



## **Consultation – Review of Public Buildings Committee Practice Note 1- Valuation of Airports**

The Scottish Assessors' Association is conducting a review of its Public Buildings Committee Practice Note (PN) 1 – Valuation of Airports.

Stakeholder engagement is an essential feature of any review of this nature and the SAA is seeking views on valuing major international and regional airports by reference to the Receipts and Expenditure method of valuation. Minor airports will continue to be valued on the Contractor's Basis of valuation.

The Receipts and Expenditure method of valuation seeks to arrive at a rateable value for the property by means of the receipts or revenue obtained from the subjects being valued. With very limited rental evidence from the comparative method of valuation to estimate the rent a 'hypothetical tenant' may be prepared to pay, an alternative approach requires to be considered.

The Receipts and Expenditure approach or Revenue Principle considers historic gross revenues and after making certain deductions, such as working expenses and tenant's profits, the balance remaining is held to be the rent or annual value for the subjects being valued.

The basis of the Revenue Principle is well established in rating law in Scotland.

A copy of the existing Practice Note 1 (Valuation of Airports) is attached to this document.

To take part in the consultation, please consider the existing PN and take the time to submit answers to the following questions no later than the **consultation closing date of 31<sup>st</sup> August 2022**.

Responses may be made by email to ;

[assessor@ayrshire-vjb.gov.uk](mailto:assessor@ayrshire-vjb.gov.uk) or by post to;

Assessor for Ayrshire Valuation Joint Board  
9 Wellington Square  
Ayr  
KA7 1HL

## Consultation – Review of Public Buildings Committee PN 1- Valuation of Airports

<b>Question 1</b>	Where a larger Scottish airport is generating revenue from its use, do you agree that the Revenue Principle is an appropriate method of valuation to arrive at the annual value of the subject?
<b>Question 2</b>	Do you agree that minor airports in Scotland, where passenger numbers and revenue streams are less significant, should continue to be valued on the Contractors Basis of valuation?
<b>Question 3</b>	Valuing larger airports in Scotland by reference to the Revenue Principle will allow for a harmonised approach with comparable airports in England, Wales and Northern Ireland. Do you agree that a harmonised approach to the valuation of airports throughout the UK is a desirable outcome?
<b>Question 4</b>	Do you have any other comments or suggestions on the application of the Revenue Principle?

<b>Name</b>	
<b>Company</b>	
<b>Position</b>	
<b>Telephone Number</b>	
<b>Email Address</b>	



## **Revaluation 2017**

### **Public Buildings Committee**

#### **Practice Note 1**

#### **Valuation of Airports**

#### **1.0 Introduction**

- 1.1 This Practice Note deals with the valuation of Airports
- 1.2 This Practice Note has been prepared following discussions with representatives of the Valuation Office Agency, the Northern Ireland Land and Property Service, Airport Operators and their advisors.

#### **2.0 Basis of Valuation**

- 2.1 Subjects covered by this Practice Note are valued on the Contractor's Basis.
- 2.2 The valuation will include all land, civil engineering works, buildings, roads, car parks and rateable plant in the rateable occupation of the Airport Authority. However, separate entries will be required for subjects such as shops, catering outlets, check-in desks, departure lounges, car hire subjects, offices, filling stations etc if the airport operator is not in rateable occupation.
- 2.3 Those subjects which require to be separately entered on the Roll should be valued in accordance with the appropriate SAA Practice Note.
- 2.4 Agricultural land, exclusively occupied for agricultural purposes is currently exempt from being entered in the Roll.

#### **3.0 Survey and Measurement**

- 3.1 Building areas should be calculated on a gross external basis (GEA) for each main floor.
- 3.2 Where a subject is of older construction e.g. stone, and has thicker than normal walls, the area should be adjusted on a floor by floor basis in accordance with SAA Public Buildings Committee Practice Note 4 (Valuation of Contractor's Basis Subjects, Areas Adjustment, External Works' Costs and Land) to adjust the floor area to the modern equivalent.

- 3.3 Site area should be calculated together with the areas of any car parks, roadways, taxiways/aprons and other paved or landscaped surfaces. Measurements and details of boundary walls, fences and any other items in the nature of external works, civil works or plant and machinery should also be noted.

#### **4.0 Building and External Works Costs**

- 4.1 The available cost evidence was analysed in terms of SAA Basic Principles Committee Practice Note 2 (Contractor's Basis Valuations). The unit cost rate(s) derived reflect a Scottish Mean location factor, a £3m contract size and a tone date of 1 April 2015.

#### **5.0 Valuation**

- 5.1 Valuations should be carried out in accordance with SAA Basic Principles Committee Practice Note 2 (Contractor's Basis Valuations).
- 5.2 Reference should be made to section 6.10 below for External Works.

#### **6.0 Estimated Replacement Cost (ERC)**

- 6.1 Unit Cost Rate (Buildings) are shown in Appendix A.
- 6.2 For terminal buildings the costs are based upon agreed costings for terminals. Adjustments to these costs may be necessary to reflect the actual circumstances at individual airports and the particular types of construction.
- 6.3 The basis for other buildings will be the adjusted replacement cost from the Rating Cost Guide.
- 6.4 Allowances in addition to the normally agreed allowances may be necessary at "Stage 2" for buildings on the following grounds :
- i) Listed buildings – development restrictions, higher upkeep costs etc
  - ii) Accommodation problems/constraints caused by statutory or operational requirements
  - iii) Physical constraints
  - iv) Building in advance of requirements
  - v) Additional development affecting utilisation of existing space
  - vi) Functional Obsolescence

#### **6.5 Unit Cost Rate (Other Items)**

## 6.6 Runways

The basis to be adopted is the adjusted replacement cost as set out in the agreed costings at Appendix B. The cost to be adopted will be based upon the PCN (Pavement Classification Number) published on the CAA website or appropriate trade publication current at the valuation date or alternatively consideration will be given to any documentary evidence produced on behalf of the occupier as to specification. In this respect regard will also be given to the types of Aircraft using the runway and their requirements as regards PCNs.

The costs should be adjusted to take account of any age related disabilities with guidance provided at 7.3. Allowances may also be necessary for excessive strength, widths and lengths caused by historic reasons or environmental or operational restraints.

## 6.7 Taxiways/Aprons

Similar levels of costing and allowances to runways will be applicable (unless evidence is provided as to lower specifications for these items) but account should be taken of any disabilities arising because of shape/operational restrictions. It may be appropriate to make an addition to reflect blast screens or hydrants (where not separately accounted for).

## 6.8. Car Parks

The basis to be adopted for multi storey car parks is the adjusted replacement cost as set out in the agreed costings at Appendix A. In the case of surfaced car parking, the adjusted replacement cost should be taken from the Rating Cost Guide.

## 6.9 Roads

Those roads, which are not public highways, and are in the rateable occupation of the airport authority and which lie within the airport's boundary, are to be included in the airport assessment.

## 6.10 Unit Cost Rates (External Works)

Other External Works should be valued in accordance with SAA Public Buildings Committee Practice Note 4 (Valuation of Contractor's Basis Subjects, Areas Adjustment, External Works' Costs and Land).

## 6.11 Adjustments to ERC

Adjustments in respect of contract size and additions for professional fees should be made in accordance with the recommendations contained in SAA Basic Principles Committee Practice Note 2 (Contractor's Basis Valuations).

The addition for professional fees should be 9%. This reflects the fact that while higher fees would normally be expected on terminal buildings, concrete would normally have a lower level of fees.

## **7.0 Adjusted Replacement Cost (ARC)**

- 7.1 In applying age and obsolescence allowances reference should be made to guidance in SAA Basic Principles Committee Practice Note 2 (Contractors Basis Valuations). In particular it should be noted that allowances in respect of age in excess of 50% should only be given to buildings and plant in exceptional circumstances.
- 7.2 Further allowances of a functional and technical nature should be considered in accordance with SAA Basic Principles Committee Practice Note 2 (Contractor's Basis Valuations) and SAA Public Buildings Committee Practice Note 4 (Valuation of Contractor's Basis Subjects, Areas Adjustment, External Works' Costs and Land).
- 7.3 When considering age related disabilities for Runways, Taxiways/Aprons regard should be had to the fact that licensed pavements are regularly resurfaced to CAA standards, therefore a maximum age related allowance of 6% is appropriate for such pavements. The appropriate scale is shown in Appendix C.
- 7.4 The above allowances should not be aggregated but applied in sequence to provide the Adjusted Replacement Cost of a particular item.

## **8.0 Plant and Machinery**

- 8.1 The Building unit cost rates in section 6 are normally inclusive of service plant typically found in subjects covered by this Practice Note. Rateable items of plant and machinery not already reflected in these rates should be dealt with in terms of the Valuation for Rating (Plant & Machinery) (Scotland) Regulations 2000 (as amended) and valued with reference to the Rating Cost Guide.
- 8.2 Security equipment has been reflected (where rateable) within the agreed terminal costings. No further addition for these items will be appropriate.

## **9.0 Land**

- 9.1 Land value should be determined by reference to local evidence and SAA Basic Principles Committee Practice Note 2 (Contractor's Basis Valuations).
- 9.2 The basis for the valuation of the land upon which the airport is sited is as set out below. This should arrive at an appropriate overall value for the whole airfield site.
- 9.2.1 Land under Terminal buildings, adjacent multi-storey car parks, piers, satellite airside terminals and walkways etc should be taken at an appropriate land value as at tone date on a double footprint basis.
- 9.2.2 Land under runways, taxiways, aprons, aircraft stands, surface car parks, roads and other hard surfaced areas, to be taken at an appropriate land value as at tone date.
- 9.2.3 The "remaining land" to be based on agricultural value appropriate to the locality.

- 9.2.4 As a cross check the overall price per hectare produced by the above should be considered.
- 9.2.5 Where it can be demonstrated that the introduction of Government, EU or IATA requirements in respect of security, increased insurance premiums or other relevant factors such as waste management and re-cycling, have impacted on the airport operator such that it reduces the potential rental bid, consideration should be given to reflecting such issues in the value applied to the land element within the valuation.

**10.0 Decapitalisation Rate**

- 10.1 The appropriate statutory decapitalisation rate should be used.

**11.0 End Allowance**

- 11.1 Any factors or circumstances which might affect the value of the occupation of the lands and heritages as a whole should be reflected at this stage. An adjustment under this head should not duplicate adjustments made elsewhere.

A “stand back and look” allowance may be appropriate at some airports in order to arrive at a valuation which accords with the statutory definition of Net Annual Value. Examples of end allowances that have been adopted in the past have included;

- |      |   |   |   |
|------|---|---|---|
| i)   | Underutilisation/surplusage.  | ) |   |
|      |   | ) |   |
| ii)  | Restricted Passengers/Traffic.                                      | ) | <b><u>If not<br/>accounted<br/>for at an<br/>earlier<br/>stage in<br/>the<br/>valuation</u></b> |
| iii) | Runway/operational restrictions/planning obligations                | ) |   |
| iv)  | Lack of facilities affecting viability.                             | ) |   |
| v)   | Infrastructure provided in advance of requirements                  | ) |   |
|      |   | ) |   |
| vi)  | Continuing infrastructure alterations affecting airport operations. | ) |   |

- 11.2 It may be necessary to check the valuation produced by comparison with other airport assessments on an analysis per work load units per passenger, per aircraft movement or in relation to the "Gross Take" of the airport. Work load units are the preferred basis and should be based upon the published Statistics for 2014/15. Work load units are calculated on the basis that 1 passenger plus baggage = 200lb, to convert into metric tonnes a divisor of 11 should be applied to the total passenger numbers shown in the *Leigh Fisher* statistics. To this figure the total cargo tonnage must be added to give a work load figure.

## Building Costs

<b>Terminal Buildings</b>	<i>£/m2</i>
<b>BAND 1. MAJOR INTERNATIONALS</b> <i>Multi-storey buildings, steel/concrete clad frame, high standards of fittings and finishes, elaborate services for ventilation, heating, transportation, VIP and CIP suites etc.</i>	<i>£3,065</i>
<b>BAND 2. INTERNATIONALS</b> <i>Modern steel/concrete frame, external cladding and glazing to high quality specification, good quality internal fittings and finishes, good quality ventilation, heating and some transportation, limited VIP and CIP suites etc.</i>	<i>£2,500</i>
<b>BAND 3. INTERNATIONAL SMALL</b> <i>Modern steel/concrete frame, external cladding and glazing to high quality specification, good quality internal fittings and finishes, good quality ventilation, heating and some transportation, limited VIP and CIP suites etc. and smaller than Band 2.</i>	<i>£2,045</i>
<b>BAND 4. REGIONAL</b> <i>Extended buildings over a long period. Continual improvements. Many differing types of constructions, less extensive provision of fittings and fixtures.</i>	<i>£1,580</i>
<b>BAND 5. REGIONAL SMALL</b> <i>Modern steel framed. Brickwork, glazing and insulated metal cladding roof and walls good quality but economical fittings and finishes.</i>	<i>£1,325</i>
<b>Other Buildings</b>	
<b>Fire Stations</b> <i>Modern buildings incorporating 4 bay tender/crash vehicle stands with front opening doors, vehicle exhaust system for engine warm up, stores, crew accommodation including offices, kitchens/mess rooms, locker rooms, showers and wash room, communications centre.</i>	<i>£1,785</i>
<b>Visual Control Room</b> <i>Modern building. Visual control room with 360 degree vision sloping windows with small bars for maximum vision to all sides of the airport, balcony external with access by vertical ladder or stairs from fire station or other building below. Costs relates to the VCR only and excludes any supporting structure</i>	<i>£8,700</i>
<b>Multi Storey Car Parks (small/basic)</b>	<i>£255</i>
<b>Multi Storey Car Parks (large/superior)</b>	<i>£430</i>



**Airport Pavement Costs**

PCN	RATE £/sq m	PCN	RATE £/sq m	PCN	RATE £/sq m
10	43.70	49	88.35	88	114.95
11	45.60	50	89.30	89	115.90
12	47.50	51	90.25	90	116.85
13	49.40	52	90.25	91	116.85
14	51.30	53	91.20	92	116.85
15	53.20	54	92.15	93	117.80
16	55.10	55	92.15	93+	119.70
17	57.00	56	93.10		
18	57.95	57	94.05		
19	59.85	58	95.00		
20	60.80	59	95.00		
21	62.70	60	95.95		
22	63.65	61	96.90		
23	65.55	62	97.85		
24	66.50	63	97.85		
25	67.45	64	98.80		
26	68.40	65	99.75		
27	70.30	66	99.75		
28	71.25	67	100.70		
29	72.20	68	101.65		
30	73.15	69	101.65		
31	74.10	70	102.60		
32	76.05	71	103.55		
33	76.00	72	103.55		
34	76.00	73	104.50		
35	76.95	74	105.45		
36	77.90	75	105.45		
37	78.85	76	106.40		
38	79.80	77	107.35		
39	80.75	78	108.30		
40	81.70	79	109.25		
41	82.65	80	110.20		
42	83.60	81	110.20		
43	83.60	82	111.15		
44	84.55	83	111.15		
45	85.50	84	112.10		
46	86.45	85	113.05		
47	87.40	86	113.05		
48	87.40	87	114.00		

*The cost rates above include for excavations and disposal of surplus materials arising from the excavations being disposed on site. Pavement construction comprises imported limestone fill, lean mix concrete sub base and slip form paved pavement quality concrete and associated drainage and AGL ducting.*

**Airport Concrete  
Age & Obsolescence Allowances**

<i>Year</i>	<i>Age-related allowance</i>
<i>Pre 1995</i>	<i>6.00%</i>
<i>1995</i>	<i>6.00%</i>
<i>1996</i>	<i>5.50%</i>
<i>1997</i>	<i>5.00%</i>
<i>1998</i>	<i>4.50%</i>
<i>1999</i>	<i>4.00%</i>
<i>2000</i>	<i>3.50%</i>
<i>2001</i>	<i>3.00%</i>
<i>2002</i>	<i>2.50%</i>
<i>2003</i>	<i>2.00%</i>
<i>2004</i>	<i>1.50%</i>
<i>2005</i>	<i>1.00%</i>
<i>2006</i>	<i>0.50%</i>
<i>2007</i>	<i>0.00%</i>
<i>2008</i>	<i>0.00%</i>
<i>2009</i>	<i>0.00%</i>
<i>2010</i>	<i>0.00%</i>
<i>2011</i>	<i>0.00%</i>
<i>2012</i>	<i>0.00%</i>
<i>2013</i>	<i>0.00%</i>
<i>2014</i>	<i>0.00%</i>
<i>2015</i>	<i>0.00%</i>
<i>2016</i>	<i>0.00%</i>
<i>2017</i>	<i>0.00%</i>