free from defect. No responsibility can therefore be accepted for identification or notification of property or services' defects that would only be apparent following such a detailed survey, testing or inspection.

- It has been assumed that good title can be shown and that the property is not subject to any unusual or onerous restrictions, encumbrances or outgoings.

- It has been assumed that the property and its value are unaffected by any statutory notice or proposal or by any matters that would be revealed by a local search and replies to the usual enquiries, and that neither the construction of the property nor its condition, use or intended use was, is or will be unlawful or in breach of any covenant.

- Valuations include that plant that is usually considered to be an integral part of the building or structure and essential for its effective use (for example building services installations), but exclude all machinery and business assets that comprise process plant, machinery and equipment unless otherwise stated and required.

- It has been assumed that no deleterious or hazardous materials or techniques were used in the construction of the property or have since been incorporated. However where an inspection was made and obvious signs of such materials or techniques were observed, this will be drawn to your attention and captured in this report.

- No access audit has been undertaken to ascertain compliance with the Equality Act 2010 and it has been assumed that the premises are compliant unless stated otherwise in this report.

- No environmental assessment of the property (including its site) and neighbouring properties has been provided to or by the VOA, nor is the VOA instructed to arrange consultants to investigate any matters with regard to flooding, contamination or the presence of radon gas or other hazardous substances. No search of contaminated land registers has been made.

  However, where an inspection was made and obvious signs of contamination or other adverse environmental impact were visible this will have been advised to you, further instructions requested and the observations captured in the report. Where such signs were not evident during any inspection made, it has been assumed that the property (including its site) and neighbouring properties are not contaminated and are free of radon gas, hazardous substances and other adverse environmental impacts. Where a risk of flooding is identified during any inspection made, or from knowledge of the locality, this will be reported to you. The absence of any such indication should not be taken as implying a guarantee that flooding can never occur.

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3. Property Information

3.1 Location

The commuted payment policy is to apply to the CNPA area.

There are five Local Authorities covering the National Park:

- Aberdeenshire
- Angus
- Highland
- Moray
- Perth and Kinross.

The identified Housing Market Areas (HMA's) covering the national park area are as follows:

Aberdeenshire

The current Aberdeen City and Aberdeenshire HNDA was published in 2017. The area of Aberdeenshire within the Cairngorms National Park has been included in the Rural HMA. The Housing stock within the CNPA is only a very small percentage of the overall Aberdeenshire and Aberdeen City Housing Market areas.

Figure 2: Housing Market Areas

Housing Need and Demand Assessment Aberdeen City and Shire 2017

Angus

Angus has been designated as 4 HMAs. The area within the National Park is within the West Angus HMA. According to the Brief, there are only 33 dwellings in the Angus area of the National Park.

https://www.angus.gov.uk/sites/angus-cms/files/2020-01/Housing%20market%20area%20profile%20-%20Angus%20Overview%202019.pdf

Highland

The Highland Housing Need and Demand Assessment (HDNA) (2015) identifies Badenoch and Strathspey as a HMA, the majority of the housing stock (97.6%) of the HMA lies within the National Park's Boundary.

Map 1-1 Housing Market Areas in Highland

Source: Highland Council in-house analysis

file:///C:/Users/7207314/Downloads/HNDA_oct2015_third_CHMA_submission_2.1%20(1).pdf

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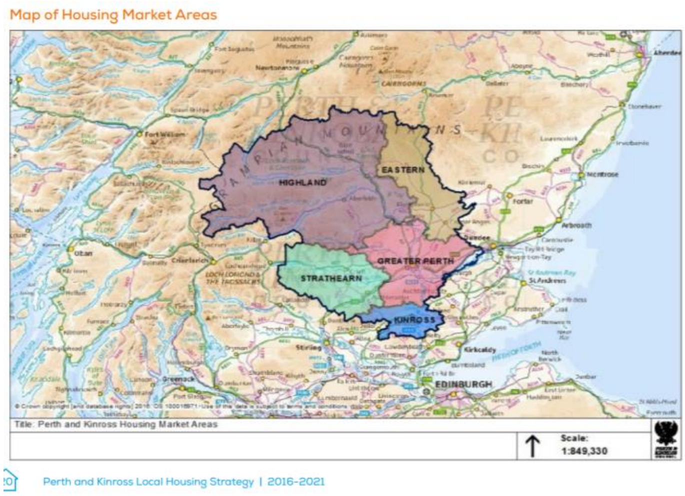
Moray

The Moray Council HNDA (2018) concludes that the whole of Moray is a functional HMA, within which six sub or local HMAs exist. One of these local HMAs lies within CNPA and is described as Cairngorms Local HMA.

Perth and Kinross

Perth and Kinross Local Housing Strategy 2017-2021 identifies the area within the National Park area as part of two HMA's - Highland HMA and Eastern HMA.



3.2 Description

The valuation methodology is outlined below in section 4 with reference to the Scottish Government PAN2/2010, More Homes Division Guidance Notes 2020/02 and the guidance notes issued by the RICS, in particular 'Valuation of Land for Affordable Housing Scotland' GN100/2013, VIP 12 ”Valuation of Development Land” and GN “Valuation of Development Property” October 2019.

In line with this guidance and in order to assess the value of the notional plots the following has been assumed, regarding the notional plot, within each of the Local Authority areas and for the National Park as a whole.

The notional house type is a 2-storey, 4-apartment (3-bedroom), detached house built to a good standard of specification. It is assumed that it has private garden grounds, off-street parking but no garage. The property is assumed to have a GIA of 96m^2 and the accommodation is assumed to comprise:

Ground Floor: Living room, kitchen, cloak room.

First Floor: 3-bedrooms and bathroom.

It is assumed that the units will be built to a good quality finish meeting all required Building Standards. It is further assumed that the units will adhere to the required RSL standards for affordable housing, these tend to be higher than mainstream requirements which can, in our experience, lead to higher construction costs.

Heating is not specified, but it is assumed to be a good standard and could comprise for example electric (including forms of renewable energy such as ground or air-source heat pump) or gas where available.

Parking provision is assumed to be available and in line with the local authorities current policy on parking.

It is also assumed that the plots will be serviced up to the site boundary with the necessary infrastructure in place.

3.3 Tenure

Owner’s heritable interest with vacant possession is assumed.

3.4 Title Restrictions

In terms of the valuation for private sale, it is assumed there are no title restrictions.

In terms of the valuations for the Social Rented accommodation it is assumed the land will be restricted to the provision of Affordable Housing in perpetuity.

3.5 Services

PAN 2/2010 states that the commuted payment should be of a "value equivalent to the cost of providing a percentage of serviced land required by the policy" and would therefore assume that the mains services of water, drainage and electricity will be provided up to the site boundary.

3.6 Access and Highways

It is understood that the land is serviced with the necessary infrastructure, including roads up to the site boundary. It is further assumed that the maintenance of roads and footpaths ex adverso the property is the responsibility of the local authority.

3.7 Energy Performance Certificate

As the valuation is for notional plots, EPC ratings are not known. However, it is assumed that the units will be constructed to meet building standards in force at the time of construction and will have a relatively good energy rating.

3.8 Planning

Relevant national guidance is contained in Planning Advice Note (PAN) 2/2010 and More Homes Division Guidance Notes 2020/02.

I have summarised below the current policies and guidance from each Local Authority area.

CNPA

The current Local Development Plan 2015 was adopted on 27 March 2015. Policy 1 – New Housing Development outlines the contribution to Affordable Housing for new developments. Non-statutory Supplementary Guidance has also been published in relation to Policy 1.

The level of affordable housing required under the 2015 is generally no more than 25% of the total number of units.

Proposals for less than four open market dwellings are required to make a contribution towards affordable housing. This is in the form of a cash payment towards the meeting of housing need in the local area. (Proposals for offsite contributions will be considered where community needs assessments, or similar assessments, support this as a better way of meeting the housing needs of the community).

The Supplementary Guidance states that 'The value of the financial contribution will be specifically related to the value of the site being developed. The guide for this financial contribution is £25,000 per unit for developments of four houses or more. This may however vary due to the location and value (higher value sites requiring higher contributions) of the development, or the specifics of the site'.

It further recognises that where a development is of less than four houses, a percentage of the £25,000 benchmark is sought and in these cases the following values act as a guide:
One house: 5% of the £25,000 benchmark = £1,250
Two houses: 10% of the £25,000 benchmark = £2,500
Three houses: 15% of the £25,000 benchmark = £3,750

CNPA are currently in the process of preparing the next LDP (2020). The Reporter published the Examination Report on 24 August 2020, which sets out their findings and a list of recommended modifications to the Plan. The CNPA has three months to consider the Reporter's recommendations and submit the Proposed Plan as modified to Scottish Ministers. During this period the board will review the recommendations before seeking final approval from Scottish Ministers prior to adoption of the new Local Development Plan 2020.

The proposed housing policy has been consulted on during the Proposed Plan consultation. It requires that 45% of all housing be affordable for sites of 4 units or more in the settlements of Aviemore, Ballater, Blair Atholl and Braemar. Other settlements and areas will be required to provide 25%. There is also a requirement for a financial contribution to be made for sites under 4 units. Therefore a robust method of calculating the level of contribution is required which will be used in the supplementary guidance.

It should be noted that whilst the responsibility for producing the LDP lies with the Cairngorms National Park Authority (CNPA), most planning applications in the National Park are determined by the relevant local authority although CNPA "calls in" and determines the applications which are of general significance to the aims of the Park. The CNPA also does not produce its own Housing Need and Demand Assessments (HNDA) as these are the responsibility of the Local Authorities.

Aberdeenshire

Aberdeenshire Council has a policy for Affordable Housing set out in the Aberdeenshire Local Plan 2017 - supplementary guidance- Affordable Housing 2017. It is stated that:

'In the rare and exceptional cases where a commuted sum is considered appropriate in lieu of on-site provision, the amount payable will be a value equivalent to the cost of providing the percentage of serviced land required by the policy. The amount will be based on an exercise undertaken by the District Valuer using a benchmark approach. The benchmark approach is based on plot values for a notional 3 bedroomed semi-detached property for unrestricted market sale and for the value of an identical plot restricted in perpetuity to the provision of affordable housing. The difference between the affordable housing plot value and the market plot value represents the commuted sum payable (for a single plot). This benchmark analysis is undertaken for areas within Aberdeenshire with comparable market characteristics (based on Academy catchments) to produce a range of commuted sum requirements that reflect local market conditions. The total commuted sum requirement for any development site will be calculated by multiplying the relevant individual plot value by the total number of affordable housing units required by the policy. Based on an assessment undertaken in 2014, the commuted sum requirements are:

Location	Commuted sum requirement (per plot)
Westhill, Stonehaven	£50,000
Portlethen, Banchory, Inverurie Stonehaven	£48,000
Kemnay, Inverurie	£46,000
Ellon, Oldmeldrum, Aboyne, Alford	£40,000
Laurencekirk	£38,000
Peterhead, Huntly, Turriff	£30,000
Fraserburgh, Turriff, Huntly, Banff, Macduff	£27,000

After making enquiries of the Planning Authority, I understand that there is likely to be a move away from statutory Supplementary Guidance in favour of Planning Advice Notes following the adoption of the new Local Development Plan which is aimed for mid-2021. The planning advice notes are hoped to be more flexible so that stakeholders can react more quickly although they might not have as much weight as the statutory guidance.

Aberdeenshire Council rarely allow commuted payments, it is usually only where viability is called into question.

Whilst there is no current guidance of what form commuted payments will take under the 2021 LDP it is likely that the benchmark approach will continue. It appears to be accepted by both LA and developers as it offers an element of certainty. It is likely the 2014 figures (which are index linked) will be reviewed and updated.

Angus

Angus Council has a policy for Affordable Housing set out in the Angus Local Plan adopted by Angus Council in September 2016 – policy TC3: Affordable Housing states:

"Angus Council will seek to secure the delivery of affordable housing equivalent to 25% of the total number of residential units proposed on all residential sites of 10 or more units, or where a site is equal to or exceeds 0.5ha. Where a qualifying site is being developed in phases of less than 10 units or less than 0.5 hectares the affordable housing requirement will be applied based on the overall capacity of the site. Angus Council will work in partnership with developers and consider innovative and flexible approaches to secure delivery of an appropriate affordable housing contribution. Where appropriate, Section 75 or other legal agreements may be used".

In addition to the above Local Plan, Angus Council published Developer Contributions and Affordable Housing Supplementary Guidance in December 2016. This outlines the process for delivering the required Affordable Housing and the circumstances where a commuted sum can be made in lieu of on-site provision.

The VOA has recently provided valuation advice to Angus Council, which is based on the ‘benchmark approach’. The published figures (valid until 30 June 2019) are as follows and are not expected to change for 30 June 2020:

Housing Market Area (HMA)	Value for Private Sale (£)			Value for Social Rent (£)	Commuted Payment (£)
	Range <	Range >	Typical		
West	£23,000	£29,000	£26,000	£1,000	£25,000

<u>Highland</u>

The review of the Highland-wide Local Development Plan (HwLDP) is currently postponed until the implications of the Planning Bill are more clearly understood. There is currently an interim position based on an initial review of comments received, which was agreed by the Planning, Development and Infrastructure Committee on 17 August 2016.

With regards to Affordable Housing, this is set out in Policy 32 of HwLDP. Developments of four or more homes require to contribute 25% equivalent of affordable housing in areas of need.

Currently affordable housing contributions are required for developments of four or more houses, however developments of less than four units also require to make an equivalent affordable housing contribution in certain circumstances. Highland areas within CNP are classed as one of these exceptional circumstances as the National Park LDP specifies the need for affordable housing contributions for developments of less than four units.

Commuted affordable housing payments will only be acceptable on an exceptional basis and will be assessed on a case by case basis. Developers are required to enter into early discussions with the Housing Authority to agree the tenure split and type of affordable housing required on a case by case basis.

It is recognised that fixed commuted sums payable to the Council will vary over time and will differ by area. They are updated regularly and published online via the Council's website. The published guidance states that for indicative budgeting purposes, a four house development would be expected to make an affordable housing contribution in the order of £25,000 to £35,000, equating to £6,250 to £8,750 per home.

Moray

The Moray Local Development Plan (MLDP) 2020 Affordable Housing Policy is found at DP2 Housing

'(d) Affordable Housing Proposals for all housing developments (including conversions) must provide a contribution towards the provision of affordable housing.

Proposals for new housing developments of 4 or more units (including conversions) must provide 25% of the total units as affordable housing in affordable tenures to be agreed by the Housing Strategy and Development Manager. For proposals of less than 4 market housing units a commuted payment will be required towards meeting housing needs in the local housing market area.

A higher percentage contribution will be considered subject to funding availability, as informed by the Local Housing Strategy. A lesser contribution or alternative in the form of off-site provision or a commuted payment will only be considered where exceptional site development costs or other project viability issues are demonstrated and agreed by the Housing Strategy and Development Manager and the Strategic Planning and Development Manager. Intermediate tenures will be considered in accordance with the HNDA and Local Housing Strategy, and agreed with the Housing Strategy and Development Manager.'

The 2017 LDP lowered the threshold so that individual house proposals are required to make a contribution towards affordable housing provision. This contribution is in the form of a commuted sum payment as s a developer obligation. The cost figure is published annually on the Council website http://www.moray.gov.uk/moray_standard/page_94665.html. It is based on an assessment of the value of serviced land for affordable housing in Moray. For 2020/21 the commuted payment is£16,000 in lieu of each unit of affordable housing required under the Council's policy. This amount is reviewed annually- the next review being due on 1 April 2021.

Perth and Kinross

Perth and Kinross Council's policy for affordable housing is set out in the Developer Contributions and Affordable Housing Supplementary Guidance 2020.

A benchmark approach has been adopted. The following details are provided within the Guidance:

'The commuted sum payment relates to the cost of providing serviced land for affordable housing for the same housing market area. Assuming that the Housing Supply and Innovation Division of Scottish Government will make Housing Association Grant (HAG) available, then the value of the land is the difference between the affordable land plot which can be purchased using the subsidy and the value of the site for private development i.e. the commuted sum is the additional amount the housing association or local authority would have to pay over and above the affordable housing land value to obtain an alternative site'.

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A residual approach is adopted and the valuations provided assume notional house plots for the erection of a semi-detached house, within a development of ten houses, two storey, three apartment (two bedrooms), having an approximate Gross Internal Area of 85 square meters in each of the 5 Housing.

The VOA has recently provided valuation advice to Perth and Kinross Council and published values for Highland and Strathmore HMA's are as follows:

Housing Market Areas	Plot Value per Unit for Private Sale	Plot Value per Unit for Affordable Housing	Commuted Sum per Unit
Highland	£20,000	£1,000	£19,000
Strathmore	£16,000	£1,000	£15,000

Other Local Authority Areas

The benchmark approach is used by several of the local authority areas within the CNPA area and also other authorities across Scotland, such as Argyll and Bute, East Dumbartonshire, Fife, Scottish Borders, Dumfries and Galloway.

The Supplementary Guidance of other councils is not always clear as to how the commuted sum should be calculated. Authorities, such as East Ayrshire, South Ayrshire, East Lothian, Midlothian and others detail that their policy is in line with PAN2/2010 i.e. that 'commuted sum payments will be a value equivalent to the cost of providing the percentage of serviced land required by their policy', but do not provide much detail on how this is calculated.

Historically some authorities have calculated the commuted payment on the basis of the value of an affordable housing plot times the number of plots required by the policy. This has proven to be problematic when the value of the affordable housing plot is very low, or nil value, as it often is the case when the assumed tenure is social rented, hence the reason the benchmark approach whereby the commuted payment is the difference between the affordable land plot value and the value of the plot for private development multiplied by the number of affordable housing units required, is seen as the preferred method.

Rather than publishing benchmark figures other authorities prefer to deal with commuted payments on a site by site basis (e.g. East Renfrewshire, Falkirk and South Lanarkshire). The method of calculating the commuted payment is not usually detailed but it is assumed it would be in line with PAN2/2010.

Dundee City Council does not have an affordable housing policy as affordable housing in that location is not in short supply. Consequently Dundee does not have a commuted sum policy.

City of Edinburgh Council and Stirling both have supplementary guidance dealing with commuted payments although they take a slightly different approach to most other authorities. In the case of Edinburgh the MV of an unrestricted serviced plot with planning permission and no allowance for affordable housing contribution or commuted payments is assumed. The commuted sum should be arrived at by multiplying the land valuer per unit by the number of affordable housing units required.

For sites in the Stirling authority area, the methodology is based on applying the Median House Price for the housing market area to the number of units required for affordable housing.

The above list is not exhaustive, but does illustrate that authorities deal with commuted payments in different ways. Where it is used, the benchmark approach appears to be accepted by both LA and developers as it offers an element of certainty and transparency.

However it is worth noting that in general commuted payments are seen as a last resort in the delivery of affordable housing contributions. In many local authority areas little or no payments have been received and there is a presumption in favour of on-site delivery.

For CNPA the situation is different because there is a financial requirement for developments of less than 4 units, where on-site delivery is not practical. Therefore a robust and transparent policy is required to calculate the contribution as it is anticipated it will be put into practice.

3.9 Equality Act 2010

Whilst I have had regard to the provisions of the Equality Act 2010 in making this report, I have not undertaken an access audit nor been provided with such a report. It is recommended that you commission an access audit to be undertaken by an appropriate specialist in order to determine the likely extent and cost of any alterations that might be required to be made to the premises or to your working practices in relation to the premises in order to comply with the Act.

3.10 Mineral Stability

The property is not in an underground mining area and a Mining Subsidence Report has not been obtained.

3.11 Environmental Factors Observed or Identified

For the purposes of this report it is assumed there are no environmental factors or abnormal development costs that would have an impact on the value of the land.

4. Valuation

4.1 Valuation Methodology / Approach and Reasoning

4.1.1 Background

A Commuted Payment is a financial contribution in lieu of affordable housing.

In terms of the CNPA Local Plan 2020 it is proposed that 45% of all housing should be affordable for sites of 4 units or more in the settlements of Aviemore, Ballater, Blair Atholl and Braemar. Other settlements and areas will be required to provide 25% affordable housing. Generally, the preference is for affordable housing to be provided on site or alternatively on a suitable site in the same HMA. However, it is accepted that this may not always be possible and that on occasions, a commuted payment might be acceptable in lieu of affordable housing.

The proposed 2020 Plan also proposes that developments under 4 units will also be expected to contribute to affordable housing but this will be in the form of a financial contribution. CNPA therefore require a robust method for calculating the level of contribution required.

The 45% Affordable Housing contribution is higher than most other places, however for the purposes of this report I have assumed the Local Development Plan currently under consideration and the revised Affordable Housing policy will be approved.

My understanding of Planning Advice Note (PAN) 2/2010 is that the commuted payment would be in lieu of, and equivalent to, the value of providing the percentage of serviced land otherwise required by the policy. Guidance as to how commuted payments should be calculated is limited. However, best practice is outlined in PAN 2/2010 paragraph 22 as follows:-

"22. Where it is agreed that an alternative to a contribution of land within the proposed development site is acceptable, the developer will provide either land or homes or a commuted sum of a value equivalent to the cost of providing the percentage of serviced land required by the policy. Best practice is that the value should be independently determined by the District Valuer or a chartered valuation surveyor suitably experienced in the type of property and the locality. Wherever possible the relevant parties should agree to appoint and instruct a valuer, failing agreement on which the valuer should be appointed by the Chairman of the RICS in Scotland. The commuted sum is a matter for negotiation between the developer and the local authority, having regard to development costs, other contributions that are being sought, and other relevant factors, for example layout and design. Planning authorities may wish to consider a policy for calculating a commuted sum, but this should be the subject of consultation with stakeholders before being applied."

The guidance in PAN 2/2010 is relatively vague and to a large extent it has been left to the individual local authorities to establish the methodology used to calculate the commuted payments.

4.1.2 Benchmark Approach

DVS has provided commuted payments advice to a number of local authorities dating back some years. A number of authorities, including several of the Local Authority areas bordering CNP, have adopted a benchmark approach which is recognised as providing a degree of certainty for both authorities and developers and is considered to be in line with PAN 2/2010 and the More Homes Division Guidance Notes of 2020/02 - Affordable Housing Supply Programme, Processes and Procedures

The Benchmark Approach is based on plot values for notional residential plots for unrestricted market sale and for a value of an identical site but assuming the use is restricted for perpetuity to the provision of affordable housing. The commuted payment is the difference between the affordable land plot value and the value of the plot for private development multiplied by the number of affordable housing units required, that is :-

Number of affordable housing units required x (benchmark MV of unrestricted housing plot less benchmark value of an affordable housing plot).

The difference between the unrestricted MV and the affordable housing value is considered to reflect the amount the housing association or council will have to pay over and above the affordable land value to obtain the alternative plot. Using this methodology, the developer contribution is directly related to land costs and reflects the difference in land values between Housing Market Areas (HMA's). Usually, social rent is a starting point for the assessment of affordable housing need and therefore of the commuted sum.

For developments of less than 4 units, and depending on the level of Affordable Housing requirement in that location, a percentage of the benchmark commuted payment could be applied. For example, in the case of Aviemore, Ballater, Blair Atholl and Braemar the contribution to affordable housing is 45%. A development of 3 units in one of these locations would therefore be required to contribute a financial contribution equivalent to 1.35 affordable housing units i.e. 1.35 times the commuted sum amount for that location.

In order to establish the difference between the unrestricted MV and the affordable housing value I have carried out valuations in each of the 5 Local Authority Areas within CNPA.

The valuations are on the basis of a notional residential housing plot within a hypothetical development of 10 houses. As per your brief, the completed new houses are assumed to be 3 bedroom detached house of 96m^2 (gross internal areas) built to a good standard/specification. It is assumed that the property has private garden grounds, off-street parking but no garage.

4.1.3 Value for Social Rented Accommodation

I have had regard to the guidance notes issued by the RICS and in particular 'Valuation of Land for Affordable Housing Scotland' GN100/2013, VIP 12 " Valuation of Development Land" and RICS 'Valuation of development property', 1st edition (October 2019).

The valuation is on the basis of a permanent restriction to Affordable Housing based on two accepted approaches:

(i) Comparison with the sale price of land for comparable development and

(ii) Assessment of the value of the completed scheme and deduction of the costs of development to arrive at the underlying land value (the residual method).

Given the lack of open market sales of land for affordable housing my valuation has been carried out on a residual basis. As a sense check when considering the residual valuation, I have taken into account the valuations of land for Affordable Housing for both Registered Social Landlords (RSL) and Local Authorities (LA) which the VOA has been involved with.

The two main components required to value land for affordable housing are an assessment of the monies available for the scheme and an understanding of the costs associated with constructing the scheme. The amount of monies available (generally grant funding and borrowings based on rental income) will effectively be the Gross Development Value (GDV) of the scheme and will include the finance available and public subsidies. In calculating the GDV I have had regard to the More Homes Division Guidance Note - Affordable Housing Supply Programme: Process and Procedures. (MHDGN 2020/02) which details the benchmark grants available and along with benchmark rents.

Two separate residual valuations have been undertaken as RSL's and Local Authorities are awarded different levels of grants subsidies and have differing rental levels. Within the residual calculations I have assumed that RSL's can attract the 'Rural' greener grant subsidy benchmark of £74,000 for social rent 3 person equivalent, whereas Local Authority greener grant is lower at £59,000 as a flat rate.

In your Brief you have outlined that the notional unit should be a standard new build 3 bedroom detached house of 96sqm (gross internal areas). I have therefore assumed the unit would be for 5 people and have adjusted the amount of grant in line with the conversion factors and the benchmark rents published in MHDGN 2020/02.

The grant available to an RSL for the hypothetical 3 bedroom 5 person unit is therefore:

£74,000 * 115.5 = £85,470.

The grant available to a Council for the hypothetical 3 bedroom 5 person unit is £59,000.

The level of rent charged will vary from location to location within the Park area, however for the purposes of my calculations I have assumed the benchmark for (2021/2022) plus 5% i.e.:

£4,676.70 plus 5% = £5,401.20 per annum.

In the majority of locations the rents are likely to be lower than the benchmark however in order to establish a headline rate for the land I have assumed the benchmark plus 5% and in most cases rents are unlikely to be higher than this.

For the purposes of the residual calculation, I have assumed a small development of 10 houses. The total grant available to the RSL would therefore be: 10 units @ £85,470 = £854,700. The total grant available to a Council would be: 10 units @ £59,000 = £590,000.

The total rent for 10 units is calculated to £54,012, which has been adjusted for voids at 1%, and then capitalised using a multiplier of 17.5689, which was formerly prescribed by the Scottish Government and although it has not been updated for some time it could be taken to represent an average borrowing rate across a wide range of RSL's and Councils. The total income available has been adjusted to take account of management, maintenance and major repairs. These can vary from RSL to RSL however I have adopted adjustments which are broadly in line with the figures in previous SG Guidance. Usually these are around 30% of rental income and in this case 29.16% has been used. The adjusted rent (based on the benchmark rent plus 5%) for both the RSL development and the Council development would therefore be £672,219.

The total finance available for the hypothetical development of 10 detached houses and based on the available grant plus capitalised adjusted rental income is £1,526,919 for the RSL and £1,353,669 for the Council.

With regards the costs associated with constructing the scheme I have analysed cost information for affordable housing projects dealt with by the VOA in recent times. A range of costs is to be expected as the developments are for a variety of house types and RSL's and Councils operate under differing procurement frameworks. I have also had regard to the BCIS average prices indices adjusted for location.

The indices indicate there are differences in build costs across the different locations, however it is my view that in reality the differences would not be as great as the indices suggest. The indices cover a wider area, not just the CNPA area, which skews the results. I have therefore interpolated the evidence, and applied different build costs across different locations, although the differences are marginal.

The costs adopted are between £1,386/m^2 and £1,414/m^2 with Aberdeenshire and Moray being at the lower end of the range, Perth and Kinross at the high end of the range and Angus near the middle of the range.

- I have uplifted the build cost by 6% to reflect an addition for contractor's profit.
- Externals are assumed at 10%, which is within the range indicated by development projects the VOA has been involved with.
- The industry norm for contingencies is between 3% and 5%. I have assumed a reasonably straight forward development, therefore 3% has been adopted.
- Professional fees are 6% which is within the normal range.
- Other costs are taken at 4%.

As noted above in reality the costs will vary depending on location and on the developer. A Council is likely to have different costs to an RSL and the approach is broad brush, but overall the above inputs are considered to be reasonable and reflective of typical costs for a development of this nature. More rural areas are likely to incur higher construction costs than areas closer to major settlements or transport links. Experience has shown that affordable housing developments tend to have higher build costs than private developments.

I have assumed that the RSL would incur some direct costs in facilitating the development. I've assumed total direct costs, including developer's agent, clerk of works and other costs incurred by the RSL at 1.75% of the total contract amount. Arguably, the RSL may also incur some other costs, which are sometimes captured under development allowances, however I have assumed in this instance these costs are included in the 'other fees' within development costs.

Adopting a build cost at the low end of the range (i.e. £1,386) total costs have been assumed at £1,782,443 and it is clear to see that a significant negative value is produced as the income available is lower than the costs of development. (If the build cost were higher, a greater negative value is produced). In my experience, this is typical for affordable housing developments, especially those that are 100% social rented.

It should be remembered however that residual valuations are sensitive to inputs and lower or higher values can be achieved depending on the variables adopted. This office has advised Local Authorities and various RSLs on numerous affordable housing sites throughout Fife, Tayside and Central Scotland. Within the cases in the past 12 months values per plot have varied from Nil to £10,000. The plot rates are dependent on the tenure and size of the units and the corresponding rents and available grant subsidies.

Positive residual land values can sometimes be achieved if a tenure other than social rent is assumed. Mid-market rent (MMR) is an acceptable form of affordable housing and as the rent for MMR properties tends to be higher than the rent for social rented, there is more money available for the scheme. Similarly Shared Equity Schemes or Low Cost Home Ownership (LCHO) can generate higher GDV's. However, social rent is usually identified as the highest need and I am of the opinion this should be the basis from which the commuted payment is calculated in the first instance. Commuted payment policies could entail some flexibility, allowing a degree of negotiation at the planning application stage. If it can be shown that there is a specific need for another form of affordable housing in a location this could be assessed on a case by case basis.

The valuations are also affected by the nature of the site, any remediation work that is required and also the level of any developer's contributions within a Section 75.
In my experience however it is unusual for a social rented scheme to achieve a significant positive land value and more often than not a negative value, nil or very low value is reported.

The VOA is aware that there are instances where Housing Associations have paid a flat rate (in some instances £10,000 per plot) for affordable house plots. This type of payment is commonly, in our opinion, an apportionment of an overall price paid for a completed unit within a Design and Build Agreement rather than a true site value. In these sites where a figure of say £10,000 has been paid, a Section S75 is in place which dictates the Affordable Housing Provision (AHP) that is required on the overall development, the RSL has entered into a Design and Build Agreement with the developer and owner of the overall site. Whilst £10,000 may be quoted as a land price this an apportionment of the overall price paid for the completed unit and is not in our opinion an open market transaction.

4.1.4 Value for Private Sale

In arriving at the valuations for the unrestricted plots I have undertaken a residual valuation for each of the 5 local authority areas having regard to the guidance notes issued by the RICS and in particular VIP 12 " Valuation of Development Land" and Valuation of development property, 1st edition, 2019.

As with the affordable housing residual valuation, I am assuming a small development of 10 standard new build 3 bedroom detached house of 96sqm (gross internal areas) built to a good standard of specification, with private garden grounds, off-street parking but no garage.

GDV

The GDV of the private sales is arrived at by having regard to the anticipated sale price of the completed units of the notional houses.

I have researched house sales throughout the CNPA area in order to arrive at the likely selling price of the notional house in each Local Authority area. . In addition I have looked at developments currently being marketed.

There are 7 HMA's within the CNPA area and values differ across the HMA's and from one authority to another. Due to the lack of evidence available it is difficult to undertake a detailed analysis. The approach is by necessity broad brush and it is recognised that HMA's would inevitably contain a wide range of values.

Aberdeenshire

The area of Aberdeenshire within the Cairngorms National Park is included in the Aberdeenshire Rural HMA. The two main settlements are Braemar and Ballater, both of which have been identified as settlements requiring 45% affordable housing for new developments.

I have undertaken an analysis of house sales evidence, most of which is located in Braemar and Ballater, in order to establish the likely selling price of the notional house. The evidence does not generally correspond to the notional house assumed for this exercise. Private sector housing may include en-suite facilities, garages, driveways etc and might be larger, or in some cases smaller, in size than the notional unit. In analysing the sales evidence, adjustments have been made as appropriate.

Based on the evidence available I have assumed a sale price for the notional house of £220,000 for the area of CNPA within Aberdeenshire.

Angus

The area within the National Park is within the West Angus HMA.

West Angus HMA is geographically the largest HMA in Angus. It includes the settlements of Forfar and Kirriemuir, however it stretches north to include Angus Glens (Glen Esk, Glen Clova, Glen Prosen and Glen Isla). The area within CNPA is very rural and according to the Brief, there are only 33 dwellings in the Angus area of the National Park. As such, there is very limited sales evidence available and I have therefore had to have some regard to sales evidence from locations outwith the CNPA area, making adjustments for the type house and location.

Based on the evidence available I have assumed a sale price for the notional house of £200,000 for the area of CNPA within Angus.

Highland

The Highland Housing Need and Demand Assessment (HDNA) (2015) identifies Badenoch and Strathspey as a HMA, the majority of the housing stock (97.6%) of the HMA lies within the National Park's Boundary. The major settlements are Newtonmore, Kingussie, Aviemore and Granton-on-Spey. Smaller settlements include Kincraig, Boat of Garten, Carr-Bridge, Nethy Bridge and Cromdale.

As with other authority areas, house sales evidence is scarce and requires interpretation. There is a small amount of evidence from various locations across the region, some of which is within the larger settlements, some of which is rural.

Taking the evidence on balance a value of around £205,000 would appear reasonable for the notional house in the Highland Authority area.

Moray

The Cairngorms Local HMA of Moray lies within CNPA area and the main settlements are Glenlivet and Tomintoul.

The sales evidence is sparse and most of the sales are Tomintoul, but overall the evidence would suggest around £200,000 for the notional house type within this location.

Perth and Kinross

Perth and Kinross Local Housing Strategy 2017-2021 identifies the area within the National Park area as part of two HMA's - Highland HMA and Eastern HMA. The principal settlement within Highland is Blair Atholl with several small settlements (Calvine, Bruar, Pitagowan and Killiecrankie) reasonably close by. Highland HMA also includes the rural settlement of Dalwhinnie to the northwest and Eastern HMA includes Glenshee.

The sales evidence available is mainly for properties near to Killiecrankie. There was very limited or no recent evidence for Blair Atholl, Glenshee, Calvine, Bruar, Pitagowan, Dalnaspidal, Tummel Bridge and Kinloch Rannoch. I have therefore looked to Pitlochry, which is a larger settlement to the south of Blair Atholl outwith CNPA area. I have assumed values within more rural areas within the Park would relate to Pitlochry although there will likely be less demand, particularly in the more rural locations so some variation would be expected.

Overall a value of around £220,000 is considered reasonable for the notional house type for the area falling within Perth and Kinross Authority.

The value for CNPA is taken as an average of the 5 other authority areas.

The GDV for each Local Authority area (based on a development of 10 notional houses) can be summarised as follows:

LA area	Unit Value	GDV (10 units)
Aberdeenshire	£225,000	£2,250,000
Angus	£200,000	£2,000,000
Highland	£205,000	£2,050,000
Moray	£200,000	£2,000,000
Perth and Kinross	£220,000	£2,200,000
CNPA (average of 5 LA)	£209,000	£2,090,000

Agents selling costs at 1.75% and legal selling costs at 0.75% have been deducted from the GDV to arrive at the Net Development Value.

Development Costs

Estimated costs associated with constructing the notional scheme are based on information from actual projects and industry norms. I have had sight of cost information for several projects carried out recently by RSLs and Councils across Scotland as well as cost information provided in connection with viability assessments for private developments. I have also had regard to information provided by the BCIS.

Given the lack of directly comparable cost information I have had regard to BCIS average prices, adjusted for location. As detailed above, the indices indicate there are difference is build costs across the different locations, however it is my view that in reality the differences would not be as great as the indices suggest.

The costs adopted are between £1,130/m^2 and £1,141/m^2 with Aberdeenshire and Moray being at the lower end of the range, Perth and Kinross at the high end of the range and Angus near the middle of the range. The costs are lower than what I have assumed for the affordable housing valuation, but that is not considered unusual. They are above the lower quartile range, but lower than the mean:

Other costs are assumed to be broadly similar across all locations

- Externals are assumed at 10%, which is within the range indicated by development projects the VOA has been involved with.
- The industry norm for contingencies is between 3% and 5%. I have assumed a reasonably straight forward development, therefore 3% has been adopted.
- Professional fees are 6% which is within the normal range.
- Finance costs are assumed at 6.5%
- Profit is usually between 15% and 20% of GDV. I have adopted 20% as this is the level developers appear to be working to in order to secure financial backing.

Developer Contributions (DC) have been considered in line with Policy 11 of the proposed 2020 CNP Local Development Plan. Whilst there are a range of potential Developers Contributions including education, healthcare, community facilities, transport provision and infrastructure, these depend on the location, type and scale of the development. Within this report I am unable to make allowance for developer contributions, as they are specific to each application and can vary between settlements and local authority areas.

The total development costs have been deducted from the Net Development Value to arrive at the residual land value in each location as follows:

LA area	**Residual Land Value**	**Unit land value**
Aberdeenshire	£325,000	£32,500
Angus	£160,000	£16,000
Highland	£185,000	£18,500
Moray	£170,000	£17,000
Perth and Kinross	£300,000	£30,000
CNPA (average of 5 LA)	£230,000	£23,000

4.2 Comparable Evidence/Land Sales Evidence

As well as using the residual method of valuation, I have also had regard to recent transactional evidence of residential development land as a check I have listed some of these sales below. It should, however, be noted that the analysis of transactions is problematical and the purpose for which this report is required does not lend itself easily to valuation by comparison as there is limited evidence available and the evidence that there is, is difficult to analyse as key information relevant to the site, such as demolition or remediation costs are often not available. In many cases, full details are not made available or cannot be disclosed in order to preserve confidentiality.

Caution has to be exercised in the analysis of evidence as it will be site specific and particular regard should be had to the types of units that are proposed to be constructed as they are often different from the notional unit adopted for the purposes of this exercise. The developments will include units which individually may have a much higher GDV than the adopted notional unit. Other issues that might be relevant are site specific infrastructure and servicing requirements or planning obligations.

Due to the limited number of sales I have also had regard to building plots currently on the market. It is worthwhile stressing however that the majority of sites detailed below are not particularly comparable to the notional house plot assumed for this exercise.

Blacklunans, Glenshee, PH10 752
Plot extending to 0.9 acres with full planning permission of steadings. Sold 16 August 2019 for £135,000 (TSPC)

Plot at Ar-Dachaidh, Glenshee, PH10 7QD
0.54 acres
Asking price is £85,000
Planning permission was obtained in 2020 for a 1.5 storey, 3 bedroom detached dwelling house extending to over 141 square m of floor space. Reference number (19/02110/FLL). (TSPC)

Steading at Easter Peathay, Glen Isla, PH11 8H2.
1.63 acres with planning permission to convert to a 5 bed house.
Asking price £120,000 (TSPC)

Plot of land at Old Faskally, Killiecrankie, PH16 5LG
0.385 acres with planning permission for 3 bed house
Offers around £119,500 (TSPC)

Workshop believed suitable for residential conversion at Rowangarth, Garth, Fortingall, PH15 2NP
Site extends to 446 sq m
Sold for £63,000 07/01/2020 (TSPC)

Land for sale at Tomintoul
Planning permission for 2 semi-detached units and 1 detached unit.
Plot 1 - Detached property - Site Area 343m^2
Plot 2 - Semi-Detached -Site Area 335 m^2
Plot 3 - Semi Detached - Site Area 328 m^2
Marketed at £135,000 (or £50,000 for the detached plot and £85,000 for both semi-detached plots. (Rightmove)

Plot 1, Drumuillie, Boat of Garten:
Plot extending to approximately 0.278 acre with the added option of a build facility. Full planning permission has been granted (18/05932/FUL) for a 4 / 5 bedroom detached villa with garage and the plot will be serviced with electricity, water and ultra-fast fibre broadband. Offers over £124,500 (Rightmove)

Plot of Land, Mains of Garten, Boat of Garten, Inverness, PH24 3BY
Building plot of 0.32 acres. The plot comes with Outline Planning Permission (18/04298/PIP) Offers over £99,000 (Rightmove)

Land for sale, Market Rd, Granton on Spey:
Detailed planning permission for the construction of a one and a half storey, three bedroom detached property. The site is approximately 0.08 acres. Fixed price £90,000 (Rightmove)

The Byre, Douneside, Laggan, Newtonmore, Highland, PH20
Residential plot benefitting from detailed planning permission to create a 3 or 4 bedroom home. At present there is a traditional stone barn with a tin roof. Should it be required, there may be additional land available by separate negotiation. 19/03/654/FUL. Offers Over: £90,000 (Rightmove)

Self-Build Plots, Skye of Curr, PH26
4 building plots of 0.14 Acre each located just off the Skye of Curr road, adjacent to Parkhead Croft, on a level site and with views over surrounding farmland and the Cairngorm Mountains. Mains services are all close by. Planning Permission in Principle was granted in July 2018 for a period of 3 years. 18/02105/PIP. Offers in Region of £75,000. (Rightmove).

Dulnain Bridge

Fixed Price £69,950
Site with views to the Monadhliaths Mountains extending to approximately 0.13 acres. There is planning permission in principle for the erection of a detached 1.5 storey property with mains water, drainage and electricity available for connection in close proximity. The site is currently fenced and consists of grassed undeveloped land. (Rightmove)

Kingussie, Dunbarry Road, PH21

They will be sold serviced and with detailed planning permission for a detached house on each: 18/01643/FUL. Offers in Region of £65,000 per plot (Rightmove).
SITE 1 - 1,240m2 (0.306 ACRE)- UNDER OFFER
SITE 2 - 1,210m2 (0.299 ACRE)- UNDER OFFER
SITE 3 - 1,420m2 (0.351 ACRE)
SITE 4 - 1,179m2 (0.291 ACRE)

Development Plot, Linn O'Dee Road, Braemar, Ballater AB35 5WT,
Plot with planning permission for detached 4 Bedroom dwelling house extending to 224m^2. Price over £280,000 (ASPC)

Site Adjacent Arbor Lodge, Ballater AB35 5NN
Plot with full planning permission for erection of a 3 bedroomed detached dwell-house. Services nearby. Price around £150,000 (ASPC)

Building Plot, 5 Viewfield Road, Ballater AB35 5RD,
Plot with full planning permission and building warrant for the erection of a 4 bedroom detached dwellinghouse. Asking price over £130,000
Sold 05/07/19- £115,000 (ASPC)

4.3 Opinion of Value

Commuted Payment

The recommend methodology is the 'benchmark' approach detailed above. The commuted payment is the difference between the unrestricted MV and the affordable housing value, which is considered to reflect the amount the Housing Association or Council will have to pay over and above the affordable land value to obtain the alternative plot.

I am of the opinion that the Market Value of the owner's heritable interest in the notional house plots with vacant possession (and the resultant commuted payments) as at 13 November 2020 are detailed in the table below.

LA area	**Affordable Housing Plot value**	**Private Housing Plot Value**	**Commuted Payment**
Aberdeenshire	£0	£32,500	£32,500
Angus	£0	£16,000	£16,000
Highland	£0	£18,500	£18,500
Moray	£0	£17,000	£17,000
Perth and Kinross	£0	£30,000	£30,000
CNPA (average of 5 LA)	£0	£23,000	£23,000

Commentary on Reported Values

As the hypothetical site could be located anywhere within the radius of the Local Authority areas as shown, values in reality would likely vary within each area and there would likely be some 'blurring' at the borders of the authority areas.

You have requested a value for the Park as a whole. As the values vary across the whole CNPA area this has been calculated as an average of the values for each local authority area.

The value reported for CNPA as a whole is £23,000 which is lower than the £25,000 detailed in the current guidance. I would also comment that the values reported might appear to conflict with the current guidance for individual local authority areas. However there are reasons for this and I am of the view CNPA need not be bound by the policies of the individual authorities but you may wish to discuss this with them.

A development within the Aboyne Academy catchment area for example would likely attract a commuted payment of £40,000/unit. As detailed above, however there is likely to be a move away from statutory Supplementary Guidance in favour of Planning Advice Notes following the adoption of the new Local Development Plan which is aimed for mid-2021. It is likely that the benchmark approach will continue however the current figures which date from 2014 figures (are index linked) will be reviewed and updated.

The figure for Angus is lower than the most recent commuted payment for Angus West, which is £25,000. It should be noted however that the assumptions adopted for

Angus Council vary from those adopted for the purposes of this exercise. Angus West is also a very large area stretching to locations within easy commuting distance of Dundee. The area within CNPA is very rural and values would be expected to be considerably lower.

Within Highland Council area, the published guidance states that for indicative budgeting purposes, a four house development would be expected to make an affordable housing contribution in the order of £25,000 to £35,000, equating to £6,250 to £8,750 per home. The review of the Highland-wide Local Development Plan (HwLDP) is currently postponed but it is assumed that the previous guidance for commuted payments is still valid, although it is likely it will be reviewed in the future.

Moray Council has adopted £16,000/unit as a commuted payment across the whole authority area, which is due to be reviewed in April 2021. My residual valuations support a commuted payment of £17,000, which is close to the figure currently adopted by Moray Council.

The VOA has recently provided valuation advice to Perth and Kinross and commuted payments for Highland HMA and Eastern HMA were reported at £19,000 (Highland) and £15,000 (Eastern). I would comment that as with Angus Council, the assumptions for the notional unit were different for the Perth and Kinross exercise. For example a detached house plot is assumed for this exercise rather than a 2 bedroom semi-detached house assumed for the Perth and Kinross exercise. The inputs and assumptions adopted for this exercise, as detailed above support a higher GDV and consequently a higher residual land value has been generated.

In terms of land values for Social Rented accommodation, dependant on the specifics of the site, the cost of development can outweigh any return in the form of capitalised rents and grant available resulting in a negative or nil value. As the level of government subsidy, development costs and rents charged by RSL's and the Council are broadly similar across the region, there is unlikely to be much variation across the different HMA's for this type of tenure.

However, it is important to acknowledge that the value for one type of affordable tenure can differ significantly from another type of tenure, for example higher Mid-Market rent and other forms of affordable tenure may yield higher values.

It is also worth repeating that the land values for the unrestricted plots are based on the assumptions stated within the report, specific sites with abnormal costs relating to infrastructure, site conditions or planning obligations could well produce a lower plot value. Similarly if the characteristics of the notional unit were to change, then higher or lower values could be generated.

4.4 Currency

All prices or values are stated in pounds sterling.

4.5 VAT

I understand that VAT does not apply to this transaction and my opinion of value reflects this. In the event that my understanding is found to be inaccurate, my valuation should be referred back for reconsideration.

4.6 Costs of Sale or Acquisition and Taxation

I have assumed that each party to any proposed transaction would bear their own proper legal costs and surveyor's fees.

No allowance has been made for liability for taxation, whether actual or notional, that may arise on disposal.

4.7 Market Commentary/Market Uncertainty

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuation are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of this property / these properties under frequent review.

The property market generally came to a standstill in the 3 months following the 'lock-down' in mid-March, it was reopened at the end of June and evidence seems to suggest that market activity has resumed and despite the economic situation estate agents and developers are reporting a surge of interest in many locations across Scotland. This might be a result of pent-up demand during lock-down and it is not clear how long this apparent increase in demand will last. There is no concrete evidence yet to suggest that residential land values or house prices are falling however the real impact on residential land values from COVID is yet to come and any purchaser of residential land at this time should be made aware of the potential risks in this regard.

There is limited recent sales evidence for most localities across the CNPA area and the evidence does not generally correspond to the notional house assumed for this exercise. The information available requires interpretation and adjustment and a higher degree of valuer judgement has to be exercised. Similarly, in terms of residential land sales, there is limited evidence available and as noted above caution has to be exercised in the analysis of evidence as it will be site specific and particular regard should be had to the types of units that are proposed to be constructed as they are different from the notional unit adopted for the purposes of this exercise.

The methodology and approach for this exercise has, by necessity, to be broad-brush and generalised. It is recognised that there will inevitably be a range of valuations within each locality.

5. General Information

5.1 Status of Valuer

It is confirmed that the valuation has been carried out by Kate Paton MRICS, a RICS Registered Valuer, acting in the capacity of an external valuer, who has the appropriate knowledge and skills and understanding necessary to undertake the valuation competently, and is in a position to provide an objective and unbiased valuation.

Douglas Bowers MRICS, a RICS Registered Valuer, has reviewed the valuations and report.

5.2 Conflict of Interest

Checks have been undertaken in accordance with the requirements of the RICS standards and have revealed no conflict of interest. DVS has had no previous material involvement with the property.

DVS has provided previous valuation advice in respect of similar subjects to several other Local Authorities (including those within CNPA area) over a number of years. I am however satisfied that no conflict of interest exists. Should any such difficulty subsequently be identified, you will be advised at once and your agreement sought as to how this should be managed

5.3 Restrictions on Disclosure and Publication

The client will neither make available to any third party or reproduce the whole or any part of the report, nor make reference to it, in any publication without our prior written approval of the form and context in which such disclosure may be made.

5.4 Limits or Exclusions of Liability

Our valuation is provided for your benefit alone and solely for the purposes of the instruction to which it relates. Our valuation may not, without our specific written consent, be used or relied upon by any third party, even if that third party pays all or part of our fees, directly or indirectly, or is permitted to see a copy of our valuation report. If we do provide written consent to a third party relying on our valuation, any such third party is deemed to have accepted the terms of our engagement.

None of our employees individually has a contract with you or owes you a duty of care or personal responsibility. You agree that you will not bring any claim against any such individuals personally in connection with our services.

5.5 Validity

This report remains valid for 3 (three) months from its date unless market circumstances change or further or better information comes to light, which would cause me to revise my opinion.

I trust that the above report is satisfactory for your purposes. However, should you require clarification of any point do not hesitate to contact me further.

Kate Paton

Kate Paton MA (Hons) MLE MRICS
Senior Surveyor
RICS Registered Valuer
DVS

6. Appendices

6.1 Map

6.2 Brief