

Heads of Planning;
Jonathan Fair, Chief Executive, Homes for Scotland;
Andrew Field, Scottish Federation of Housing Associations
Philip Gay, District Valuer Services



cc. Kathy Cameron, CoSLA

Our ref: POL/3955/01
28 October 2009

Dear Colleague

Planning Advice Note 74: Affordable Housing

In the light of concerns regarding the interpretation of certain sections of PAN 74, I am writing to clarify the Scottish Government's position on these matters. I also wish to take this opportunity to update you on our plans for reissuing this PAN.

Affordable housing remains a key Scottish Government priority, and it is important that housing development proposals continue to contain an affordable housing contribution where the local authority has an affordable housing planning policy. Guidance on the provision of land for affordable housing through the planning system needs to be unambiguous and fair.

Land values

Paragraph 38 of PAN 74 states that where a contribution of land for affordable housing is provided on site as a proportion of a market housing site such land *'should be transferred either at a value relating to its end use for affordable housing or by agreement between the developer and the RSL, at a lower value.'* Best practice is that the value of the land should be independently determined by the District Valuer or a chartered valuation surveyor, based on any relevant factor the valuer is able to justify. It is preferable that the relevant parties mutually agree to appoint, scope and brief a particular valuer.

Paragraph 44 of PAN 74 states that *"Calculating appropriate percentages of affordable housing element for any development plan policy, and for individual sites, must take into account an understanding of residual land value"*. This paragraph is intended to encourage planning authorities to carefully consider the potential effects of requiring differing proportions of affordable housing. It is not intended to influence the calculation of the value of any land for any such provision, nor the methodology of valuation that the appointed valuer will ultimately utilise.



The valuation methodology used is a matter for the appointed valuer. The Scottish Government understands that the RICS in Scotland intends to prepare guidance on the methodology of valuation of land for affordable housing.

Tenure type

Both PAN 74 (at paragraph 11) and Scottish Planning Policy 3: Planning for Homes (SPP 3) (at paragraph 91) set out a range of tenure types which can contribute to affordable housing. It is important that local authorities, developers and RSLs use the full range of options as appropriate, rather than relying on, or only considering, one single tenure type. Given the impact the required tenure type may have on the valuation of land, local authorities should provide as much clarity as they can in their development plans, local housing strategies and SHIPs, which should inform the appropriate housing solution. Authorities should engage with housing developers in early discussions to make clear what mix of affordable housing provision is sought on particular sites.

Commuted sums

Paragraphs 48 and 49 of PAN 74 allow the payment of a commuted sum in lieu of providing land where a site is unsuitable for affordable housing. The decision to accept a commuted sum is a matter for the planning authority and the rationale for accepting or rejecting a commuted sum should be set out clearly in local policy. However, it is the view of the Scottish Government that commuted payments should only be used sparingly.

In our forthcoming update to PAN 74 we are considering how best to address some differences in interpretation as to the appropriate basis for calculating commuted sums. **We would appreciate any comments you may have on this by 16 November 2009**, in particular on the following options:

1. For the commuted payment to be equal to the *value of the land for affordable housing* of that part of the original site that would otherwise have been used for affordable housing if the planning authority had not determined that a commuted sum was acceptable (i.e. the amount required to allow an affordable housing provider to purchase an equivalent site identified for affordable housing elsewhere).
2. For the commuted payment to be equal to the *difference* between the value identified at (1) and the value of this land for market housing (i.e. the amount required to allow an affordable housing provider to purchase an equivalent site for housing on the open market).
3. For the commuted payment to be a *standard sum* set annually by the planning authority, being a typical or average sum calculated for the authority or housing market area as a whole, using one of the approaches set out above.
4. For the PAN to focus on planning advice and not provide advice to planning authorities on land valuation or suitable approaches to commuted sums, referring instead to the forthcoming RICS guidance.

Update to PAN 74

The Scottish Government intends to re-issue PAN74 within the next three months to incorporate the material on Housing Land Audits currently contained in Annex 3 to SPP 3. We will also take this opportunity to update the content relating to affordable housing, incorporating a resolution of the issue of commuted sums identified above, and the other clarifications set out in this letter.

Responses to this letter or questions about its content should be addressed to Alison Hurd at the address above (Alison.hurd@scotland.gsi.gov.uk; 0131 244 7764).

Yours faithfully,

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