

2/2010 AFFORDABLE HOUSING AND HOUSING LAND AUDITS

Planning Advice Note

PAN 2/2010

Affordable Housing and Housing Land Audits

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PLANNING SERIES:

- **Scottish Planning Policy (SPP)** is the statement of the Scottish Government's policy on nationally important land use planning matters.
- **National Planning Framework (NPF)** is the Scottish Government's strategy for Scotland's long term spatial development.
- **Circulars**, which also provide statements of the Scottish Government's policy, contain guidance on policy implementation through legislative or procedural change.

Statements of Scottish Government policy in the SPP, NPF, Designing Places, Designing Streets and Circulars may be material considerations to be taken into account in development plans and development management decisions.

Designing Places, Designing Streets and the West Edinburgh Planning Framework have the same status in decision making as the SPP and NPF.

Planning Advice Notes (PANs) provide advice and information on technical planning matters.

Design Advice Guidance will provide guidance and information on design matters covering a range of practical projects and roles.

Further information on the Scottish Government's role in the planning system is available on <http://www.scotland.gov.uk/Topics/Built-Environment/planning>

PREFACE:

This Planning Advice Note (PAN) consists of two sections – Section 1: Affordable Housing and Section 2: Housing Land Audits.

Section 1 replaces PAN 74 Affordable Housing published in 2005. It provides advice and information on how the planning system can support the Government's commitment to increase the supply of affordable housing.

Section 2 replaces Annex A Housing Land Audits of Scottish Planning Policy 3 Planning for Homes published in 2008. It sets out advice on good practice in the preparation of housing land audits.

Scottish Planning Policy sets out the Government's planning policy for housing, including affordable housing and housing land audits, and sets the context for the two sections of this PAN.

PAN 2/2010: Affordable Housing and Housing Land Audits supersedes PAN 74 Affordable Housing, which is now revoked.

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SECTION 1: AFFORDABLE HOUSING

INTRODUCTION

1. Section 1 of this Planning Advice Note (PAN) provides advice and information on how the planning system can support the Government's commitment to increase the supply of affordable housing. Local authorities, housing associations, developers and the Scottish Government are involved in the delivery of affordable housing and this document explains the variety of approaches and types of affordable housing which are available. It focuses on how the planning system can facilitate the development of affordable homes by house builders and other developers, either through the transfer of land or other methods of delivery. Strategic planning for housing is important in ensuring housing need and demand is met and that the right housing choice is delivered in the right places. This PAN considers the role of Housing Need and Demand Assessment (HNDA), the Local Housing Strategy (LHS) and development plans in delivering affordable housing. Advice is provided on the design of affordable homes and the wider community and lastly a range of information sources is provided to encourage the sharing of best practice in the delivery of affordable housing.
2. The advice in this PAN has to be applied constructively and with flexibility in response to financial and market conditions. The key matters where flexibility may be exercised are described in the PAN and include: a range of tenures; the percentage of affordable units identified in the development plan policy and on a specific site; provision on another site; and in some cases the use of a commuted sum. In particular, and taking into account the availability of public funding, the wide range of affordable housing tenures means that the inability of a Registered Social Landlord (RSL) or council to commit to development within a similar timescale to the market housing should not unnecessarily inhibit the timely delivery of affordable housing. On the basis of the HNDA, the full range of affordable housing tenures will normally be an acceptable means of delivering the development plan policy.

CONTEXT

3. A range of housing types, at different prices, tenures and locations are needed to cater for the increasing number and variety of households, maintain the viability of communities, and support the operation of local labour markets and the wider economy. The Government's ambitions are:
 - to increase housing supply across all tenures over the long term;
 - to increase the choice of housing available to those on low incomes;
 - to create housing developments of high environmental and design standards that contribute to the creation of sustainable, mixed communities; and
 - to ensure that social housing provides better value for public expenditure.

4. Scottish Planning Policy (SPP) states that the planning system should contribute to raising the rate of new house building by identifying a generous supply of land for the provision of a range of housing, including affordable housing, in the right places. Affordable housing is defined in the SPP as housing of a reasonable quality that is affordable to people on modest incomes. In some places the market provides some or all of the affordable housing needed, while in other places it will be necessary to make housing available at a cost below market value to meet an identified need.

Types of Tenure

5. A range of tenure types can contribute to affordable housing and these are set out below. It is important that local authorities, developers and RSLs consider the full range of options and apply them as appropriate. Given the impact of tenure type on the valuation of land, local authorities should provide as much clarity as they can in LHSs and development plans. Authorities should engage and reach agreement with housing developers in early discussions to make clear what mix of affordable housing provision is sought on particular sites, taking into account provision in the wider community. Homes delivered without subsidy may be considered to fulfil part of the overall affordable housing requirement where it can be clearly demonstrated that they will meet the needs of, and are affordable to, groups of households identified through the HNDA.

Social rented

- Housing provided at an affordable rent and usually managed locally by a RSL such as a Housing Association, Housing Co-operative, local authority or other housing body regulated by the Scottish Housing Regulator.

Subsidised low cost housing for sale

- Subsidised low cost sale - a subsidised dwelling sold at an affordable level¹. Discounted serviced plots for self build can contribute. A legal agreement can be used to ensure that subsequent buyers are also eligible buyers. In rural areas this may be achieved through a rural housing burden².
- Shared ownership - the owner purchases part of the dwelling and pays an occupancy payment to a RSL on the remainder.
- Shared equity - the owner pays for the majority share in the property with the RSL, local authority or Scottish Government holding the remaining share under a shared equity agreement. Unlike shared ownership, the owner pays no rent and owns the property outright.

¹ For such housing to count as affordable housing, the appropriate sale price should be informed by the HNDA and agreed by the local authority.

² Under the Title Conditions (Scotland) Act 2003.

Unsubsidised low cost housing for sale

- Entry level housing for sale - a dwelling without public subsidy sold at an affordable level³. Conditions may be attached to the missives in order to maintain the house as an affordable unit to subsequent purchasers.
- Shared equity - the owner purchases part of the dwelling, with the remaining stake held by a developer⁴.

Mid-market or intermediate rented

- Private rented accommodation available at rents below market rent levels⁵ in the area and which may be provided either over the medium or long term⁵.
6. Local authorities, RSLs, developers and the Scottish Government are all involved in the delivery of affordable housing. Local authorities have key roles: determining the nature and extent of housing need and demand; developing a locally-based affordable housing policy framework; securing contributions from developers to affordable housing provision; bringing forward their own resources to provide new affordable houses and supporting affordable housing provision by RSLs. Close working between the planning and housing interests within the authority will be essential, in particular to ensure close alignment between the LHS and the development plan (see paragraphs 12 and 13 and Box 1).
 7. The development industry has an important contribution to make to the delivery of affordable housing where a requirement for affordable housing is set out in a development plan. This contribution is likely to be made in a variety of ways, depending on the nature of the affordable housing required. To deliver the policy for more diverse, attractive and mixed communities, a choice of residential environments and a range of housing tenures will be required. The development industry can contribute to the overall requirement for affordable housing by delivering, as appropriate, a mix of house types and, sizes, and including the provision of market housing sold at a reduced price. This in itself may deliver affordable housing. Developers will expect certainty from the development plan and the development management process. This climate of certainty and confidence in the requirement for affordable housing will reduce the need for negotiation on each site and will be beneficial for both developers and local authorities. Where a requirement for affordable housing is set out in the development plan (see paragraphs 13-18), developers should take this into account in their financial appraisal of the site.
 8. The Scottish Government provides funding to support the provision and improvement of affordable housing for rent and low cost home ownership. The Affordable Housing Investment Programme is administered by the Scottish Government except in Glasgow and Edinburgh where it has been devolved to the city councils. Where public subsidy is involved, the affordable housing provided is

³ See Footnote 1.

⁴ See Footnote 1.

⁵ For such housing to count as affordable housing, the appropriate rent should be informed by the HNDA and agreed by the local authority or be in line with Scottish Government requirements.

required to meet the minimum development standards laid down by the Scottish Government and/or the local authority (see also paragraphs 34 and 38). The Scottish Government monitors the implementation of policy on affordable housing through a statistical return on Affordable Housing Securing Planning Consent, which collects information on the range and types of affordable housing granted planning permission across Scotland (see paragraph 35).

9. Local authorities, RSLs, developers and other providers can work together in a variety of ways to deliver affordable housing. Where local authorities are developing an affordable housing policy, they should work with RSLs and developers in order to ensure a common and shared understanding of the policy and its implications. RSLs and developers can contribute information such as an understanding of market conditions and the financial viability of different approaches. Collaboration will also help to speed up the development process and assist in securing subsidy and developer contributions.

DELIVERING AFFORDABLE HOUSING THROUGH THE PLANNING SYSTEM

10. SPP states that where the HNDA and LHS identify a shortage of affordable housing, it should be addressed in the development plan as part of the housing land allocation. The HNDA provides the evidence base for defining housing supply targets in LHSs and allocating land for housing in development plans. Where an authority believes that the planning system has a role to play in the provision of affordable housing, the development plan should also be clear on its scale and distribution including an outline of what is expected from prospective developers.

Housing Need and Demand Assessment

11. The Scottish Government's HNDA Guidance provides a step-by-step approach to assessing housing need and demand across all tenures. It encourages local authorities to undertake this analysis at a housing market area level and provide a clear understanding of the operation of the housing system as a whole. The HNDA will provide evidence to inform policies about the level of affordable housing required, including the need for different types and sizes of affordable housing. The HNDA guidance is available at [http://www.scotland.gov.uk/Topics/Built-Environment/Housing/supply-demand /guidance](http://www.scotland.gov.uk/Topics/Built-Environment/Housing/supply-demand/guidance).

Local Housing Strategy

12. The Housing (Scotland) Act 2001 places a statutory requirement on local authorities to prepare a LHS supported by a HNDA. The LHS provides the strategic direction to tackle housing need and demand and to inform future investment in housing and related services across the local authority area. It will include housing supply targets covering all tenures, which will have been informed by the HNDA. Housing supply targets are to include affordable housing as well as market housing and are to cover new housing supply, replacement housing, empty properties to be brought back into use and conversions. The LHS is expected to cover a 5-year period, in line with development plans, to be prepared in conjunction with a range of local authority departments and involve registered social landlords, other housing

providers and the local community. The LHS Guidance is available at <http://www.scotland.gov.uk/Topics/Built-Environment/Housing/supply-demand/lhs>.

Development Plans

13. SPP sets out the policy for development plans relating to housing, including timescales and the housing land requirement. The housing land requirement should be based on the outcome of the HNDA, and should therefore include affordable housing. A generous supply of land should be allocated in the development plan to meet housing requirements. Information from the HNDA and LHS will allow planning authorities to plan communities and consider an appropriate tenure mix.
14. SPP states that authorities may seek a percentage affordable housing contribution from developers of new housing developments where this is justified by the HNDA and included in the LHS and development plan. The benchmark figure is that each site should contribute 25% of the total number of housing units as affordable housing. If a different percentage is required locally, justified by the HNDA and identified in the LHS and development plan, then the 25% benchmark does not apply.
15. If a development plan includes such a policy it should not preclude a developer offering a higher percentage in an individual development. The local authority may also seek a higher percentage on a specific site but this should be justified and will only be appropriate in exceptional circumstances, for example linked to a substantial release of greenfield land or on a site owned by the local authority or another public agency which is being released for development.
16. As a general guide, local authorities and developers can normally expect on-site provision to be appropriate for developments of 20 or more units. For smaller developments, on-site provision will also often be possible, though off-site provision or a commuted sum may be appropriate (see paragraph 21). In rural areas where the general scale of development is smaller, a lower threshold for on-site provision may be appropriate in order to make affordable housing available in a range of locations.
17. Development plans should set out the scale and distribution of affordable housing required for an area and should outline what is expected from prospective developers. It is vital that development plan policies, including the percentage figure appropriate to the area, are fully justified by the HNDA and where necessary associated with a development brief. It is considered good practice for policies in development plans to:
 - be developed in full consultation with stakeholders, including the development industry, with the aim of achieving a shared understanding of the potential contribution of the development plan and avoiding disputes at development plan examinations or in planning appeals;

- be justified by a HNDA which reflects the diversity of requirements within an area. However the scope for and scale of contributions through the planning system will depend on a number of factors, including the vibrancy of the local housing market;
 - have regard to financial obligations linked to particular developments, including any expectation that developers will contribute to infrastructure and supporting development such as schools or roads. Land values vary across Scotland, and the capacity of developments to bear a range of costs will also vary. Landowners and developers need to assess all the cost implications at the earliest possible stage;
 - be sensitive to different levels of need in different parts of the local authority area, particularly in rural areas; and
 - where higher percentages are sought on particular sites as exceptions to the overall policy, identify the percentage with a clear and reasoned justification for such exceptions.
18. Planning authorities will wish to consider whether the affordable housing policy in the Strategic Development Plan or Local Development Plan should be supported by supplementary guidance. This may cover issues such as how affordable housing should be delivered, developer contributions or methodologies for their calculation, design and management issues. Master plans and development briefs for specific sites may also be appropriate. More information on supplementary guidance can be found in Planning Circular 1/2009: Development Planning at <http://www.scotland.gov.uk/Publications/2009/02/13153723/9>.

Box 1: Main Steps In Supporting The Delivery Of Affordable Housing

These steps should be considered with regard to Scottish Planning Policy, Planning Circular 1/2009: Development Planning, LHS guidance and HNDA guidance.

Step 1 – Define housing market areas and create housing market partnership

- Local authorities should define the housing market areas and on this basis are encouraged to co-operate regionally in housing market partnerships. Further advice is provided in the SPP and HNDA guidance.

Step 2 – Undertake a HNDA

- Local authorities are encouraged to follow the detailed guidance published by the Scottish Government on HNDA. Advice is available at <http://www.scotland.gov.uk/Topics/Built-Environment/Housing/supply-demand/chma>.

Step 3 – Consideration of affordable housing outputs of the HNDA

- Housing and planning officials to consider policy approaches to dealing with the issues raised by the HNDA.

Step 4 – Where affordable housing is identified as a main issue – preparation of the Main Issues Report

- Engage with interested parties.
- Consider a settlement strategy to provide a long term context for development.
- Present options as to the overall land requirement for new affordable housing.
- Consider options for the distribution of new affordable housing supply by housing market areas and local authority boundaries.
- Consider the distribution and sources of sites and decide whether or not a threshold for on-site provision of affordable housing is appropriate.
- Consider an initial percentage affordable housing contribution from developers of new housing developments where this is justified by the HNDA.
- Consider viability of proposed affordable housing percentages in light of any major costs which may be associated with elements of the established land supply (e.g. any known decontamination requirements) and availability of funds.
- Form an initial view on authority's willingness to accept alternative contributions equivalent to a percentage requirement.
- Input a preferred strategy and alternative options into the Main Issues Report.

Step 5 – Preparation of LHS

- Specify a housing supply target covering all tenures. This should cover a five and twelve (or ten outside SDP areas) year period, give an indication of the possible housing requirement up to year 20, and may also be set at sub-local authority level.
- Include a reference to the percentage affordable housing contribution which will be sought from developers of new housing development considered in Step 4.
- Describe the extent and type of housing need and demand, including the balance of provision needed between affordable rented housing and other types of provision set out in paragraph 5, and consider whether this should vary to reflect different needs and market circumstances within housing market areas and sub-market areas.
- Provide clear strategic direction for housing investment.

Step 6 - Preparation of Proposed Plan

- Prepare an affordable housing policy for the Proposed Plan taking into account consultation at Main Issues Report stage. This should include maps and site-specific proposals as appropriate.
- The policy in the development plan may be supported by detailed Supplementary Guidance.

Step 7 - Examination and Adoption

- Where the housing need and demand assessment is considered robust and credible by the Scottish Government, the approach used will not normally be considered at a development plan examination .

Step 8 – Development Plan Action Programme

- Include action(s) relating to the delivery of the affordable housing policy and development proposals.

Step 9 - Monitor outcomes

- In reviewing the development plan, account should be taken of successes and failures in the implementation of existing sites and policies and any changed or new circumstances.
- Consider monitoring a range of relevant information including the number of consents and completions for all tenures and house sizes, the number of market houses on a site, grant and commuted sums and the contribution to meeting housing need.
- This information can feed into the Monitoring Statement and HNDA.

Step 10 - Review and revise policy as appropriate

- The HNDA, LHS and development plan should be reviewed every five years.

⁶ This policy does not override the provisions of Part 4 of the Town and Country Planning (Development Planning) (Scotland) Regulations 2008.

DEVELOPER CONTRIBUTIONS TO AFFORDABLE HOUSING

Delivery of Land for Affordable Housing

19. Affordable housing should ideally be integrated into the proposed development and wider community. To achieve this, the contribution from the developer of a market housing site will normally be the provision of serviced land, e.g. a proportion of the site which can be developed by or for a RSL or the local authority. Such land can be transferred either at a value relating to its end use for affordable housing or by agreement between the developer and the RSL or local authority, at a lower value. In any event it should be transferred at less than the value for mainstream housing for sale. 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 valuation should reflect the location, the type of affordable housing and any other factor which will influence the value. The RICS in Scotland intends to publish a Guidance Note on the valuation of land for affordable housing.

Other Contributions

20. Depending on the type of affordable housing required, there will be a variety of other ways in which developers can provide affordable housing on site. For example, paragraph 5 noted the range of tenure types that may contribute towards affordable housing. The local authority should monitor how many units of each type are provided (see also Box 1 and paragraph 35).

OFF-SITE PROVISION AND COMMUTED SUMS

21. Exceptionally, a site may be unsuitable for affordable housing for a variety of reasons, including the size of the site (see paragraph 16), location, topography, conversion of buildings where relevant standards cannot be met and other local circumstances such as whether an appropriate tenure mix can be delivered. In such circumstances developers may offer to provide the contribution on another viable site within their ownership or in some cases provide a commuted sum as long as the proposed alternative will help to meet an identified need in the same housing market area. Commuted sums should only be used sparingly. The decision to accept a commuted sum is one for the planning authority, and the rationale for accepting or rejecting a commuted sum should be set out clearly in local policy.
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.

DEVELOPMENT MANAGEMENT

23. Pre-application discussions are helpful in avoiding delay in the subsequent stages of development management. This may include discussions about the number, type and tenure of affordable housing required for a particular site. More information can be found in Planning Circular 4/2009: Development Management Procedures at <http://www.scotland.gov.uk/Publications/2009/07/03153034/0>.

Planning Conditions and Planning Agreements

24. Provision of land for affordable housing may need to be the subject of a planning condition, particularly where a proportion of a site is to be made available for on-site provision of affordable housing. A Section 75 agreement may be necessary, for example where a phased commuted sum is to be negotiated to enable off-site provision or to ensure retention of affordable units. Local authorities should ensure that where a Section 75 agreement is considered necessary it meets all of the policy tests in Planning Circular 1/2010 and can be drawn up and agreed as swiftly as possible. For more information see Planning Circular 1/2010: Planning Agreements at <http://www.scotland.gov.uk/Publications/2010/01/27103054/0>.

Negotiating Developer Contributions

25. Calculating the appropriate percentage of affordable housing for a development plan policy, or for an individual site, must take into account an understanding of land valuation. Where non-market housing is to be provided as part of the development, or part of the site is to be purchased by a RSL or council at a value lower than market housing, this will affect the price which can be paid for the land and will require to be negotiated with the site owner. Early dialogue between landowners and developers and the local authority should be established wherever possible.
26. Where a contribution for affordable housing is specified in a development plan, developers should indicate as part of their planning application how they will deliver the affordable housing element. The provision of serviced land for development by a RSL or local authority will normally be sought, but the most appropriate mechanism will depend on the type of affordable housing needed, the nature of the site and the nature of the project.

27. Planning authorities will also need to be aware of other issues which may affect the viability of developing a site. In some cases there may be a requirement for the developer to either provide or make a financial contribution to other major supporting and infrastructure elements, such as a new school or expansion of an existing school, drainage and road improvements. On particular sites there may be high costs to remediate contamination or address poor ground conditions. In determining an application, local authorities may consider all these issues and the strategic priorities for a site holistically. This will be particularly the case where the developer can demonstrate and clearly justify that there are exceptional costs, unknown when the initial offer of purchase was made, which render the development of the site unviable as originally proposed.
28. Where the development of a large site is phased, the implications for the supply of affordable housing should be considered. For example, it may be appropriate to include some affordable housing in each phase or to allow solely market development in the first phase in order to generate a positive cash flow where this can be justified. It may be appropriate to address these issues in a development brief and in any legal agreement associated with the planning permission.

Retention of Affordable Houses

29. Local authorities should consider whether new affordable housing should remain affordable in the future and, if so, the most appropriate means to achieve this outcome. Occupancy conditions will not be necessary where a charitable RSL is responsible for the management of rented housing. Shared equity schemes may provide another means of retaining housing as affordable. Planning agreements may be used, where justified, to ensure that the affordable housing is occupied only by households falling within those categories of need defined by the local authority through its LHS.

ADDITIONAL MEANS OF DELIVERING AFFORDABLE HOUSING

30. Additional or alternative means of delivering affordable housing which authorities may wish to consider include:
 - Allocating new sites in local plans specifically for affordable housing to meet requirements identified in the HNDA and LHS. This approach is most likely to be appropriate for small scale sites within or adjoining existing villages to provide for locally arising needs.
 - Identifying plots for self build dwellings.
 - Using compulsory purchase powers to support the delivery of new supply and regeneration.
 - Making appropriate surplus local authority owned land or buildings available for affordable housing, either individually or as a package of site disposals.

- Working with third parties to assemble sites for affordable housing in appropriate circumstances, including other public agencies with large land holdings who may be able to identify opportunities to convert surplus properties in their ownership or develop new affordable housing. Development Trusts may also have a role in assembling land.

Local authorities may also take other action including:

- Opting to increase the rate of council tax on second homes and long-term empty properties from 50% to 90%, raising revenue which can be used to increase the supply of affordable housing within the housing market area. This may be particularly relevant in rural areas with a high proportion of second homes.

DESIGN

31. The Scottish Government's objectives of creating successful places and achieving quality residential environments should guide the whole process of delivering new housing. National planning policy set out in *Designing Places, Designing Streets* and the SPP, aims to achieve high quality, well-designed homes in all new housing developments, including affordable housing. A range of housing types and tenures, linked to community facilities and services including public transport, should be considered. Attention should therefore be on both individual homes and the layout and design of the wider community.
32. Affordable housing ought to be, as far as possible, indistinguishable from the general mix of other houses on a site in terms of style and layout, use of materials, architectural quality and detail. Both 'pepper potting' of individual affordable houses throughout a development and large groupings of houses of the same tenure are best avoided. Concentrating affordable housing for rent in small groups will ease the subsequent management of the homes by an RSL and contribute towards providing mixed communities.
33. Further information can be found in *Designing Places, Designing Streets*, PAN 67: *Housing Quality* and PAN 72: *Housing in the Countryside*. These documents and additional advice on design issues can be found at <http://www.scotland.gov.uk/Topics/Built-Environment/AandP>.
34. The Scottish Government can provide additional advice on design standards that RSLs must meet in providing affordable housing (see paragraph 38).

MONITORING AND REVIEW

35. By monitoring the successful delivery of affordable housing, planning authorities will help to retain confidence and support for the policy. Box 1 provides information on monitoring. Where circumstances change, the detailed components of the policy should not be adjusted, including the affordable housing or financial contribution, until the proposed changes have been subject to full consultation and subsequent approval by the planning authority. The Scottish Government has been conducting the Affordable Housing Securing Planning Consent survey annually since 2005 and publishes the results and analysis at <http://www.scotland.gov.uk/Topics/Statistics/Browse/Planning>.

CONTACTS AND FURTHER INFORMATION

36. This Planning Advice Note and further information about housing can be found on the Scottish Government website at <http://www.scotland.gov.uk/Topics/Built-Environment/planning/National-Planning-Policy/themes/housing>. For more information on this PAN please contact the Scottish Government on 0131 244 7888.
37. Further information about LHSs and HNDAs, including the relevant guidance, can be found at <http://www.scotland.gov.uk/Topics/Built-Environment/Housing/supply-demand>. The Centre for Housing Market Analysis website also provides information on the HNDAs process: <http://www.scotland.gov.uk/Topics/Built-Environment/Housing/supply-demand/chma>.
38. Further information regarding RSLs and their geographic areas of operation, affordable housing design standards and the Affordable Housing Investment Programme is available from Scottish Government area offices. Contact details can be found at <http://www.scotland.gov.uk/Topics/Built-Environment/Housing/supply-demand/chma/aboutchma/SGHIDContacts>.
39. A range of statistics relating to planning, house building and affordable housing can be found on the Scottish Government's statistics web pages at <http://www.scotland.gov.uk/Topics/Statistics/Browse/Housing-Regeneration> and <http://www.scotland.gov.uk/Topics/Statistics/Browse/Planning>.

SECTION 2: HOUSING LAND AUDITS

INTRODUCTION

40. This Section sets out advice on good practice in the preparation of housing land audits. Its purpose is to promote greater consistency and transparency in the content of audits and the way in which they are carried out.
41. Scottish Planning Policy (SPP) requires that a five-year ongoing effective land supply is available to meet the identified housing land requirements. Planning authorities should therefore carry out regular monitoring of housing completions and the progress of sites through the planning process. This can be achieved through the preparation of a housing land audit, carried out annually by the planning authority in conjunction with housing and infrastructure providers.
42. An annual audit is important so that it reflects the changing nature of housing markets and market conditions. The audit is to ensure that the forecasts for estimated house completions over the five year period remain robust and realistic. In remoter rural areas, where the requirement can be of a more limited scale, the method and frequency of the audit process may be adapted to local circumstances.
43. SPP sets out the key stages in the process of identifying the housing requirements and the provision of an appropriate land supply to accommodate those requirements through the Housing Need and Demand Assessment (HNDA) guidance, Local Housing Strategies (LHS) and the development plan.

Research

44. Scottish Ministers are committed to ensuring a generous supply of land for housing, and recognise the value of systematic collection of information to assess the extent to which planning authorities are identifying and delivering sufficient land for housing. In order to better understand the usefulness of housing land audits in providing this information and the quality of the data collected, the Scottish Government commissioned research into monitoring housing land supply through housing land audits. A research report entitled *The Effectiveness of Housing Land Audits in Monitoring Housing Land Supply in Scotland* is available at <http://www.scotland.gov.uk/Publications/2008/01/10103315/0>. The research has assisted in identifying the scope for a more standardised approach to the audit process across local authorities in Scotland, and ways in which the value of the audit process can be maximised.

HOUSING LAND AUDITS

45. Annual housing land audits are the established means for monitoring housing land. They have two key functions: to demonstrate the availability of sufficient effective land to meet the requirement for a continuous five-year supply; and to provide a snapshot of the amount of land available for the construction of housing at any particular time. This information is vital to the preparation of the development plan and the audit process enables adjustments to the supply to be made in response to issues identified.

46. Housing land audits also provide a valuable source of information for a variety of purposes, both for the local authority and a wide range of other organisations. Homes for Scotland has indicated its support for housing land audits and its willingness to contribute to them. The data is likely to be useful to other organisations such as Transport Scotland and Scottish Water, and other bodies whose resource requirements and investment decisions are influenced by housing development, e.g. health and postal services. Local authorities are encouraged to consult widely with the house building industry and infrastructure providers in the collation of the annual audit to enhance the accuracy of the data and thus its usefulness. Organisations who are likely to find value in the audits should be willing to contribute to their preparation, which should help promote a shared understanding of the land supply among all interested parties.
47. It may be beneficial to have contributions from local house builders and landowners regarding their sites included in the audit, particularly in relation to whether or not the site is effective and the likely annual completions on that site. This may be of particular value where Homes for Scotland members are not the primary builders in an area. Those involved should consider how such engagement can be achieved, for example, through direct contact or through adverts in the local press inviting input from relevant parties.
48. Audits provide a snapshot picture in time of the land supply. Involvement in the preparation of an audit should not be viewed by contributors as an alternative means of commenting on the housing land allocations in the development plan.
49. The usefulness of the housing land supply information in audits will be enhanced through audits across Scottish local authorities containing common information about the land supply in their areas. The Housing Supply Statistics Working Group has been set up to provide an opportunity for discussion and sharing of ideas. Although desirable, it is not necessary for all local authorities to carry out audits at the same time each year; however, an annual picture of land supply across Scotland will be valuable. It is desirable that the audit is available within a reasonable period of time, preferably within 6 months of the collation of the data.
50. The way in which authorities work to produce audits may need to alter to reflect their participation in housing market partnerships and strategic development planning authorities. The agreement of relevant organisations to participate and provide timeous responses to consultation, and adjustments to the Government's requirements for statistical returns, would contribute to minimising the additional burden on local authorities and this should be considered against the improved value of the collected information.

Methodology and Content

51. A housing land audit should contain relevant information about the established and effective housing land supply, allowing for monitoring and comparison with the housing land requirement. The starting point each year will be the inclusion of:
 - all land with planning permission for residential development, including the remaining capacity of sites under construction;
 - land allocated for residential development (including the residential component of any mixed-use development) in adopted development plans (LDP); and
 - other land with agreed residential potential, such as land identified for housing in proposed LDPs or assessed as appropriate for housing following an urban capacity study.
52. Local authorities should consider including a range of variables in an audit including a unique site reference, site area, site capacity, site ownership, the planning status of the site, annual completions, the greenfield or brownfield status of the land, whether it is a windfall site, and the type of housing being provided.
53. It is good practice to ensure that individual sites can be tracked readily from one audit to the next until such time as development is completed. If the audit is to provide an accurate picture of housing land supply, it will be necessary to ensure that the annual completions are recorded accurately and shown in the audit, including the residential component of mixed-use developments and the unplanned contribution to the housing supply made by windfall sites and conversions. Completions on regeneration sites should be shown net of any demolitions which have taken place. All sites completed in any given year should be listed in a separate schedule and a comprehensive table of historical annual completions should also be provided.

Effective Land Supply

54. Not all of the sites in the audit will be effective, and it is important that the audit distinguishes effective, i.e. unconstrained sites, from those which are affected by constraints which cannot be overcome in time to contribute to the housing land requirement. The decisions and assumptions around effectiveness and programming are crucial to the accuracy and usefulness of the data in the audit and therefore merit careful consideration.

55. The effectiveness of individual sites should be determined by planning authorities in the light of consistent interpretation of the following criteria and through discussions with housing providers. The aim is to achieve a realistic picture of the available effective land supply which can contribute to the housing requirement so that the level of additional housing, and therefore land needed to meet the overall requirement, can be established. To assess a site or a portion of a site as being effective, it must be demonstrated that within the five-year period beyond the date of the audit the site can be developed for housing (i.e. residential units can be completed and available for occupation), and will be free of constraints on the following basis:

ownership: the site is in the ownership or control of a party which can be expected to develop it or to release it for development. Where a site is in the ownership of a local authority or other public body, it should be included only where it is part of a programme of land disposal;

physical: the site, or relevant part of it, is free from constraints related to slope, aspect, flood risk, ground stability or vehicular access which would preclude its development. Where there is a solid commitment to removing the constraints in time to allow development in the period under consideration, or the market is strong enough to fund the remedial work required, the site should be included in the effective land supply;

contamination: previous use has not resulted in contamination of the site or, if it has, commitments have been made which would allow it to be developed to provide marketable housing;

deficit funding: any public funding required to make residential development economically viable is committed by the public bodies concerned;

marketability: the site, or a relevant part of it, can be developed in the period under consideration;

infrastructure: the site is either free of infrastructure constraints, or any required infrastructure can be provided realistically by the developer or another party to allow development; and

land use: housing is the sole preferred use of the land in planning terms, or if housing is one of a range of possible uses other factors such as ownership and marketability point to housing being a realistic option.

56. Programming of sites is an important element of the audit. Programming is an indication of the expected annual completions on each site, taking account of the lead-in times, the ability of the site to be developed, and the capacity of the local housing market. The housing land audit should show the expected completions on sites over the following five years. The contribution of any site to the effective land supply is that portion of the expected output from the site which can be completed within the five-year period. It will be important that the programming is also related to the expected timing of housing land allocations in the local development plan.
57. Programming is widely recognised as a less than scientific exercise. Nonetheless

it is important that assumptions do not overestimate the likely completions, as the audited effective supply forms the basis for the calculation of the additional housing land requirement to be provided through the development plan. Overestimation of the potential of the effective supply will reduce the amount of additional land allocated and therefore reduce the flexibility available in the supply to address market fluctuations and other constraints to the delivery of housing. Realistic programming will demonstrate the continued availability of sites to maintain a five-year supply and help to monitor the availability of sufficient sites to continue to meet the housing land requirement. It will also show whether the supply includes a sufficient range of sites to meet the varying requirements of different parts of the housing market. House builders are discouraged from underestimating the yield from effective sites with the aim of seeking additional land allocations, and, equally, local authorities are encouraged to become familiar with the realities of the operation of the housing market in their areas and not to overestimate the likely level of completions.

58. Planning authorities should use the information from the audit process to ensure that at all times sufficient effective land is available to meet the housing land requirement for at least the following 5 years. Planning authorities, housing and infrastructure providers should work together to ensure that sites identified as effective are successfully developed within the expected timescale. Where constraints arise, or funding commitments necessary to delivery of the site are delayed, the status of the site should be reviewed as part of the next housing land audit.

Non-Effective or Constrained Sites

59. Where sites which form part of the established housing land supply are identified as non-effective, the audit should identify the nature of the constraint and the necessary action and time required for resolution of the constraint to allow house building. Planning authorities, housing and infrastructure providers should work together to ensure constraints inhibiting the development of sites are removed, particularly where the site is needed or expected to contribute to the housing land requirement during the life of the development plan. In a small minority of cases it may prove impossible to remove development constraints. Where this occurs, the site should be removed from the audit of housing land supply.

Land with Agreed Potential

60. Land with agreed potential includes any land which is not formally identified in an adopted development plan or which does not have planning permission. It can include land identified for housing in proposed local development plans or assessed as appropriate for housing following an urban capacity study. Careful consideration should be given as to whether to include such sites in the audit, although inclusion will not pre-empt subsequent consideration of the status of the site by the planning authority when finalising a development plan or determining a planning application. If a site ultimately is rejected by these processes, it should not be included in the next audit.

Small Sites

61. It is for planning authorities to consider how to take account of the expected contribution of small sites (i.e. sites capable of accommodating up to 4 dwellings) towards meeting the housing land supply through their development plans. Completions on small sites make a significant contribution to the land supply in some local authority areas and may be regarded as providing flexibility in addition to the supply on sites of five or more dwellings expected to meet the housing land requirement. For the purposes of auditing the contribution of these sites, there may be practical difficulties in listing each small site individually, and authorities may conclude that an aggregated figure should be included in the audit.

Windfall Sites

62. Windfall sites arise unexpectedly and are by definition not part of the planned housing supply. These are opportunities for new housing involving the reuse or redevelopment of previously developed sites, i.e. brownfield sites which were not included within the development plan and are not counted towards meeting the housing land requirement. They might be included as part of the established supply in the audit as a result of an urban capacity study where the site is considered to have potential for housing development. These sites should count towards meeting the housing land requirement only once planning permission has been granted for residential development and it is considered to be effective or is being developed. To allow planning authorities to monitor the contribution of windfall sites to the housing land supply in their area, these sites should be differentiated in the audit.

Affordable Housing

63. The categories of affordable housing are set out in Section 1 of this PAN. Housing land audits should reflect these definitions to distinguish between affordable housing sites and completions, and private market housing. The Scottish Government monitors the number of affordable housing units securing planning permission in each local authority through the Affordable Housing Securing Planning Consent survey. The Strategic Housing Investment Plan (SHIP) has a distinct function referring specifically to those affordable housing sites which the authority has prioritised for development over the next five years. While the SHIP and the audit may both refer to common sites, they contain different information, and not all sites will be in both the audit and the SHIP. These data sets are therefore not interchangeable.

House Types

64. The collection of information on house types, in particular separating houses, flats and sheltered accommodation, may be useful in demonstrating how well the supply matches the identified housing needs which emerge from HNDA and the LHS. Local authorities may wish to consider collecting this information as part of the audit. It is likely that it will be easier to collect this data in relation to completions, since changes can occur to sites as development progresses.

Availability of Housing Land Audit Information

65. Most housing land audits are available in electronic format and can be accessed online. This provides the opportunity for easy reference and consultation, and reduces the costs associated with making the information available. This is particularly beneficial given the broad interest and value in the information they provide. All authorities are encouraged to progress towards making audits available online.

FURTHER INFORMATION

66. This Planning Advice Note and further information about housing can be found on the Scottish Government website at <http://www.scotland.gov.uk/Topics/Built-Environment/planning/National-Planning-Policy/themes/housing>. For more information on this PAN please contact the Scottish Government on 0131 244 7888.
67. A range of statistics relating to house building and affordable housing can be found on the Scottish Government's statistics web pages at <http://www.scotland.gov.uk/Topics/Statistics/Browse/Housing-Regeneration>.

GLOSSARY

Affordable housing: Housing of a reasonable quality that is affordable to people on modest incomes. In some places the market provides some or all of the affordable housing needed, while in other places it will be necessary to make housing available at a cost below market value to meet an identified need.

Brownfield land: Land which has previously been developed. The term may cover vacant or derelict land, infill sites, land occupied by redundant or unused buildings, and developed land within the settlement boundary where further intensification of use is considered acceptable.

Effective housing land supply: The part of the established housing land supply which is free or expected to be free of development constraints in the period under consideration, and will therefore be available for the construction of housing.

Established housing land supply: The total housing land supply - including both unconstrained and constrained sites. This will include the effective housing land supply, plus the remaining capacity for sites under construction, sites with planning consent, sites in adopted local development plans and where appropriate other buildings and land with agreed potential for housing development.

Greenfield sites: These are sites which have never been previously developed or used for an urban use, or are on land that has been brought into active or beneficial use for agriculture or forestry, i.e. fully restored derelict land.

Housing demand: The quantity and type/quality of housing which households wish to buy or rent and are able to afford.

Housing requirements: The total amount and type of housing necessary to accommodate a given or projected population at appropriate minimum standards. This includes both housing need and demand.

Housing land requirements: The amount of land required to be allocated for housing to meet the identified housing requirement.

Housing market area: A geographical area which is relatively self-contained in terms of housing demand, i.e. a large percentage of people moving house or settling in the area will have sought a dwelling only in that area.

Housing need: Refers to households lacking their own housing or living in housing which is inadequate or unsuitable, who are unlikely to be able to meet their needs in the housing market without some assistance.

Housing supply target: identified by the Local Housing Strategy in response to the outcomes of housing need and demand assessment.

Urban capacity study: An assessment of the potential contribution to the housing land supply of all the possible sources of housing land beyond the immediate planning time horizon.



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