



Report

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Swindon Borough Council CIL Viability Study:

CIL Charging Zones Schedule: Potential for Additional CIL Charging Zones

June 2012

Contents

FOREWORD	3
1. INTRODUCTION	3
2. PRINCIPAL FINDINGS OF THE VIABILITY ADVICE OF A CIL	3
3. DECIDING THE RATE OF CIL	5
4. RESIDENTIAL ANALYSIS.....	7
5. SEPARATING ONE CHARGING ZONE INTO TWO CHARGING ZONES: A BOUNDARY AT THE M4 AND A419 SOUTH.....	9
6. CONCLUSIONS	12

Appendix

GIS Land Registry Data Maps

1. Heat Map: All Flats (2007 – 2012)
2. Heat Map: All Terraces (2007 – 2012)
3. Heat Map: All Semi-Detached (2007 – 2012)
4. Heat Map: All Detached (2007 – 2012)
5. Map 2007: All Property Transactions
6. Map 2008: All Property Transactions
7. Map 2009: All Property Transactions
8. Map 2010: All Property Transactions
9. Map 2011: All Property Transactions

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For and on behalf of GVA Grimley Ltd

Foreword

This Report is to be read in conjunction with, and sequentially to, GVA's 'CIL Development Viability Study' Report of June 2012.

1. Introduction

- 1.1 GVA has provided its Viability Advice on a CIL for the Swindon Borough area (The Viability Study) (June 2012) which identifies and assesses the implications for development viability of the introduction of a level of CIL across the area.
- 1.2 GVA has since been asked by Swindon Borough Council (the Council) to undertake a further piece of work to support the creation of an additional CIL Charging Zone Boundary, and, if such a recommendation can be reached, to provide the Council with a robust evidence base to support its proposals at a Public Examination.
- 1.3 The Land Registry data sets sourced from The Property Database Ltd. have been the focus of our extended research. The data shows the value of all property transactions across the Swindon Borough Council area from May 2007 to May 2012, and is disseminated to 6 digit postcode level and type of unit (flat, terraced, semi-detached and detached). The data also includes additional information such as exact date of sale and whether the sale was a freehold or leasehold transaction.
- 1.4 This historical data, in tandem with our previous discussions with agents in the area, has enabled us to determine at a much more local level where any Charging Zones should be delineated.

2. Principal Findings of The CIL Viability Study

- 2.1 The Viability Advice GVA provided to the Council looked at what CIL charge is viable for different uses across Swindon Borough Council area (The Area) as a whole, and whether the CIL should be charged as a single Levy across the whole of the Area, by differential rates for each local authority, or with reference to different Market Value Zones.
- 2.2 The analysis suggests that a CIL of £50 per sq m is affordable/viable for the majority of residential development under normal market conditions, assuming no NAHP grant and assuming that at least a 20% affordable housing contribution on all sites is provided.

2.3 We have set out below the CIL rates per sq m for residential, commercial and retail uses suggested by the Viability Study. We have also set out our main recommendations from the Viability Report, which are as follows:

- Adopt a CIL based on normal market conditions without NAHP Grant;
- Adopt and operate the CIL based a single levy for residential development;
- Establish an early CIL charges review in 2014/15; and
- Provide clarity and certainty over in-kind contributions in lieu of CIL.

Suggested CIL Rates from GVA Viability Study (June 2012)

Maximum CIL Tariff (Per Sq M)	Type of Development
BAND 1.	
Up to £500	• Convenience Retail (A1) <280 sq m
	• Supermarket (A1) >280 sq m
BAND 2.	
£50	• Retail Warehousing
	• Residential (C3)
BAND 3.	
£20	• Leisure (D2)
	• Traditional Retail (A1) <280 sq m
BAND 4.	
£5	• Hotel (C1)
BAND 5.	
NIL CIL	• Agricultural
	• Industrial (B1,B2&B8)
	• Office B1(a)
	• Urban Extension Allocations (to be dealt with through S.106)
	• Health
	• Education
	• Community

3. Deciding the Rate of CIL

DCLG Community Infrastructure Levy Guidance, March 2010

'Setting an Appropriate Balance'

3.1 Guidance for setting a CIL charging rate and Charging Schedule is set out in Department for Communities and Local Government (DCLG) Guidance. The Guidance states that in deciding on a rate of CIL a Charging Authority must provide evidence on economic viability and infrastructure planning, alongside a declaration confirming that it has:

- (a) Complied with the requirements under Regulation 14 of Part 11 of the Planning Act (2008) in aiming to strike what appears to the Charging Authority to be an appropriate balance between the desirability of funding infrastructure from CIL and the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area; and
- (b) Used appropriate available evidence to inform the Draft Charging Schedule.

3.2 The Guidance sets out that by 'appropriate balance' it means that a CIL, by providing additional infrastructure to support development, is anticipated to have a positive economic effect on development in the medium to long term. In essence the balance between securing funding for infrastructure investment and the impact of a CIL on development viability is crucial.

3.3 In summary the Draft Charging Schedule needs to be:

- In keeping with the CIL Regulations;
- Supported by background documents containing appropriate available evidence;
- Show that the proposed rate or rates are informed by and consistent with, the evidence on economic viability across the Charging Authority's area; and
- Show that the proposed CIL rate would not put at serious risk overall development of the area.

Area Based Approach

3.4 The Guidance also sets out that Charging Authorities should use an 'area-based approach' – which involves a broad test of viability across the area as an evidence base, and that Charging Authorities should take a strategic view across their area and should not focus on the potential implications of setting a CIL for individual development sites.

Appropriate & Available Evidence

- 3.5 In compiling this report we have, following the DCLG Guidance, used appropriate and available evidence, which we believe to be consistent with value evidence across the Area. The Guidance states that evidence should consider a range of data including VOA Property Market Reports and house price indices (i.e. Land Registry data).

4. Residential Analysis

Introduction

- 4.1 The methodology used in our Viability Study of June 2012 is outlined in Chapter 2 of that Report. Our principal objective was to determine what level of CIL may be viable for the area covered by the Draft Core Strategy. The objectives in assessing CIL contributions were therefore:
- Undertake a high level appraisal of developer contributions, rather than a detailed analysis of individual sites or schemes;
 - Examine viability for the Area as a whole and distinguish differential impacts that may arise due to the range of values and costs within each authority area or sub-area;
 - Reflect both current market values as at 2012;
 - Reflect the character and scale of current and future developments in the area;
 - Consider the cost implications of CIL on the assumption that proposed schemes should comply with existing required development standards, as well examining alternative cost scenarios;
 - Assess the potential overall level of contributions by testing the varying of a number of underlying assumptions, particularly where there is uncertainty (for example the availability of grant for affordable housing);
- 4.2 We reviewed sale and rental values across the Area in order to determine the Market Value Areas, and then cross-checked this data with both current and historic values. We also took into account discussions with local residential sales agents operating in Swindon. To determine development viability we used a Residual Development Appraisal Model. The Model assumes that land value is the difference between Gross Development Value and the build costs, once an element of developer profit has been taken into account.
- 4.3 Further details of our methodology and development assumptions can be found in Chapter 2 and Appendix A of our June 2012 Report.

Viability Study - Market Value Areas Review

- 4.4 The Viability Study set out the results of our discussions with local agents and a review of the limited sales evidence available. On the basis of this market research we compiled the following, high level Value Area demarcations for residential use across Swindon. A

detailed review of the residential property market is included in Appendix B of our Viability Study.

Value Area 1.	Inner Urban
Value Area 2.	High Value Area
Value Area 3.	Medium Value Area
Value Area 4.	Low Value Area
Value Area 5.	Rural Settlements

- 4.5 The settlements that this piece of work is primarily concerned with are those south of the M4 and to the east of the A419. The settlements are Wroughton, Chiseldon and Badbury, which we had allocated to Value Area 5 “Rural Settlements” in our Viability Study. We have assumed that new build residential development in this area would have a value of £1,755 per sq m (£163 per sq ft), and we tested these values against two development scenarios; 1) 3 units consisting of 3, 3-bed houses; and 2) 15 units consisting of 8 2-bed houses and 7 3-bed houses.
- 4.6 We have assumed for the sites in the ‘Rural Settlements’, that development will be predominantly within settlement boundaries on land which has either previously been developed or has significant Hope Value due to planning policy allocation.

Setting the Charging Schedule: Additional Land Registry Data

- 4.7 In order to set out an appropriate Charging Schedule in line with DCLG Guidance, we have obtained further data sets from the Land Registry, which set out historical unit values by area for each of the Charging Authorities from May 2007 to May 2012. The purpose of this data is to assess whether the M4 motorway to the south of Swindon and A419 trunk road on the east could be used to identify an independent value area based on higher sales values.
- 4.8 The Land Registry data which has been purchased shows house sale price information per unit, as well as the following:
- Type of Unit (Detached / Semi-Detached / Terraced / Flat)
 - Date of Sale
 - Locality (Village / Town / Postcode)
 - New Build / Second Hand Stock
 - Freehold / Leasehold

5. Separating One Charging Zone into Two Charging Zones: A Boundary at the M4 and A419 South

- 5.1 As our June 2012 Report was intentionally a 'high level viability analysis' in line with policy requirements, for this further, more detailed Report we have used the extrapolated data discussed above to look at the individual settlements of Wroughton, Chiseldon and Badbury to determine whether these settlements should be subject to a higher CIL charge. In the following section we show the evidence that supports our conclusions.

Wroughton

- 5.2 Our primary issue with defining a separate, higher charging zone to include the villages of Wroughton, Chiseldon and Badbury is that there is not enough transactional data to support such a Charging Zone. In Wroughton, for example, there have been 95 transactions since December 2010, however only four of these have been for new build properties (c.4.2% of transactions) i.e. the type of property that in future would be CIL-able.
- 5.3 In terms of supporting the sales values we used in our Viability Study, the details of new build sales in Wroughton are set out in the table below. The table shows that, taking an average of the unit sizes we have assumed in our Viability Study for 1-bed/2 person (50 sq m), 2-bed/4 person (70 sq m) flats and 3-bed/5 person (82 sq m) flats, the sales value (£ per sq m) shown for new build flats in Wroughton is comparable with the sales values used for our viability testing (£1,755 per sq m).

Table 1. Details of New Build Flats sold in Wroughton (Dec 2010 – June 2012)

Location	Date	Type of Unit	New Build	Sales Price	Av. GVA Unit Size	£ Per Sq M Value
WROUGHTON	25-Feb-11	FLAT	Y	£118,000	68 sq m	£1,735
WROUGHTON	25-Mar-11	FLAT	Y	£117,000	68 sq m	£1,720
WROUGHTON	31-Mar-11	FLAT	Y	£139,995	68 sq m	£2,058
WROUGHTON	20-May-11	FLAT	Y	£124,999	68 sq m	£1,838

Badbury

- 5.4 We have also analysed data for the smaller settlements of Badbury and Chiseldon. The Land Registry data we have for Badbury shows that there have only been seven

transactions in the village since March 2007, and none of these have been for new build properties.

- 5.5 We have set out below the details of the transactions for information. We do not believe that this amount of data constitutes enough evidence to support a separate charging zone.

Table 2. Details of All Transactions in Badbury (March 2007 - June 2012)

Location	Date	Type of Unit	Sales Price	New Build
BADBURY	02-Mar-07	SEMI-DETACHED	£216,000	N
BADBURY	19-Oct-07	DETACHED	£340,000	N
BADBURY	23-Nov-07	DETACHED	£410,000	N
BADBURY	29-Aug-08	DETACHED	£475,000	N
BADBURY	04-Feb-11	DETACHED	£432,000	N
BADBURY	06-Apr-11	SEMI-DETACHED	£228,500	N
BADBURY	17-Jun-11	DETACHED	£225,000	N

Chiseldon

- 5.6 A lack of transactional data evidence also exists for Chiseldon. In the last 5 years there have been four new build sales in the village, one of a semi-detached unit and three of terraces. We have set out the detail of these transactions in Table 3 below.

Table 3. Details of all New Build Properties Sold in Chiseldon (June 2007 – June 2012)

Location	Date	Type of Unit	New Build	Sales Price	Av. GVA Unit Size	£ Per Sq M Value
CHISELDON	07-Aug-09	SEMI-DETACHED	Y	£140,000	97 sq m	£1,445
CHISELDON	01-Oct-09	TERRACED	Y	£135,000	97 sq m	£1,390
CHISELDON	14-Oct-11	TERRACED	Y	£315,000	97 sq m	£3,250
CHISELDON	16-Dec-11	TERRACED	Y	£412,000	97 sq m	£4,250

- 5.7 We have again made an attempt (although we do not have information on the size of the units shown in table 3), to compare these sales values to the sales value we had assumed for 'Rural Settlements' in our Viability Study. We have assumed that a semi-detached and terraced housing would have a similar area to that set out in our Viability Study – circa 97

sq m (although it is quite probable that the sizes are larger for second hand properties as is the market norm).

- 5.8 We do not believe that the evidence set out in Table 3 could be used to either a) refute the sales value we have assumed for Rural Settlements in our Viability Study, or b) justify a separate higher value Charging Zone.

6. Conclusions

- 6.1 We have analysed the Land Registry data and considered it in tandem with our conversations with local agents. In doing so, we have drawn the conclusion that, taking the evidence in hand, there is not enough of a consistent differential in price across the area to justify identifying a separate Charging Zone south of the M4 and east of the A419.
- 6.2 We would note that the amount of development likely to come forwards in these villages will not be significant, and that the majority of Swindon's growth will be delivered through strategic urban extension sites. In addition we are unsure as to how much development within the Rural Settlement boundaries will come forward that is residential development replacing an alternative use. Only the net additional floorspace of residential development replacing residential development is likely to be CIL-able (assuming a number of other criteria have been satisfied).

Geographical Information Systems (GIS) Heat Maps

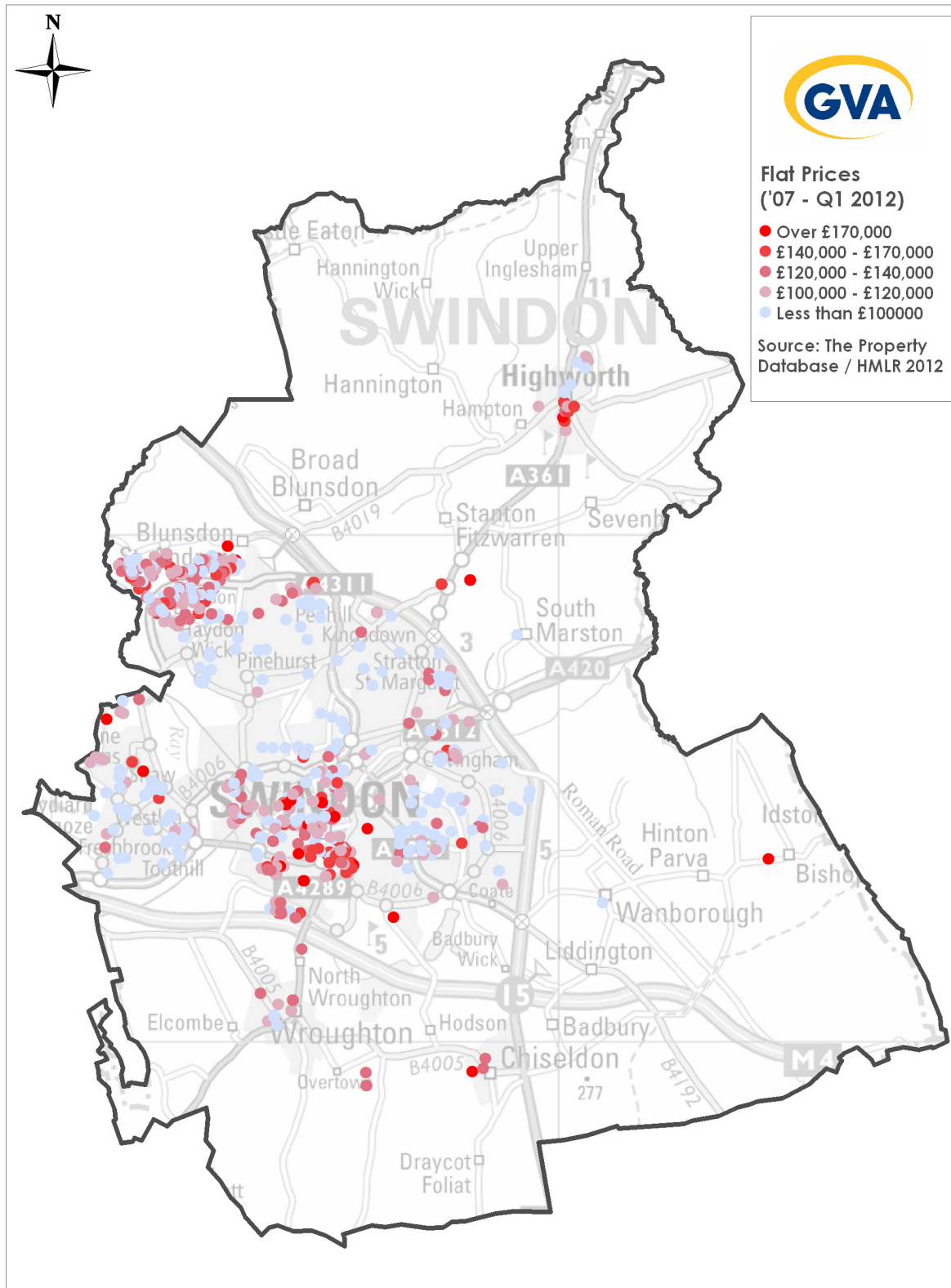
- 6.3 We have set out in the Appendix GIS 'heat maps', which shows the difference in sales values from all transactions across the Borough over the last 5 years. The maps illustrate the small number (and varied sales values) of transactions south of the M4 and east of the A419. The following should be taken into account when considering the maps:
- The vast majority of heat map points in Wroughton, Badbury and Chiseldon relate to second hand properties, which, due to period character and a traditional sales market are likely to command a premium over new build properties in these villages;
 - The maps setting out transaction values for different unit types (flats, terraces, semi-detached and detached units) take into account sales transactions from March 2007 to June 2012 – therefore they incorporate to a certain extent a level of historically higher market values. We have therefore also included maps which set out sales transactions for all properties by year.



Report

Appendix

Heat Map: All Flats (2007 – 2012)

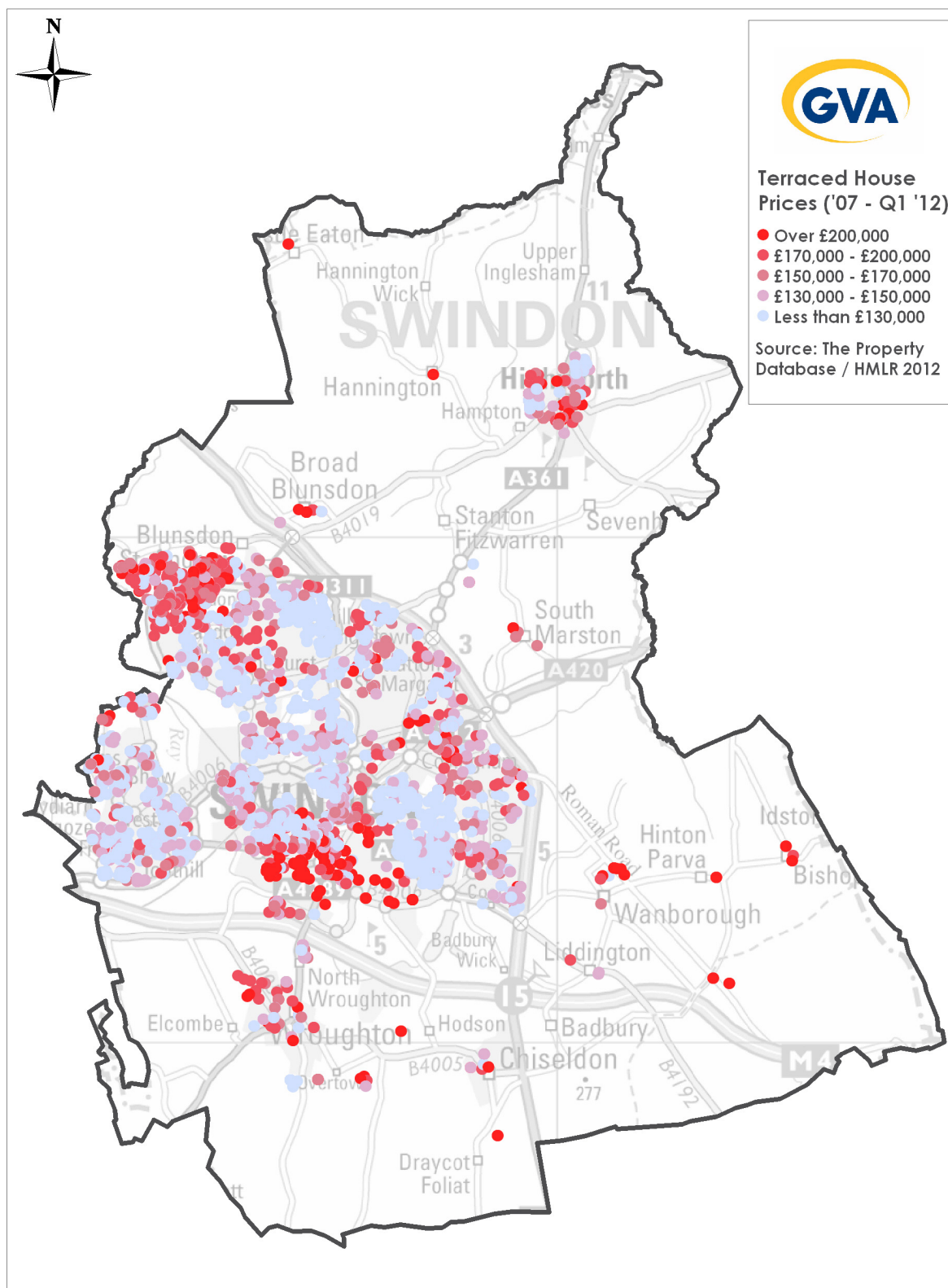


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Heat Map: All Terraces (2007-2012)

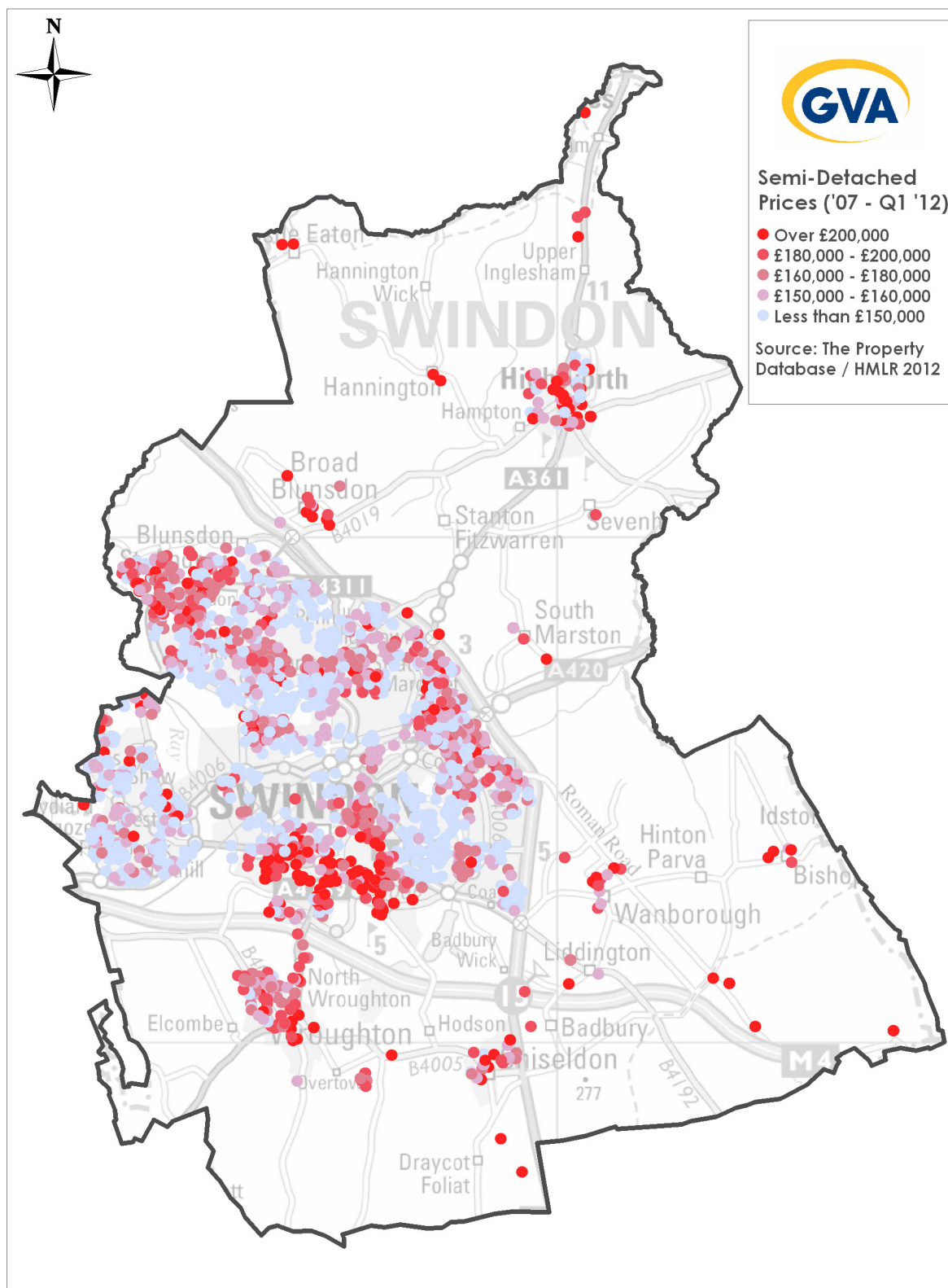


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Heat Map: All Semi-Detached (2007-2012)

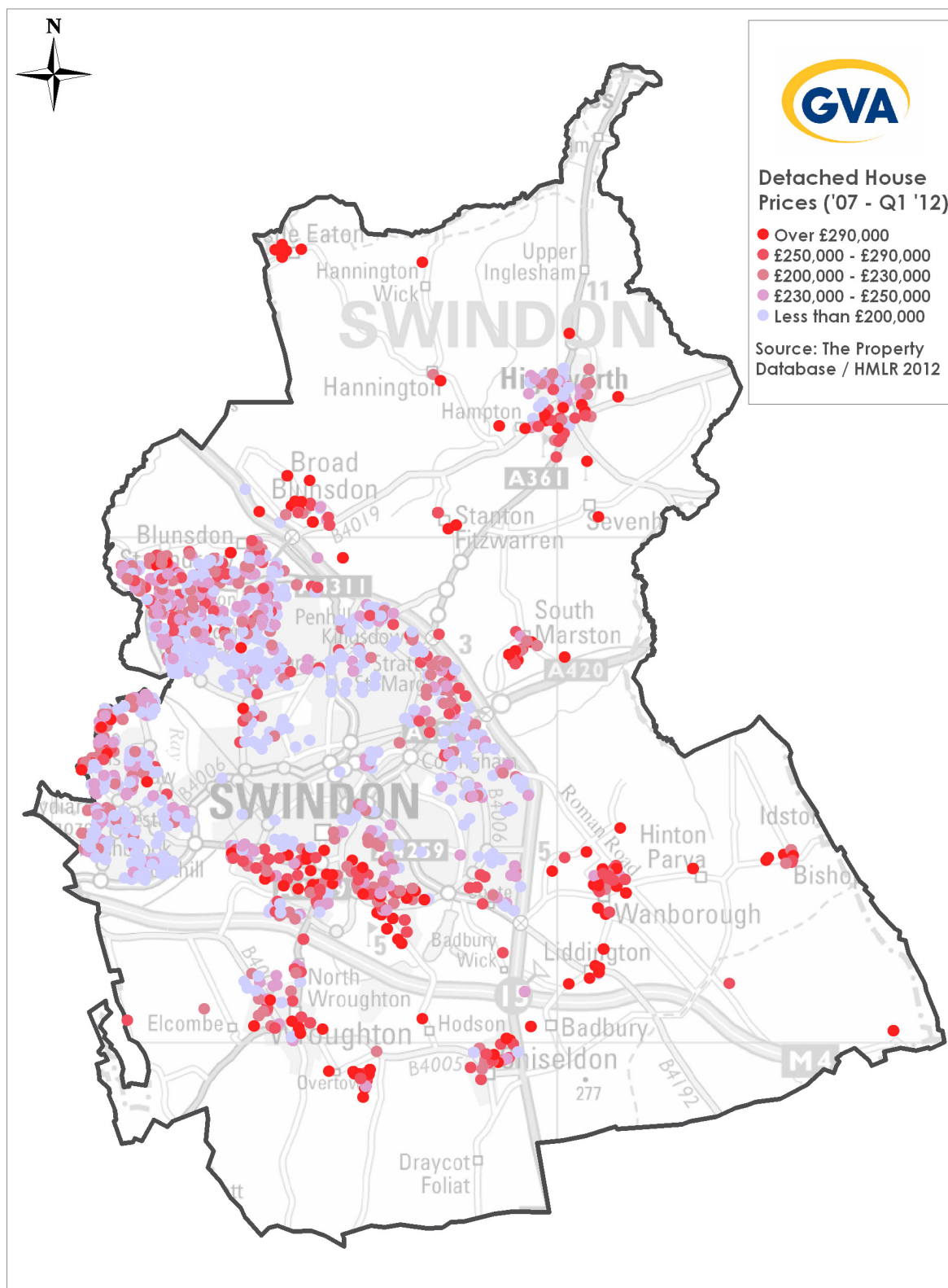


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Heat Map: All Detached (2007-2012)

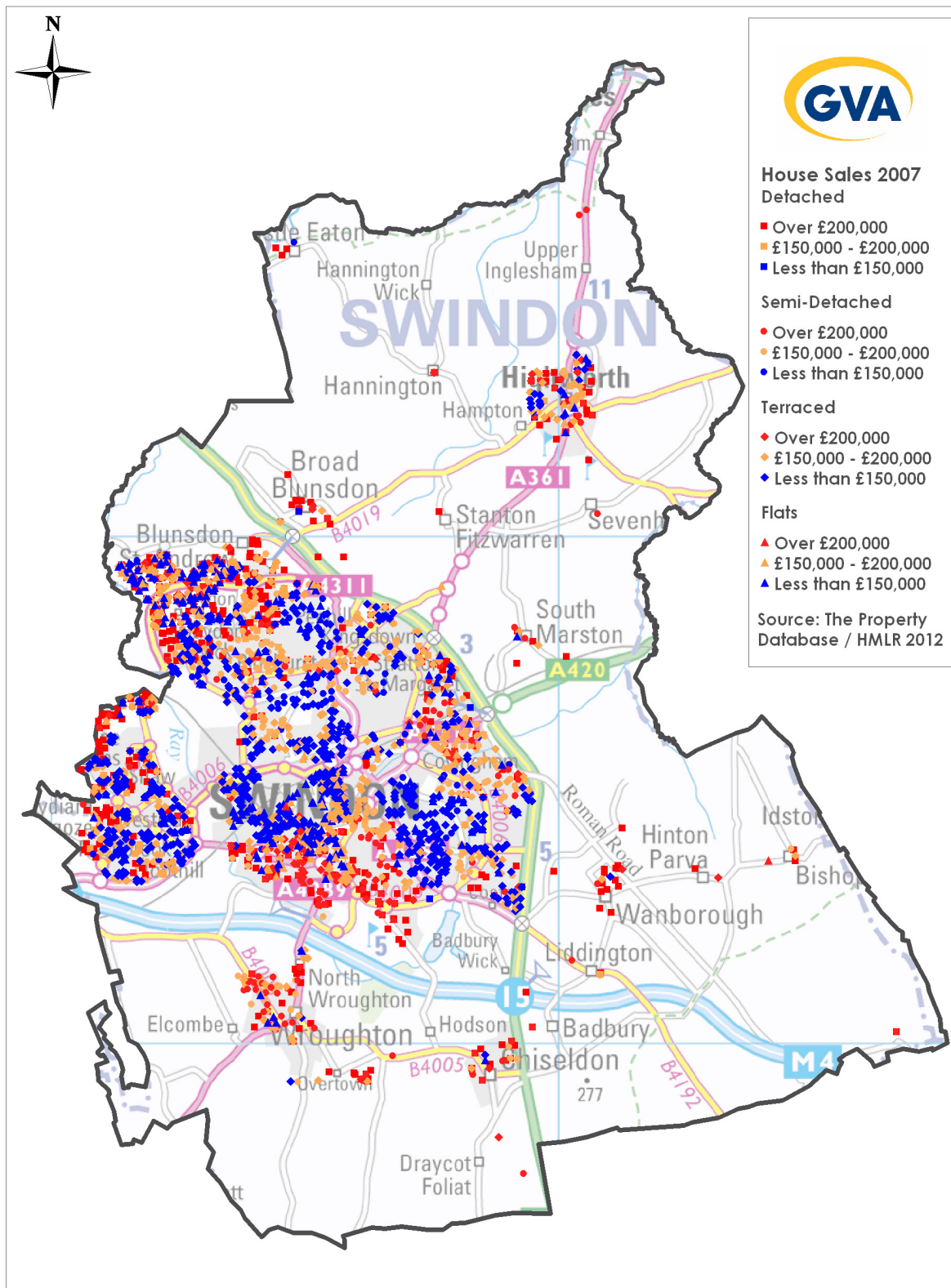


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Map 2007: All Property Transactions

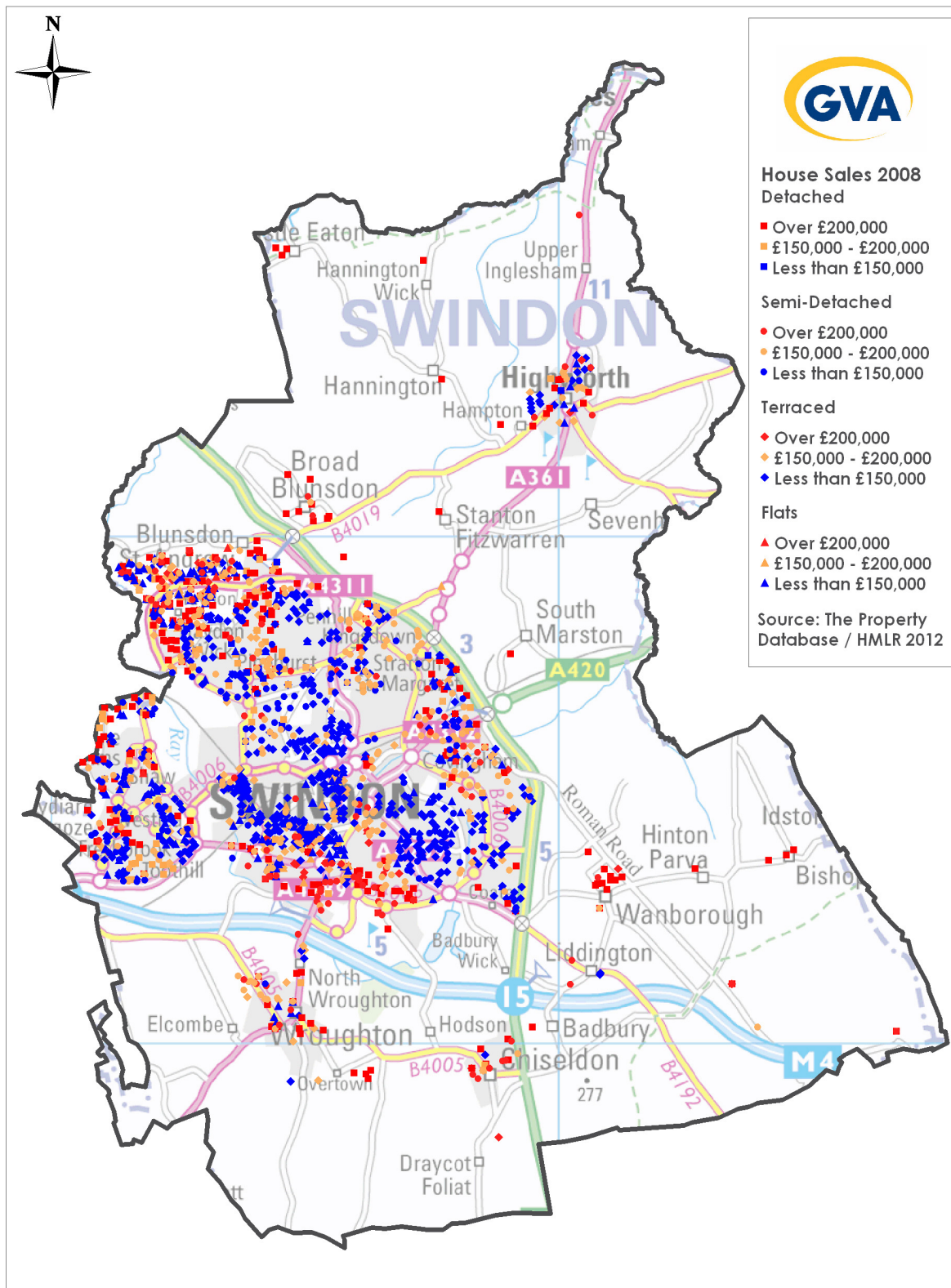


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Map 2008: All Property Transactions

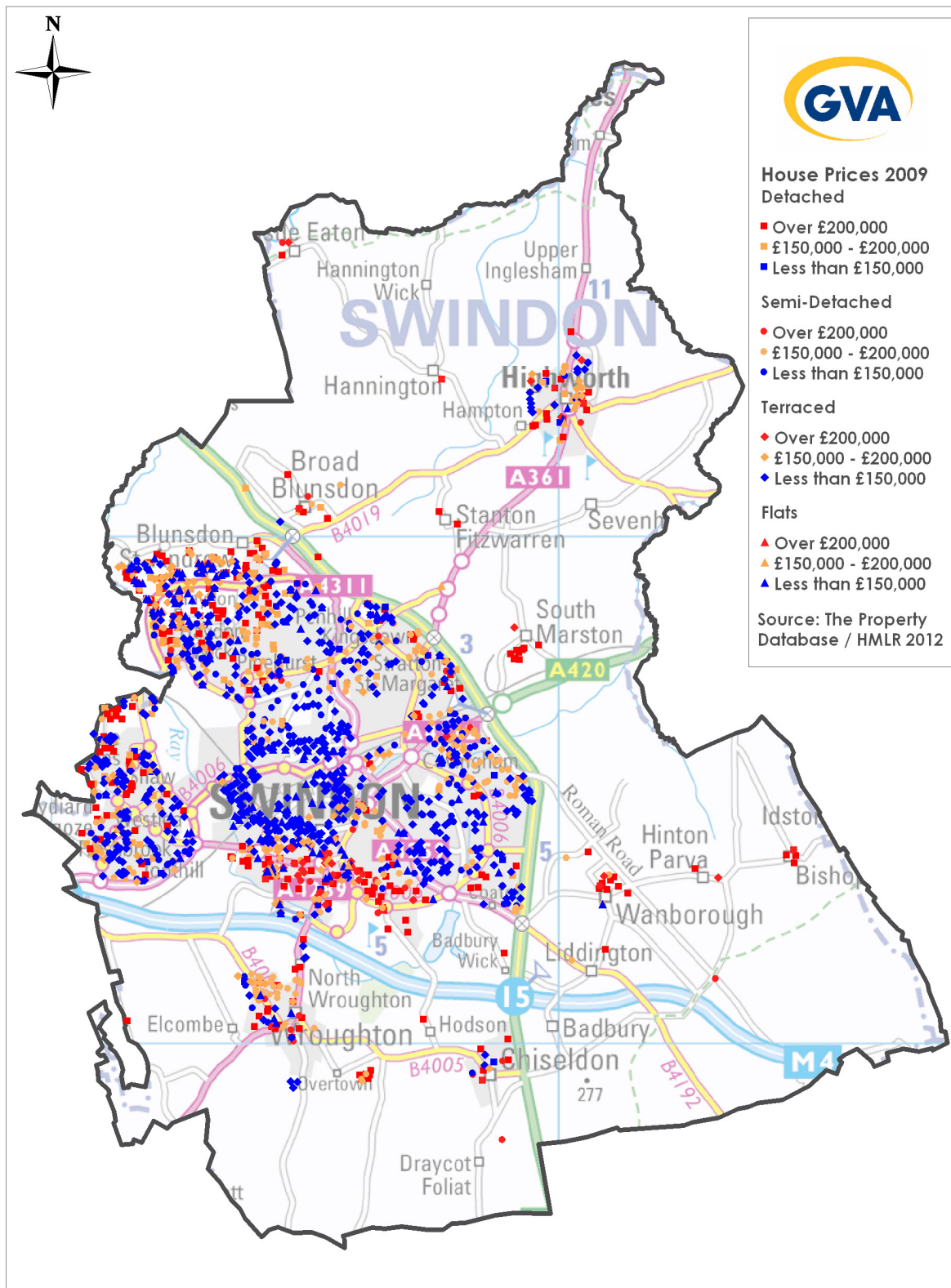


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Map 2009: All Property Transactions

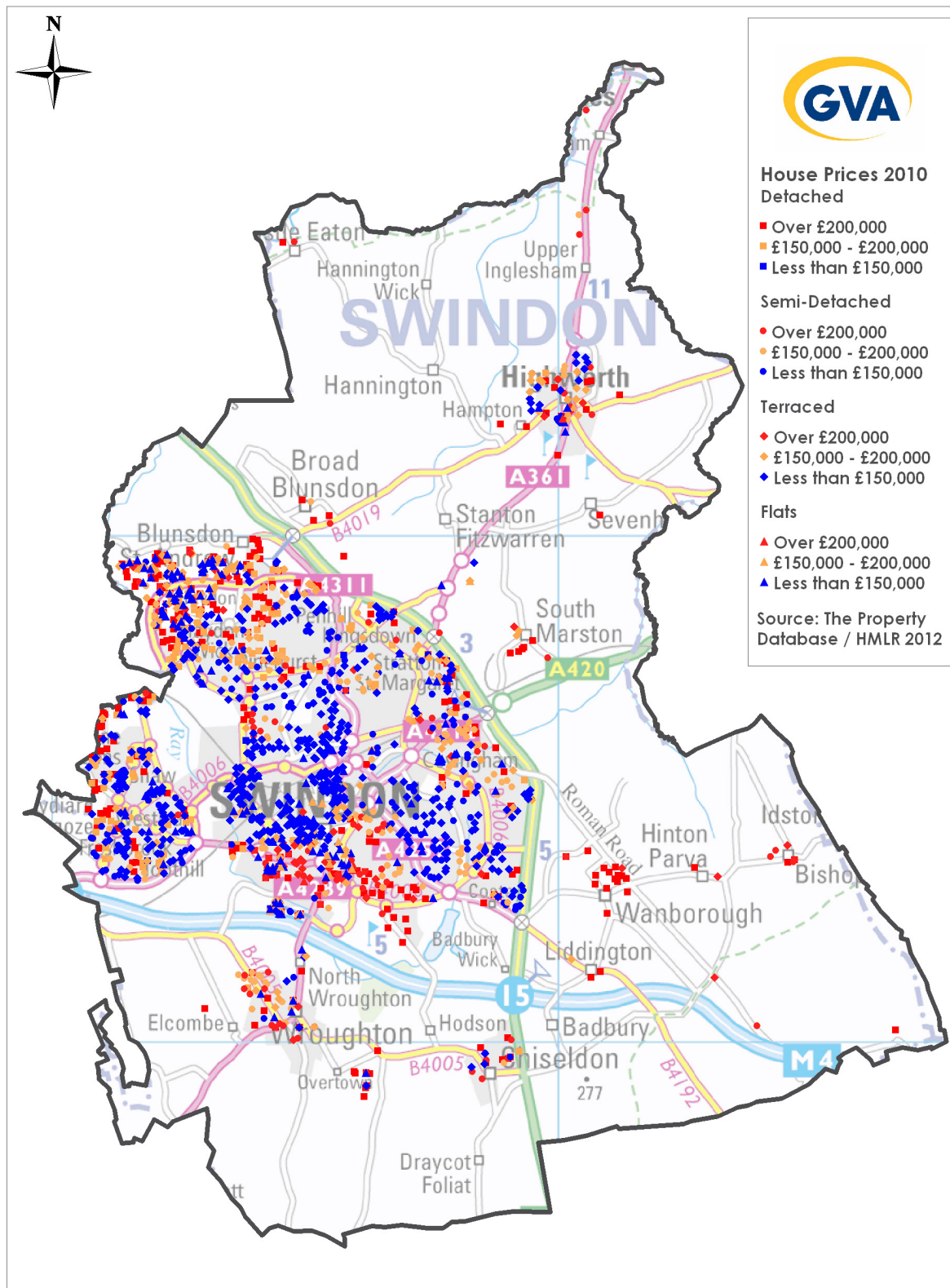


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Map 2010: All Property Transactions

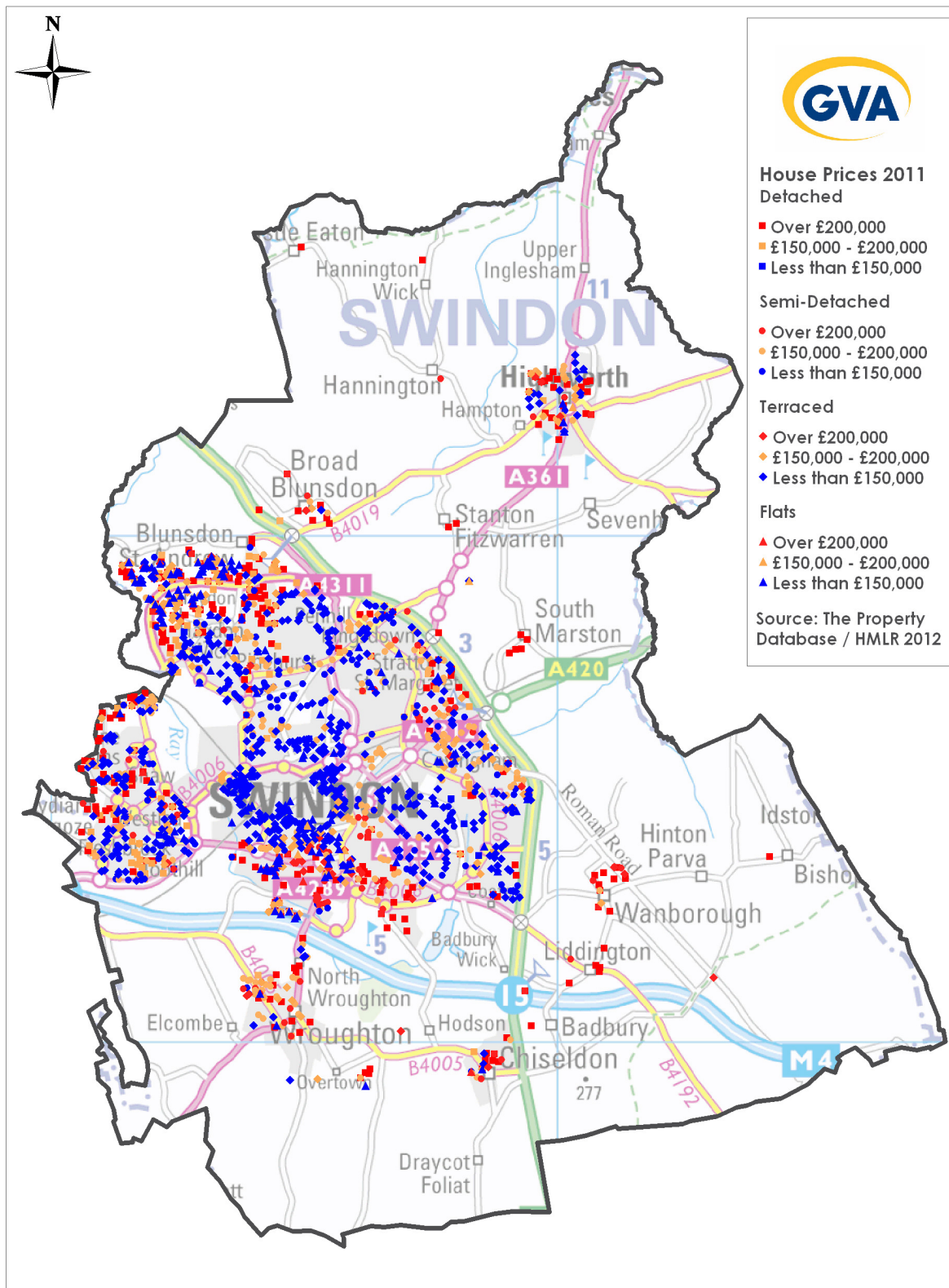


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Map 2011: All Property Transactions



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