

PLANNING (SCOTLAND) BILL

[AS AMENDED AT STAGE 2]

REVISED FINANCIAL MEMORANDUM

INTRODUCTION

1. As required under Rule 9.7.8B of the Parliament's Standing Orders, this revised Financial Memorandum is published to accompany the Planning (Scotland) Bill (introduced in the Scottish Parliament on 4 December 2017) as amended at Stage 2.
2. This Memorandum has been prepared by the Scottish Government. It does not form part of the Bill and has not been endorsed by the Parliament.
3. The purpose of this revised Financial Memorandum is to set out the expected costs associated with the provisions now included in the Bill following the amendments made at Stage 2. This document addresses those provisions with anticipated or potential cost implications, both those included in the Bill as introduced and those inserted by amendments. Where provisions have been removed from the Bill at Stage 2, paragraphs relating to the cost implications of those amendments have been removed from this Memorandum. Amendments agreed at Stage 2 which are not covered in this revised Financial Memorandum are considered not to have any substantial cost implications.
4. In order to show clearly the cost implications of the amendments made to the Bill, no changes have been made to the figures where the provisions themselves have not changed, and staff costs are given at 2017 rates throughout to provide consistency.

Purpose of planning reforms

5. The planning system supports the Scottish Government's Purpose of creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth. The aim of the current planning reforms, of which the Bill forms part, is to create a more effective planning system with a sharper focus on delivering development and high quality places. This in turn will support economic growth and improvements in outcomes relating to, for example, health, education and inequalities, resulting in a fairer and more prosperous society.
6. More specifically, delays and uncertainty in the planning system are considered to cause significant costs to the development industry, in relation to holding land, business planning and cashflow as well as keeping staff and contractors available. The Scottish Property Federation has estimated that reducing delays and providing greater certainty to developers could reduce project costs in some cases by 25% to 30%, and would also attract more people to invest in Scottish developments.

7. This Financial Memorandum does not attempt to calculate the impact on the development industry of various new requirements and constraints on planning authorities in terms of how applications for planning permission are to be considered and determined. However, developers have indicated that, overall, the Bill as amended at stage 2 has the potential to introduce further delays, costs and uncertainty into the system and could discourage investment in Scotland.

Approach to the Financial Memorandum

8. This Financial Memorandum addresses the changes proposed by the Bill under the following headings:

- **Development planning - procedure:** paragraphs 25 to 55. Sections 1 to 8 of the Bill make changes to the structure of development planning: enhancing and expanding the National Planning Framework (NPF) which will be part of the development plan; changing the way strategic development plans (SDPs) and local development plans (LDPs) are prepared; introducing new consultation requirements for the NPF and LDPs; and moving to a 10-year cycle for the NPF and LDPs.
- **Development planning – content:** paragraphs 56 to 62. The Bill also introduces a range of new requirements in terms of the content and matters to be considered in preparing the NPF and LDPs, including specific consultation requirements on particular topics.
- **Open space strategy:** paragraphs 63-64. Section 1A of the Bill requires each planning authority to prepare an open space strategy
- **Report on housing needs of older people and disabled people:** paragraph 65-68. Section 1B of the Bill requires the Scottish Government to report to Parliament every two years on how the planning system is helping to meet the housing needs of older people and disabled people.
- **Local place plans (LPPs):** paragraphs 69 to 77. Section 9 of the Bill provides a mechanism for communities to plan their own place, which can be incorporated into the LDP.
- **Masterplan consent areas (MCAs):** paragraphs 78 to 85. Part 2 of the Bill (sections 10 and 11) provides for a new, streamlined alternative to simplified planning zones (SPZs). These zones grant planning permission for specified types of development within the zone, removing the need for individual planning applications to be made for each development. MCAs can also grant a range of other consents, further streamlining the process.
- **Culturally Significant Zones (CSZs):** paragraphs 86 to 98. Part 2A of the Bill (section 11A) provides for these zones to be designated in areas where it is desirable to preserve, enhance and support the development of cultural venues, facilities and uses. Applications for planning permission in these areas or within 100m of the boundary of a zone are subject to additional requirements.
- **Development management – procedure:** paragraphs 99 to 121
- **Development management - topical:** paragraphs 122 to 138. Parts 3 and 4 of the Bill (sections 11B to 26E) make changes to various aspects of development management. Some provisions are procedural, relating to issues such as notification of applications, publication of information, local reviews and enforcement; others are

topic-based, requiring additional assessment, consultation or conditions in relation to applications for certain types of development.

- **Infrastructure funding:** paragraphs 139 to 148. Part 5 of the Bill gives the Scottish Ministers powers to introduce a levy, to be paid to local authorities, to fund infrastructure projects.

9. Under each of these headings estimated costs and savings are then reported against the different sectors involved. Costs and savings are allocated to “planning authorities” rather than “local authorities”, as the two National Park Authorities also have certain planning powers and duties. No attempt has been made to differentiate costs between individual planning authorities, although these will vary widely depending on the size and nature of the area they cover.

10. The operation of the planning system in Scotland is determined by a combination of primary and secondary legislation, supported by Scottish Government policies and guidance. The impact of some of the changes made by the Bill will be dependent on procedures to be set out in secondary legislation under existing powers and in guidance. There are also further elements of the reform programme unrelated to the Bill which will affect the costs of the planning system, such as widening permitted development rights and the use of digital technologies. These decisions, and in particular changes to secondary legislation, will be subject to financial and regulatory impact assessments when they arise, taking account of their place in the wider context. The Parliament will, therefore, have further opportunities to examine how the costs of operation and compliance with the planning system are likely to change as the reforms as a whole come into effect.

11. COSLA (the Convention of Scottish Local Authorities) has suggested that the proposed timescales for the changes arising from the Bill allow time to undertake a fuller consideration of current costs. The Scottish Government will work with COSLA and individual planning authorities to gather more meaningful information on future costs as detailed proposals for implementation are developed and this information could then provide a basis for future negotiations with COSLA on local government funding.

12. A summary of initial estimates of the costs and savings attributable to each of the themes set out in paragraph 8 is provided in table 1 after paragraph 17. Information on the timing of these costs is provided in paragraphs 18 to 21 and tables 2 and 3. Paragraphs 22 to 24 provide some financial context in relation to planning authorities’ functions. The summary costs should be read with the text on each section, which sets out the assumptions that have been made and the data used in calculating the costs. Wide ranges are quoted for some activities, where the costs will depend on the take-up of a scheme or choices made by local planning authorities, which cannot be known at this time; this is also explained in the text on each section.

13. A list of abbreviations used in this Memorandum is provided in the Annex.

Sources of information

14. The consultation paper, *Places, People and Planning*¹, asked for views on the potential costs of the proposals for business and public sector delivery organisations. However, few

¹ <https://beta.gov.scot/publications/places-people-planning-consultation-future-scottish-planning-system/>

respondents answered this question, and those who did provided only general comments. Many considered that the consultation paper did not give sufficient detail on how the proposals would be implemented to assess the potential costs and savings. Subsequently, questionnaires were sent to members of the Scottish Government’s planning review working groups representing the development sector, key agencies and communities. The questionnaires asked for information on the current costs of various activities, and for views on the possible impacts of the reform proposals on those costs. Thirteen responses were received from the development sector, three from key agencies and two from community organisations, but the information provided was still limited.

15. Heads of Planning Scotland (HOPS) undertook a similar exercise to obtain information on the costs of the proposals to planning authorities. COSLA has also provided views on the costs attributable to the Bill provisions. However, both of these note that many of the proposed changes made by the Bill relate to service areas where costs are not currently separately identified or recorded.

16. Following Stage 2 of the Bill, officials have been in contact with HOPS, COSLA, Homes for Scotland and some particular stakeholders to seek views on the costs of the new provisions included in the Bill, but the same limitations on available information apply. Given the time available and the limited information obtained previously, wider views have not been sought on the financial implications of the amendments agreed at stage 2.

17. Other financial information in this Memorandum was obtained from Scottish Government officials, and from research studies carried out into different aspects of the planning system and the reform proposals. These are referenced where they are mentioned.

Table 1: Summary of costs and savings: total over 10 years

Savings are shown in (brackets). Figures are rounded to the nearest £10,000 (£0.01m) – detailed figures are shown in each section of the memorandum.

	Scottish Administration	Planning authorities	Developers and others	Communities
Development planning: procedure	(para 32-38, table 4) Saving of (-£1.9m)	(para 39-49, tables 5, 6, 7) £7.36m	(para 50-53) No change in overall costs.	(para 54-55) No change. Costs depend on approach taken by organisation.
Development planning: content	(table 8, para 56-58) £92,000	(table 8, para 59-61) £5.88m	(para 62) No change. Costs depend on approach taken by organisation.	(para 62) No change. Costs depend on approach taken by organisation.
Open space strategy	None	(para 63-64) £450,000	None	None

Report on housing needs of older people and disabled people	(para 66) £140,000	(para 67) £690,000	(para 68) One to three days per organisation to respond to consultation	(para 68) One to three days per organisation to respond to consultation
Local place plans	(para 69-77) £0 to £40,000, <i>plus discretionary spend to support communities.</i>	(para 69-77) £680,000 to £2.04m for register, <i>plus discretionary spend to support communities</i>	None	(para 69-77) Monetised cost including volunteer time and practical support: £11.96m
Masterplan consent areas	None (para 82)	(para 83-84) £330,000 to £660,000. <i>Costs for preparation of MCAs: £15,000 to £200,000 each.</i>	None	None
Culturally significant zones	(para 92, table 9) £0 to £40,000	(para 93-95, table 9) £1.53m to £5.13m	(para 96-98, table 9) £15.12m to £332.24m	None
Development management: procedure	(para 102, 107, table 10) Saving of (-£322,000)	(para 103, 108-9, 112-115, 120-121, table 10) £1.57m to £49.41m	(para 104 110, 116-117, table 10) £277,000 to £45.06m	None
Development management: topical	None	(para 130, 138, table 11) £360,000 to £2.71m	(para 128-9, 135-7, table 11) £29.8m to £49.5m	None
Infrastructure funding	(para 142) £450,000 start-up costs.	(para 143-145) Cost neutral – income to be spent on infrastructure projects and administration.	(para 146-148) <i>Illustrative cost £350m to £750m)</i>	None

TOTAL	Saving of (-£1.54m to -£1.46m)	£18.84m to £74.33m	£395.20m to £1,176.79m (including illustrative cost £350m to £750m)	£11.96m (including volunteer time).
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Timing

18. It is anticipated that the Bill will receive Royal Assent in summer 2019. New and amended secondary legislation and guidance will be required before most of the provisions can come into force, taking around 18 months to prepare. Costs and savings attributable to the Bill provisions are therefore expected to arise mainly from the financial year 2021-22 onwards, although the preparation of guidance and setting up of registers will be done earlier. The following tables set out the costs and savings to the Scottish Administration and to planning authorities year by year.

19. No table is provided for developers as all the costs applicable to them are linked to individual applications, which will only vary from year to year depending on the development brought forward. No table is provided for communities as the timing of when LPPs may be brought forward is not predictable.

20. Preparation of the new NPF will start in 2019 to be in place from 2021, to inform the preparation of SDPs and LDPs under the new arrangements set out in the Bill. Some costs for the NPF will therefore arise prior to 2021. However, the 10-year cycle for development planning is considered to be from 2021 to 2031.

21. The costs and savings from changes to SDPs and LDPs are spread equally across years; since individual plans are on different cycles, the costs across Scotland as a whole can be assumed to stay at roughly the same level over time. The costs of development management changes are also spread equally. Costs to planning authorities are shown as the average of the ranges set out in table 1, except that these tables assume registers will be established centrally.

Table 2: Costs to Scottish Administration by year

Savings are shown in (brackets).

	NPF	SDP, LDP	Housing needs report	LPP, CSZ and Development Management	Infra- structure levy	Total
2019-20	£206,013					£206,013
2020-21	£206,013	£26,500		£106,500		£339,013
2021-22		(-£177,354)	£27,109	(-£34,800)	£225,000	£39,954
2022-23		(-£177,354)		(-£34,800)	£225,000	£12,846
2023-24		(-£177,354)	£27,109	(-£34,800)		(-£185,046)
2024-25	(-£280,478)	(-£177,354)		(-£34,800)		(-£492,632)
2025-26	(-£280,478)	(-£177,354)	£27,109	(-£34,800)		(-£465,523)

2026-27		(-£177,354)		(-£34,800)		(-£212,154)
2027-28		(-£177,354)	£27,109	(-£34,800)		(-£185,046)
2028-29		(-£177,354)		(-£34,800)		(-£212,154)
2029-30	£206,013	(-£177,354)	£27,109	(-£34,800)		£20,967
2030-31	£206,013	(-£177,354)		(-£34,800)		(-£6,141)

Table 3: Costs to planning authorities by year

	NPF	SDP, LDP, Open Space Strategy	Housing needs report	LPP, MCA, CSZ and Development Management	Total
2019-20	£701,984				£701,984
2020-21	£701,984				£701,984
2021-22		£1,228,139	£138,725	£3,121,505	£4,488,370
2022-23		£1,228,139		£3,121,505	£4,349,645
2023-24		£1,228,139	£138,725	£3,121,505	£4,488,370
2024-25		£1,228,139		£3,121,505	£4,349,645
2025-26		£1,228,139	£138,725	£3,121,505	£4,488,370
2026-27		£1,228,139		£3,121,505	£4,349,645
2027-28		£1,228,139	£138,725	£3,121,505	£4,488,370
2028-29		£1,228,139		£3,121,505	£4,349,645
2029-30	£701,984	£1,228,139	£138,725	£3,121,505	£5,190,354
2030-31	£701,984	£1,228,139		£3,121,505	£5,051,629

Financial context for the planning system

22. The functions of planning authorities are generally divided into two areas. Development planning covers the production of LDPs and other associated policy work. Development management covers the handling of applications for planning permission and other related consents, for which fees are charged, providing advice on planning controls, and enforcement where development does not comply with planning requirements. The majority of research on the costs of planning and the performance of planning authorities has focused on the handling of planning applications, to support proposed changes to fees at different times.

23. The Royal Town Planning Institute (RTPI) Scotland published a background paper in 2015, *Progressing performance: Investing in Scotland's Planning Service*² (Thomas Fleming), drawing on research carried out by HOPS in 2013 and 2014 into the overall costs of the planning system and the level of cost recovery achieved from fees for development management. This paper projected that in 2015-16, planning as a whole would make up 0.63% of local authority budgets. This provides a total net revenue expenditure for both development planning and development management, across Scotland, of £60.75m. Figures provided by HOPS indicated that in 2015,

² http://www.rtpi.org.uk/media/1496196/performance_and_resources_-_final_-_october_2015.pdf

planning fees covered only 63% of the cost of handling applications, indicating that around £36m of that £60.75m is spent on subsidising application processing.

24. The level of fees and activities for which authorities can charge are set by the Scottish Ministers in regulations under section 252 of the 1997 Act. The Scottish Government has indicated its intention to review planning fees following completion of the Bill, with a view to moving the decision-making aspects of the planning process towards full cost recovery by planning authorities, and expanding the range of activities for which fees may be charged. Section 21 of the Bill amends the powers relating to planning fees to allow for this greater flexibility. Ministers have, however, made clear throughout the planning review that any increase in fees must be accompanied by evidence of improved performance. If the full cost of handling applications is recovered through fees, this would release the money currently subsidising that service (around £36m per year as identified by HOPS) for other uses. Proposals for new fees regulations will be subject to full consultation and financial assessment when they are brought forward.

DEVELOPMENT PLANNING - PROCEDURE

Structure and key roles

25. Paragraphs 26 to 31 summarise the responsibilities of different organisations in the development planning system, to provide context for where costs currently fall and how the proposals in sections 1 to 8 of the Bill will change this.

26. The Scottish Government produces the National Planning Framework (NPF)³, accompanied by the non-statutory Scottish Planning Policy (SPP). Local authorities in the four largest city regions come together to form strategic development planning authorities (SDPAs) which produce strategic development plans (SDPs). Each local authority and the two National Park Authorities are required to produce local development plans (LDPs) for the area they cover. The 1997 Act currently requires each of these plans to be produced every five years.

27. In addition to the work undertaken by the authority responsible for the plan, there will be involvement from those who have an interest in the outcome, including residents, businesses, prospective developers, key regulatory and infrastructure agencies and environmental and heritage groups. The Scottish Government Planning and Architecture Division (PAD) scrutinises SDPs and LDPs to ensure Ministerial plans and policies are appropriately reflected. The Planning and Environmental Appeals Division (DPEA) carries out examinations of plans on behalf of the Scottish Ministers, if there are unresolved issues after consultation. The cost of examinations for LDPs is charged to the planning authority, therefore this appears as a cost to planning authorities rather than the Scottish Administration. The costs of examinations of SDPs are shared equally between the SDPA and DPEA.

Proposed changes

28. The Bill updates the description of the NPF to incorporate the content of the current SPP, and requires the draft NPF to be approved by a resolution of the Scottish Parliament, following a period of 120 days' consultation on a draft laid before the Parliament. The Scottish Ministers will have powers to direct planning authorities, individually or collaboratively, to provide information

³ A list of abbreviations is provided in the Annex.

to support the NPF. The Bill removes the power for planning authorities to produce supplementary guidance; all policy material for the development plan will be in the enhanced NPF, or included in the SDP or LDP if agreed that this is necessary to reflect local circumstances.

29. The Bill requires planning authorities to produce an evidence report as the first stage in preparing an LDP, and removes the requirement for a main issues report and monitoring report. The evidence report will be assessed by DPEA to ensure evidence for the plan and the proposed approach to consultation is robust. As a result of this early “gatecheck”, the examination at the end of the process or LDPs is expected to be less onerous than at present, as key issues will have been addressed at an early stage. The Scottish Ministers’ ability to intervene in LDPs after the examination stage is also removed. Action programmes, which set out how the authority proposes to implement the LDP, will be renamed “delivery programmes”; further changes are expected to be made in regulations under section 21(7) of the 1997 Act to make these a more effective tool to support delivery of the developments set out in the plan.

30. The NPF and LDP will require to be reviewed every 10 years instead of every five as at present. It will be possible to make amendments to these documents within the 10-year period.

31. The Bill retains SDPs on their current five-year cycle. It introduces an evidence report and “gatecheck” as for LDPs, and removes the requirement for a main issues report, but not the requirement for the monitoring report. The Bill also removes the requirement for an examination of SDPs, and the ability of the Scottish Ministers to approve or reject them.

Costs on the Scottish Administration

32. The costs described in paragraphs 33 to 38 are summarised in table 4 after paragraph 38.

NPF and SPP

33. The change to a 10-year review cycle for NPF instead of five years will produce some savings. However, the expanded role of the NPF compared to NPF and SPP is likely to create an increase in the costs of preparation, as will the additional Parliamentary scrutiny and consultation. The most recent versions, published in 2014, are estimated to have occupied a team of half a full-time-equivalent Assistant Chief Planner, one Principal Planner, three and a half Senior Planners and an administrator for 18 months, at a cost of £495,042⁴, plus specialist assistance provided by secondees at a cost of £65,913, making a total of £560,955. The new system, before adding any new content, is expected to require the same team plus an additional Principal Planner, for two years, with the same level of external assistance, at a cost of £800,018. The new Parliamentary procedure is estimated to take the equivalent of an additional six months taking up half the time of the Planners, but a full time administrator to handle the consultation, at a cost of £107,050.

34. The next NPF is expected to be produced in 2019-2021. The changes produce an increased cost for those years of £412,026 over the previous version, but the move to a 10-year cycle means a saving in 2024-26 of £560,955, a total saving over 10 years, in cash terms at current rates, of £148,929. These calculations are summarised in table 4. Updates to the NPF are expected to be rare and would be accommodated within existing resources.

⁴ Staff costs are based on average costs for each grade.

SDPs

35. There will be savings to the Scottish Administration from the removal of the final examination for SDPs and the removal of Ministers’ ability to approve or reject them and therefore the need for scrutiny within PAD. The costs of this scrutiny are estimated at an average of 20 days per plan by a Principal Planner, at a cost of £6,438. The average cost of examination for an SDP is £38,856, of which 50% is charged to the SDPA, leaving DPEA with a cost of £19,428. It is anticipated that the new “gatecheck” process will cost around half of this amount. With four plans produced every five years, this gives a saving to the Scottish Government over 10 years, in cash terms at current rates, of £129,218.

LDPs

36. The Bill removes the power for the Scottish Ministers to intervene in LDPs after the examination stage, and removes statutory supplementary guidance. This will result in significant savings for the Scottish Administration. The costs of scrutiny of LDPs within PAD are estimated at 120 days per year, shared between a Principal Planner and two Senior Planners, at a cost of £32,223 each year. Under the new arrangements there will still be some scrutiny at earlier stages, but this will only require about one-third of the time, and as there will be half as many plans requiring scrutiny each year, this leads to a saving of £268,518.

37. At present around 100 to 135 pieces of supplementary guidance are received annually, each requiring an average of five days’ scrutiny, shared between a Principal Planner and two Senior Planners. This gives an annual cost of around £137,580. Removing supplementary guidance and scrutiny will result in a saving over 10 years, in cash terms at current rates, of almost £1.65 million.

38. The Bill introduces new requirements for planning authorities to consult and facilitate participation of various groups in the preparation of the LDP, and requires the Scottish Ministers to produce guidance on effective community engagement in relation to LDPs. This is likely to draw on existing guidance both specific to planning and more generally on community engagement, but based on similar exercises is expected to cost the Scottish Government around £26,500 for preparation, consultation and publication.

Table 4: Development planning: Summary of costs on the Scottish Administration

NPF	Current version		New version	
	FTE		FTE	
Assistant. Chief Planner @ £92,416	0.5	£46,208	0.5	£46,208
Principal Planner @ £69,981	1	£69,981	2	£139,962
Senior Planner @ £53,042	3.5	£185,647	3.5	£185,647
Administrator @ £28,192	1	£28,192	1	£28,192
Total for 1 year		£330,028		£400,009
	x 1.5 years	£495,042	x 2 years	£800,018
Secondees		£65,913		£65,913
Parliamentary consultation				£107,050
Total for process		£560,955		£972,981
Total over 10 years	x2	£1,121,910	x1	£972,981
Saving over 10 years				(-£148,929)

SDPs	Current version		New version	
	FTE		FTE	
Principal Planner @£69,981	0.092	£6,438		
Examination replaced by gatecheck	Per plan	£19,428		£9,714
Total per plan		£25,866		£9,714
Total over all plans	x4	£103,465		£38,856
Total over 10 years	x2	£206,930		£77,712
Saving over 10 years				(-£129,218)
LDPs	Current version		New version	
	FTE		FTE	
Principal Planner @ £69,981	0.18 per year	£12,597	0.06 per year	£4,199
Senior Planner @ £53,042	0.37 per year	£19,626	0.12	£6,542
Cost per year		£32,223		£5,370
Total over 10 years		£322,230		£53,704
Saving over 10 years				(-£268,526)
Supplementary guidance	Current version		New version	
	FTE		FTE	
Principal Planner @ £69,981	0.92 per year	£64,383		£0
Senior Planner @ £53,042	1.38 per year	£73,198		£0
Cost per year		£137,581		£0
Total over 10 years		£1,375,810		£0
Saving over 10 years				(-£1,375,810)
Guidance on community engagement				
Preparation, consultation and publication				£26,500
Total for LDPs				(-£1,617,822)
Total saving				(-£1,895,969)

Costs on planning authorities

39. The costs described in paragraphs 40 to 49 are summarised in table 7, after paragraph 49.

NPF, SPP and SDPs

40. Involvement in preparation of the NPF and SPP is not currently a significant cost for planning authorities and is not separately costed by them. The Scottish Ministers will in future have a power to direct planning authorities to provide information to contribute to the NPF, which will have an expanded role compared to its current form. Based on existing costs for developing

SDPs, as shown in table 5, it is estimated this will cost around £100,000 per authority, or £3.4m in total, for each 10-year cycle.

41. The running costs of the SDPAs are funded by their 20 constituent local authorities. Their costs are cyclical, based on the five-year period for review of the SDP. As shown in table 5, based on the past three years' audited accounts, the cost of the SDPAs over a five-year cycle is around £6.2 million. The amount charged by DPEA over the past five years for examination of SDPs is £155,000 in total; examination is also estimated to require one Principal Planner full time for a year to prepare documentation and manage the process for each SDPA, costing around £70,000, plus up to £30,000 consultancy costs. The Scottish Government estimates that a further 10-15% of expenditure may be taken up with printing and publication of the final plan, giving a total cost of just over £10m, over 10 years, for the policy development and engagement involved in preparing SDPs.

Table 5: Current costs for SDPs

	For 5 years	For 10 years
Current cost of SDPs	£6,200,000	£12,400,000
Examination: DPEA charge	£155,000	£1,110,000
Examination: Staff costs, £70,000 per plan	£280,000	£560,000
Examination: Consultancy, £30,000 per plan	£120,000	£240,000
Total for Examination	-£555,000	-£1,110,000
Cost after examination	£5,645,000	£11,290,000
10% cost of production	-£564,500	-£1,129,000
Remaining cost	£5,080,500	£10,161,000

42. There will be savings to planning authorities arising from the removal of the examination of SDPs, although it is estimated that half of the current cost will be taken up in the new "gatecheck" of the evidence report. The costs of preparing the evidence report are not expected to differ significantly from the current requirement for a main issues report and monitoring report. However, the monitoring report will still be required for SDPs, resulting in a small additional cost. Over 10 years this gives a saving of £449,000, as shown in table 6.

Table 6: Costs for SDPs from removal of examination and introduction of gatecheck

	Current version		New version	
	Per SDP	For 4 SDPs	Per SDP	For 4 SDPs
DPEA charge		£155,000		£77,500
Staff costs	£70,000	£280,000	£35,000	£140,000
Consultancy	£30,000	£120,000	£15,000	£60,000
Monitoring report			£13,250	£53,000

(in addition to evidence report)				
Total over 5 years		£555,000		£330,500
Total over 10 years		£1,110,000		£661,000
Saving over 10 years				(-£449,000)

LDPs

43. The cost of producing LDPs varies widely depending on the area covered by the planning authority, the complexity of the issues they face and the approach taken, including the amount of community and public engagement. Examples suggest that the total cost of an LDP currently could be around £500,000 to £750,000, including staff time, legal costs, examination and printing costs. The move to a 10-year cycle instead of five years could therefore result in savings across Scotland (for 34 LDPs) of £17 million to £25.5 million over 10 years, before taking into account any changes to the process.

44. The removal of supplementary guidance from LDPs will also provide significant savings to planning authorities overall. Each piece of supplementary guidance is prepared and consulted on by the authority before being submitted to the Scottish Government. They are very variable in terms of complexity, but the Scottish Government estimates that on average each piece could take about a month of a Senior Planner’s time, costing £4,420. Some of these policies may be included in the LDP, so will still need to be prepared but will not require separate consultation. The Scottish Government currently receives and processes 100 to 135 pieces of supplementary guidance each year. Based on estimated Senior Planner time input, this could therefore produce savings for planning authorities of around £442,000 to £600,000 each year, or £4.42 million to £6 million over 10 years.

45. The total cost for examinations relating to LDPs is not expected to change significantly. The costs of examination vary depending on the number of unresolved issues to be considered at the end of the LDP preparation process. Examination costs over the past five years range from just over £9,000 for Orkney Islands Council, to £50,000 for Glasgow City Council, to around £200,000 for Fife Council. The Bill will introduce a “gatecheck” stage at the start of the process, to examine the evidence report provided by the planning authority. While this is a new process, the aim is that it should help to resolve issues at an early stage that currently continue through to the final examination, when there are fewer options for resolution available. The Scottish Government’s intention is therefore that the gatecheck should lead to a less onerous final examination, with the result that there is little change in the overall cost for this activity. This intention will be reflected in the regulations made to set out the procedure for the gatecheck process.

46. In addition to SDPs, the Bill requires all LDPs to include the planning authority’s “strategic and cross-boundary policies and proposals for the development and use of land”. Any authority which is not part of an SDPA must set out in its evidence report a statement on these policies and proposals and how it will partner with adjacent planning authorities to address these. This is likely to require additional work in addition to the provision of information to contribute to the NPF and SDPs, and based on the costs of contributing to SDPs set out in paragraph 41, is estimated to cost £37,000 for each of the 20 authorities included in SDPAs, and £80,000 for each of the 12 authorities that are not, making a total of £1.7 million.

47. The Bill introduces various new statutory requirements for general consultation and engagement, and statements on the outcome of that activity, in relation to the evidence report and LDP. (There are also specific requirements in relation to consultation on particular topics, see paragraphs 56 to 62.) This includes consultation with the public at large on the content of the participation statement, to ensure the proposed consultation methods will be effective; involvement of children and young people, including schools, youth councils and youth parliament representatives; consultation with key agencies, the public at large, Gypsies and Travellers, community councils and access panels. While much of this engagement is likely already to take place, there will be additional costs for some of the specific requirements. There is also a new separate step of publishing a draft of the evidence report and consulting on that with children and young people, the general public and those who are listed in regulation as statutory consultees in relation to individual planning applications. It is estimated that the production of and consultation on the additional draft evidence report will require the equivalent of one senior planner for nine months, and the other requirements together will require similar effort. This gives a total of around £80,000 per plan, or £2.7 million in total over 10 years.

48. As set out in the Policy Memorandum, the aim of the changes to development planning being made through the planning review is to strengthen the system and bring a far greater focus on active delivery of development and enhanced community engagement, rather than continuous plan-writing and repetitive policy development. The savings achieved by halving the frequency of LDPs and removing supplementary guidance are intended to free up resources for other activities, which will be set out in different ways. In particular,

- regulations made under existing powers in section 21 of the 1997 Act, currently “action programmes”, to become “delivery programmes”, are expected to be amended to significantly strengthen these programmes in order to ensure that the delivery of plans is actively implemented, leading to real outcomes. The Bill provides that delivery programmes must be signed off by the local authority’s Chief Executive and full council, to ensure corporate commitment and awareness of their content. Further guidance, training and capacity building is expected to develop this aspect of planning significantly.
- in addition to requirements for additional consultation directly relating to the LDP, planning authorities will be expected to engage actively with local communities throughout the planning cycle.
- The Bill also provides for updates to the LDP between full reviews. Since one of the aims of the planning reforms is to provide greater certainty for development, updates are not intended to be frequent, and they will usually only affect limited parts of the plan. The Scottish Ministers are to set out in regulations the procedures for making such amendments.

49. In developing regulations and guidance on these additional activities, it is the Scottish Government’s intention to ensure that the costs to planning authorities relating to updates and delivery of LDPs and additional engagement should not exceed the savings achieved from the move to a 10-year cycle for LDPs and removal of supplementary guidance. In order to express this in the tables, an equal cost has been entered for these activities to match the savings.

Table 7: Development planning: Summary of costs on planning authorities

	Current version	New version
NPF & SDPs (over 10 years)		
SDP costs excluding examination	£11,290,000	£11,290,000
SDP examination vs gatecheck	£1,110,000	£661,000
Contribution to NPF		£3,400,000
Total over 10 years	£12,400,000	£15,351,000
Cost over 10 years		£2,951,000
LDPs		
Cost per plan	£625,000	
Cost over 5 years (x34 plans)	£21,250,000	
Cost over 10 years (x2)	£42,500,000	£21,250,000
Supplementary guidance	£5,210,000	
Additional consultation		£2,705,142
Regional and cross-boundary policies		£1,700,000
Updates, delivery and engagement (see para 49)		£26,460,000
Total over 10 years	£47,710,000	£26,460,000
Cost over 10 years		£4,405,142
Total cost development planning (procedure)		£7,356,142

Costs on other bodies, individuals and agencies

Developers

50. The majority of private sector developers are consistent in stating that they spent around £10,000 in engaging with the preparation of the most recent NPF and SPP, published in 2014. The Scottish Government considers that the overall cost to developers of engagement with national-level planning is likely to remain the same following the changes made by the Bill. While the move to a 10-year cycle will reduce the average annual cost, the need to look further ahead in site planning and to provide more information may increase the cost each time the NPF is prepared. There will also be a need to engage with planning authorities and regional partnerships over delivery of the NPF. The changes made to SDPs are not expected to have any impact on the costs of involvement by developers.

51. The level of engagement developers have with the preparation of LDPs seems to be entirely discretionary and dependent on the number, value and complexity of sites they are promoting for inclusion. Current costs quoted ranged from £11,500 to £250,000 for dealing with one LDP, £15,000 to £50,000 per year for involvement with five or six, or between £10,000 to £80,000 per site or £180,000 to £230,000 for two sites. In general terms, while the change to a 10-year cycle might be expected to reduce annual costs, developers feel that it will increase the costs per plan, as they will need to look further ahead in site planning and give more information. Costs may also be increased due to the greater emphasis on community engagement. On the other hand, the agreement of housing supply and demand figures at national level may reduce the effort required

in LDP preparation, leading to some savings or mitigation of increased costs. In addition, greater collaboration and certainty provided by the development plan aims to reduce time and costs at the development management stage. The expenditure by developers on this activity will continue to be at their discretion, but the new arrangements are not expected to lead to any particular increase in costs overall.

52. Public sector bodies may also be involved in developing land for different purposes, and will therefore have an interest in national, strategic and local planning. However, this should as a matter of best practice be included in the core plan preparation process, considering the requirements for infrastructure such as transport, education and health facilities, in response to proposed new housing as well as for other reasons. One of the aims in requiring LDPs to take account of local outcome improvement plans produced through community planning is to provide better co-ordination of such issues. Being able to plan further ahead in this way is likely to incur lower costs than reacting to new pressures when they arise. This process is therefore quite distinct from the way in which private sector developers seek to promote sites for allocation in the plan and can be considered part of regular co-ordination between public sector bodies.

Key agencies

53. Of the key agencies, Scottish Water estimated that it spent around £3,600 on engaging with the development of the last NPF and SPP. Scottish Natural Heritage had more substantial involvement, including the preparation of the Wild Land Map, Peat Map and National Walking and Cycling Network proposal, and estimated its spend at £220,000. No other key agencies provided details. There is not expected to be any additional work for key agencies in preparing NPF under the new arrangements, meaning that the move to a 10-year cycle will result in overall savings.

Community bodies

54. Estimates from the community bodies indicated that they spend around two to three days engaging with the NPF. As these are voluntary bodies their time is not costed. There may be additional costs of a few hundred pounds (which is significant in terms of their budget) for seeking the views of local people, either through events or the production of consultation materials. As for developers, the effort of engaging at this level is not expected to change, although it may be redirected.

55. Different approaches were taken to the LDP by community bodies; one body estimated it spent around two weeks' time in commenting throughout the process, whereas the other had prepared something similar to a LPP with a view to influencing the LDP, which required more significant resources. The effort expended on contributing to LDPs will continue to depend on choices made by individual community bodies, but one of the aims of the new approach is to make that engagement more effective.

DEVELOPMENT PLANNING – CONTENT

56. In addition to the structural and procedural changes, the Bill introduces a range of new requirements in terms of policy issues to be included or taken account of in development planning, and some specific policy-based consultation requirements. These occur in three places: to be included or taken account of by the Scottish Ministers in preparing the NPF; information that the Scottish Ministers may request from a planning authority to assist in preparing the NPF; or to be

included or taken account of by a planning authority in preparing the LDP (including preparing the evidence report). Although the second of these relates to the NPF, the costs will fall mainly on planning authorities. The new requirements that are expected to incur additional costs are set out in table 8.

NB: There are various different requirements relating to housing for, and the housing needs of, older people and disabled people, and the use of accessible design and age and dementia friendly design. It has been assumed that all these requirements will be satisfied by a single exercise of data gathering and planning.

Table 8 – New requirements for content of development planning

Figures shown are proportion of FTE of a senior planner. 0.83 = 1 month, 0.019 = 1 week.

	NPF	Info for NPF	LDP
Targets for the use of land for housing	0.25		
Housing for older people and disabled people	0.25	0.25	0.5
Consultation on housing for older people and disabled people.	0.125		
Consultation with Chief Medical Officer and Chief Executive of NHS Scotland	0.041		
Consideration of the health effects of development in accordance with the framework / plan	0.083		0.019
Repopulation and resettlement of rural areas, including allocation of land in LDP	0.019		0.083
Retaining disused railway lines for future public transport use	0.019		0.019
Cultural characteristics of the area		0.01	0.019
Built heritage characteristics of the area		0.01	0.019
Capacity of education services		0.125	0.25
Capacity of health services		0.25	0.5
Health needs of the population		0.01	0.019
Land available for renewable energy		0.01	0.019
Provision of public conveniences			0.125
Provision of water refill points			0.125
Sites suitable for self-build			0.16
Culturally significant zones (see para 89)			0.019
Demand and availability of student accommodation			0.125
Total FTE	0.787	0.779	2.232
x Senior Planner @ £53,042	£41,744	£41,293	£118,389

x34		£1,403,969	£4,025,251
Advice from Climate Change Committee on compatibility with climate change targets	£50,000		
Play sufficiency assessments			£450,000
Total cost	£91,744	£1,403,969	£4,475,251
Total for planning authorities		£5,879,220	

Costs on the Scottish Administration

57. While housing is a key consideration in the NPF, the specific requirements to set targets both generally and for older people and disabled people will require a reasonable amount of additional work, as will the extensive targeted consultation. The other new provisions have less impact, but a minimal cost has been allowed for each of them (one or two weeks for a Senior Planner) to ensure that the cumulative effect is taken into account. The overall additional cost to the Scottish Administration is estimated at £41,744.

58. The requirement for the Climate Change Committee to provide advice, which must be published, on the compatibility of the NPF with climate change targets creates a new burden for the Committee. They have estimated that this will require around 3 months' work in each 10-year cycle and cost approximately £50,000, which will be charged to the Scottish Government. This brings the total cost to the Scottish Administration of new content in the NPF to £91,744.

Costs on planning authorities

59. As for the Scottish Administration, the majority of the new requirements will have limited impact, but there is a cumulative effect. The requirement for housing targets and reports on new types of specialist housing go beyond the existing Housing Need and Demand Assessment exercise. Planning authorities will need to seek information from Health Boards and Health and Social Care Partnerships on issues such as the health needs of the local population, capacity of health services, and housing adaptations. As shown in table 8, the cost of these new requirements, excluding the play sufficiency assessment, is estimated to be £118,389 to each authority, or £4,025,251 across Scotland.

60. The Welsh Government introduced a requirement for all local authorities in Wales to carry out a play sufficiency assessment, through the Play Sufficiency Assessment (Wales) Regulations 2012. They allocated £484,000 to cover the costs of the first round of assessments. While Scotland has a larger population than Wales, and more local authorities, the Welsh assessment requires consideration of organised play opportunities such as youth groups and holiday play schemes, and an assessment of the workforce. These would not be issues for spatial planning and are therefore unlikely to be required under Scottish regulations. Taking account of these variances would result in an estimate for assessments meeting the requirements in the Bill totalling around £450,000 across Scotland. This makes a total of £4.475m over 10 years for all the new content requirements in the LDP.

61. While all the information required to contribute to the NPF is also required for LDPs, there may be additional cost for some planning authorities to update their information, depending on the relative timing of the two documents. Half the cost of each item for the LDP has therefore been allowed for the contribution to the NPF, making a total of £1.4m across Scotland.

Costs on other bodies, individuals and agencies

62. There will be some additional costs to community bodies and developers for considering and contributing to the wider range of issues to be included in the NPF and LDPs, as well as costs to all the organisations that are to be consulted with in relation to housing for older people and disabled people. Based on the information provided in paragraphs 54-55 this could represent an additional day or two of effort, depending on the approach taken by individual organisations and their interests in particular issues.

OPEN SPACE STRATEGY

63. Section 1A of the Bill requires each planning authority to prepare and publish an open space strategy, including an audit of existing open space provision, its condition, maintenance requirements and level of use. The open space strategy must be taken into account in preparing the LDP.

Costs on planning authorities

64. The cost of undertaking a full audit is estimated to be around £25,000 per authority, on average, and the additional work of producing the strategy could require the equivalent of 3 months of a senior planner, at £13,260, making a total of £38,260.50 per authority or £1.3 million across Scotland. Planning authorities are encouraged to prepare open space strategies in very similar terms under Planning Advice Note 65⁵. The latest “State of Scotland’s Greenspace” report⁶, published by Greenspace Scotland in February 2018, found that 10 authorities did not have an open space strategy as such, although some of these included similar information in the LDP or other documents. The existing strategies may also need some additional work to meet the full statutory requirements. It is estimated that ensuring all authorities have an open space strategy that meets the statutory requirement could cost around a third of the cost if no such work had been done, at about £450,000 more than current expenditure. There is no specific requirement for updating the strategy, therefore the calculation has been made on the basis that they will be updated once every 10 years, to coincide with the preparation of the LDP.

REPORT ON THE HOUSING NEEDS OF OLDER PEOPLE AND DISABLED PEOPLE

65. Section 1B of the Bill requires the Scottish Ministers to lay a report before the Scottish Parliament every 2 years on how the planning system is operating to help ensure that the housing needs of older people and disabled people are being met. In preparing the report the Scottish Ministers must consult older people and disabled people and their families, persons who represent their interests, carers, planning authorities, registered social landlords (RSLs), developers and others having functions in relation to these groups, housing, social work and health and social care.

⁵ <https://www.gov.scot/publications/planning-advice-note-pan-65-planning-open-space/pages/0/>

⁶ <https://www.greenspacescotland.org.uk/greenspace-map> See foot of that page for a link to the report.

Costs on the Scottish Administration

66. It is estimated that it will take 6 months of a Graduate Planner's time, plus 3 months of an administrator, to undertake the consultation and produce the report, totalling £27,109. Over 10 years this is a cost to the Scottish Administration of £135,545.

Costs on planning authorities

67. Planning authorities, housing and social work departments and health and social care partnerships will also incur costs to provide information to the consultation. Based on the requirements for the LDP, it is estimated that across a local authority this could require up to four weeks' work at a level equivalent to a senior planner. This is a cost of £4,080 per authority, per report, or almost £700,000 in total over 10 years.

Costs on other bodies, individuals and agencies

68. There will be costs to RSLs and organisations representing older people and disabled people and carers in responding to this consultation. Based on the information given in relation to engagement with development planning, this could represent perhaps one to three days of effort, depending on the level of interest for the particular organisation.

LOCAL PLACE PLANS

69. Section 9 of the Bill provides for community bodies to create local place plans (LPPs) and submit them to the local planning authority. An LPP is a proposal as to the development and use of land. The authority must take account of any LPPs that have been submitted in preparing or amending the local development plan. Regulations are to prescribe the detail of what an LPP must contain and how it is to be prepared, including how the views of local councillors have been taken into account.

70. Each planning authority must maintain a register and map of LPPs, in line with requirements to be prescribed in regulations. When an LPP is submitted, the planning authority must enter it in the register and inform the community body that it has done so. If the planning authority considers that an LPP is not valid and therefore cannot be entered in the register, they must give reasons to the community body. Before preparing their LDP, the planning authority must publish an invitation to local communities to prepare LPPs, together with information on the deadline for plans to be included in the LDP, and on the assistance available from the planning authority.

Demand

71. The demand for LPPs will be led by communities. There is no maximum or minimum limit on the area which an LPP may cover, or on how a community is to be defined, these are for communities to decide themselves. There is therefore no absolute maximum or minimum number of LPPs that may be prepared. The timing is also variable. Some communities may already have been involved in some form of community-led design or action planning, and have proposals on hand which could be converted into an LPP. Others will come forward at different times, as community activity develops or when a particular challenge or opportunity in the area provokes a response.

72. In order to provide some estimate of demand consideration has been given to programmes of funding and support that have been provided in recent years for community work which has similar aims to the preparation of an LPP. The Scottish Government's "Charettes Mainstreaming" programme, now the "Making Places: Community-led Design fund" has received an average of 25 applications in each of the past three years (a total of 44 projects were funded). The Coalfields Regeneration Trust has supported 20 communities through its "Community Futures" scheme since 2011, an average of three per year. These two programmes therefore identify an average of 28 communities per year coming forward proactively. In addition, planning authorities will be encouraged to identify priority areas for LPPs on the basis of identified need and opportunities for growth, development and redevelopment. There is no clear estimate for how many areas might be involved, but five or six in a medium-sized authority, over a three-year period, might be reasonable, making a total of around 92 LPPs being prepared each year.

Costs of preparing LPPs

73. In terms of estimating the cost of LPPs, the nearest equivalent is neighbourhood planning in England, under the Localism Act 2011. Locality has published a number of case studies of neighbourhood planning⁷ which found the average cost to be around £13,000⁸. This is a monetised cost of all the effort required, some of which will be covered by volunteering or support from public or third sector bodies. This figure matches well with the level of grant understood to have been received by communities supported by the Coalfields Regeneration Trust, of between £10,000 and £15,000. It is, therefore, assumed that the average cost of preparing an LPP will be £13,000. Estimating 92 LPPs per year, as above, this results in a total cost of around £1.2m per year.

Sources of funding

74. The costs of preparing LPPs are to be found by the community in the first place. Some costs may be covered by contributions in kind by volunteers, both for general tasks such as running events and distributing information, and for professional support where there are appropriate skills within the community. Public sector and third sector bodies and local businesses may also provide support in kind, through advice and professional skills or making rooms available for meetings, for example. Money may be raised by local fundraising or from grants from various sources, including the Scottish Government, Big Lottery Fund, the planning authority, or third sector funding organisations. The amount of funding made available for these purposes and how it is to be targeted will be a matter for each of these organisations to decide. As an example, in 2017-18 the Scottish Government has allocated £275,000 towards grant funding for community organisations or public bodies to carry out community-led design events, and £50,000 towards initiatives led by Architecture & Design Scotland to support communities in relation to community-led design and interaction with the planning system.

Other costs related to LPPs

75. There will be no separate costs to the Scottish Government or to planning authorities from the inclusion of LPPs in LDPs. They will be considered alongside other representations as part of

⁷https://mycommunity.org.uk/take-action/neighbourhood-planning/case-studies/?subject=neighbourhood-planning&cpt=case_study

⁸http://www.ourneighbourhoodplanning.org.uk/storage/resources/documents/How_to_resource_your_neighbourhood_plan4.pdf

the normal process of preparing and amending LDPs. The provision of information to communities, inviting them to prepare LPPs and advising them whether an LPP has been accepted as valid or not should be part of the planning authority's wider community engagement activity, and is not expected to add any significant costs.

76. The requirement to establish a register and map of LPPs will have some costs, which may fall to planning authorities or to the Scottish Government. In line with other registers of information it is considered that it will cost around £10,000 for each authority to set up such a register, and £5,000 per year to maintain it, costing up to £2,040,000. However, if the new requirements are provided centrally through the eDevelopment service this figure would be reduced to around £40,000 for the Scottish Government, for set-up and technical maintenance, and £680,000 for planning authorities for maintaining the information.

77. Concerns have been expressed that communities will require additional support to develop their community identity and capacity before they are ready to begin preparing an LPP. This is not a separate task specific to LPPs; it will be part of wider work on community development and empowerment, whether undertaken by local authorities, community planning partnerships or third sector organisations. As communities become more engaged and empowered they may choose to take forward their aspirations in different ways, and LPPs are only one option. The Scottish Government provides a wide range of funding to help communities develop their capacity and resilience and improve local outcomes, both directly and through support to organisations such as the Scottish Community Development Centre, Coalfields Regeneration Trust and PAS. In addition tools available to communities include the Place Standard which allows for a community to assess the quality of their place with no cost for the use of the tool.

MASTERPLAN CONSENT AREAS

78. Part 2 of the Bill introduces masterplan consent areas (MCAs), as an updated replacement for simplified planning zones (SPZs). These zones grant planning permission for the types of development specified in the scheme, subject to any conditions or limitations attached. By doing so, it therefore removes the need for a planning application to be made by the developer to the planning authority, reducing delays and costs for the developer and encouraging investment.

79. The Bill provides that each planning authority must consider from time to time whether it would be desirable to make an MCA, and must publish a statement setting out their decision and reasons. Anyone may ask the planning authority to make an MCA for part of their area; the Scottish Ministers may also at any time direct a planning authority to do so. Unless such a direction is made, there is no requirement on planning authorities to use the powers to make MCAs. The Bill removes the ability to make new SPZs; all new schemes will be made under the new provisions for MCAs, which are very similar but address a number of concerns that have been raised.

80. Use of the current SPZ provisions in Scotland has been very limited. Research published by the Scottish Government into the use of SPZs, and similar mechanisms outwith Scotland,⁹ identifies that a key concern is the cost of engagement and technical studies required before the SPZ is established, and the lack of income from planning fees, as no planning applications are

⁹ <https://beta.gov.scot/publications/simplified-planning-zones-equivalent-mechanisms-outwith-scotland-research-report/Simplified%20Planning%20Zones%20and%20equivalent%20mechanisms%20outwith%20Scotland%20research%20report.pdf?inline=true>

required. The cost of preparing a scheme depends on the size of the site involved and its particular features. The research identified two existing SPZs in Scotland, one a commercial business park covering 30ha which cost £200,000 to establish, the other to allow changes of use and minor alterations to buildings in a town centre at a cost of £15,000.

81. Section 21 of the Bill amends the provisions on fees for planning activities to enable regulations to provide for discretionary charging by planning authorities. It is anticipated that this may be used to allow planning authorities to charge fees for certain activities in relation to MCAs. The provisions on MCAs also provide for planning authorities to secure financial contributions from developers for development within the zone. In addition, the effect of securing new development brings a range of benefits to a local authority; directly in the form of increased council tax and business rates income, as well as the possible uplift in value of any council-owned land, but also in terms of improved outcomes for communities supporting further economic growth. Ultimately it is for planning authorities to decide whether establishing an MCA will provide benefits to the local economy and communities that justify the costs to the authority. The Scottish Ministers would also be expected to take account of such cost-benefit analysis before making any direction requiring a planning authority to make an MCA.

Costs on the Scottish Administration

82. The Bill gives the Scottish Ministers powers to direct a planning authority to make a scheme and if this is not done, make it themselves. However, these powers are already available to the Scottish Ministers in relation to SPZs, and in some respects MCAs will require less intervention; for example, all SPZs must be notified to the Scottish Ministers at two stages, this is not required for MCAs. As a result, it is not considered that these provisions result in any new costs on the Scottish Administration.

Costs on planning authorities

83. Planning authorities already have a duty to review whether an SPZ should be prepared for any part of their area. Publishing a report on the equivalent review for MCAs is not expected to add any significant cost, particularly as it can be part of the LDP delivery programme the planning authority will be obliged to produce. Costs of including the report on MCAs may be £1,000 to £2,000 for each authority per year.

84. The preparation of any MCAs is optional for planning authorities, and should be based on an analysis of the costs and the benefits to be achieved, as set out in paragraph 81. The cost of any individual scheme may range from £15,000 to £200,000; it may be possible for the authority to recoup some of this cost in discretionary fees.

Costs on other bodies, individuals and agencies

85. There are no costs to any other sector from these provisions.

CULTURALLY SIGNIFICANT ZONES

86. Part 2A of the Bill introduces Culturally Significant Zones (CSZs). These are areas in which it is desirable to:

- (a) identify, preserve or enhance existing cultural venues, facilities and uses,

- (b) identify and support the development of new cultural venues, facilities and uses, and
- (c) ensure no unreasonable adjustments be required for the operation of existing cultural venues or facilities in relation to new development (within the meaning of section 26(1)) within or adjacent to the zone.

87. A CSZ may consist of one or more buildings or a designated area. Each planning authority must from time to time determine which parts of their district are CSZs, and designate them. They must also designate a CSZ if requested to do so in accordance with regulations. Any single “cultural venue” may therefore be a CSZ if someone requests that it is designated. There is no provision for planning authorities to extend or modify a CSZ in response to a request, to take in additional venues or areas.

88. There is no way to obtain a definitive list of the number of places that could be considered cultural venues or facilities. It includes in particular venues used for the performance of live music, which could cover many pubs, churches and local halls, as well as clubs and concert halls whose main purpose is live music performance. It will also include theatres, museums and heritage sites, art galleries, cinemas and informal spaces where cultural activities of all types take place. For a minimum number, the Scottish Government has assumed that any settlement with a population over 3,000¹⁰ will contain at least one cultural venue which could be designated as a CSZ, giving a figure of 242; in larger towns the authority might choose to designate an area covering several venues. Using appropriate categories of non-domestic property from the Scottish Assessors’ Valuation Roll (as at 1 January 2019), and an estimate that around 18% of pubs host live music events¹¹, a figure of 5,857 potential venues across Scotland has been estimated. While these may not all become CSZs, the figure has been used as a maximum. In terms of timing, most likely there would be an early rush of requests for designation from venues that are aware of the provisions, followed by a steady increase as planning authorities identify appropriate areas, reaching a stable number within 10 years.

89. Notice of any designation must be published in the Edinburgh Gazette and in a local newspaper. The planning authority must keep a list of CSZs available for public inspection. From time to time the planning authority must formulate and publish proposals for the preservation and enhancement of any parts of their district which are CSZs, bringing them to the attention of residents and having regard to any representations made. They must take account of any CSZs in their district in preparing or amending the LDP.

90. Notice of any application for planning permission in a CSZ or within 100 metres of the boundary of a CSZ must be published in a local newspaper and displayed on or near the land. Under section 14C of the Bill, any application for planning permission for residential development in or within 100 metres of a CSZ may not be granted unless the applicant can prove that the development would not require unreasonable adjustments on the operation of existing cultural venues, facilities and uses within the zone. In addition, no application for planning permission in any location may be granted if in the opinion of the planning authority it would require such unreasonable adjustments, or does not include “sufficient measures to mitigate, minimise or manage the effect of noise between the development and any existing cultural venues, facilities or uses, or dwellings or businesses in the vicinity of the development.”.

¹⁰ In line with the definition of “urban areas” in the Scottish Government 2 fold Urban Rural Classification.

¹¹ From searches on the website www.useyourlocal.com

91. If it is assumed that 83% of planning applications are made in urban areas, in line with the proportion of the population, that would be an average of 30,515 applications per year, over the past 5 years. A circle of 100m radius around each of the maximum 5,857 cultural venues would represent around 10% of the total land area of urban Scotland; 10% of urban planning applications would give a maximum of 3,052 applications potentially affected by CSZs each year. The same calculation based on the minimum of 242 cultural venues would give 165 planning applications affected each year.

Costs on the Scottish Administration

92. A planning authority must notify the Scottish Ministers when it designates any part of their district as a CSZ. However, Ministers are not required to take any action when they are notified, therefore there are no costs to the Scottish Administration associated with this. As with LPPs, if the register is established centrally this could have costs to the Scottish Government of around £40,000 over 10 years.

Costs on planning authorities

93. There is unlikely to be any significant cost in designating a CSZ. Since planning authorities have no discretion to refuse to designate a zone on request, for example in response to representations, there would be little benefit in regulations requiring any form of consultation. There will be a charge for newspaper publication of the designation. According to information provided by a number of planning authorities in relation to the advertisement of planning applications, the costs vary widely in different areas but average around £146.50 per notice, giving an overall cost of between £35,453 and £858,051 over 10 years. Establishing a list or register is expected to cost around £10,000 per authority, and £5,000 per year thereafter to maintain it, giving an overall cost of £2,040,000 over 10 years. As with LPPs, this cost could be reduced if the register is provided centrally through eDevelopment.

94. For the proposals for the preservation and enhancement of CSZs, it seems likely that each planning authority will produce a single document with general proposals for all CSZs in its area, and any specific measures for particular zones picked out within that. It is estimated that this could take the equivalent of three months for a senior planner and an administrator, to prepare the paper and undertake the consultation, at a cost of £20,309 per authority. As with open space strategies, this is expected to take place once every 10 years, to contribute to the LDP, giving a cost over 10 years of £690,489.

95. Every application for planning permission in or within 100m of the boundary of a CSZ will require to be advertised in a newspaper, in addition to the existing requirements for neighbour notification. This would require an advertising cost of between £242,340 and £4,470,448 over 10 years. At present this would be paid by the applicant, but the Bill amends the 1997 Act so that is no longer obligatory; depending on the provisions made in fees regulations, the cost may be included in planning application fees or may fall partly on planning authorities. For the purposes of calculations it has been divided equally between the authorities and developers in table 9.

Costs on other bodies, individuals and agencies

96. As for planning authorities, there are unlikely to be significant costs for anyone making a request for a CSZ to be designated, as the planning authority has no discretion to refuse in response

to consultation responses or other considerations. There are no subsequent requirements or responsibilities placed on cultural venues within the CSZ.

97. Section 14C introduces new statutory responsibilities on applicants for planning permission in all cases, as well as in the vicinity of a CSZ. All applicants will need to consider the impact of noise between the development and all dwellings or businesses in the vicinity, including cultural venues. This means the impact of noise from existing dwellings and businesses on residents or users of the new development, and the need to provide mitigating measures to prevent those residents or users from being disturbed, as well as any noise generated by the new development that may impact on existing premises. They will also need to identify any existing cultural venues, facilities or uses in the vicinity and ensure their proposals will not require unreasonable adjustments to their operation. Such “unreasonable adjustments” are not limited to the effect of noise. In the case of residential developments in the vicinity of a CSZ, the applicant will need to prove there is no requirement for unreasonable adjustments.

98. At least some of these applications will need to provide a formal noise impact assessment with their planning application. Such assessments generally cost around £3,000 but could rise to £10,000 if there is a need to provide further evidence to the authority or on appeal. Since this includes all CSZs but may include other applications, it is assumed that a minimum of 500 applications per year may be affected, rising to a maximum of applications that may be affected by CSZs of 3,300. This provides costs of between £15m and £330m over 10 years, at current prices. Note that no account has been taken of potential additional costs to planning authorities for considering these assessments as part of the determination of the application.

Table 9: Culturally Significant Zones: total over 10 years

	Planning authorities	Developers
Advertising designation	£35,453 - £858,051	
Register	£680,000 (with £40,000 from SG) to £2,040,000	
Proposals for preservation and enhancement	£690,489	
Advertisement of applications	£121,170 to £2,235,224	£121,170 to £2,235,224
Noise assessments for applications		£15m to £330m
Total	£1,527,112 to £5,133,274	£15,121,170 to £332,235,224

DEVELOPMENT MANAGEMENT - PROCEDURE

99. Parts 3 and 4 of the Bill make provision to amend various aspects of development management procedure and strengthen enforcement powers. Many of these provisions are not expected to result in any cost implications for any sector and some simply place in statute what is

already done, although developers welcomed both clarity and flexibility, which have the potential to avoid delays and additional work.

Declining to determine an application

100. Section 39 of the 1997 Act gives a planning authority discretion to decline to determine an application in circumstances where within the past two years a “similar application” has been refused on appeal or review, or two “similar applications” have been refused without appeal or review. This discretion can only be used if there has not been any significant change in the development plan or any other material consideration since the most recent decision was made.

101. Section 14A of the Bill amends section 39 of the Act to extend the period within which a planning authority may decline to determine an application to 5 years instead of 2. Section 20A inserts new section 39A requiring the Scottish Ministers to publish guidance outlining what constitutes a “similar application and a “significant change” in this context.

Costs on the Scottish Administration

102. The preparation of new guidance is expected to cost around £26,000 for preparation, consultation and publication.

Costs on planning authorities

103. Declining to determine an application incurs some costs, since the planning authority has to identify that there were previous similar applications, and check whether there has been any significant change, particularly in material considerations, which could be wide-ranging. Extending the time period to 5 years is likely to increase the number of applications affected, and the scope of material considerations that could have changed, as well as the likelihood that the development plan may have changed. However, no figures are recorded on the numbers of applications currently declined, or the cost of doing so.

Costs on other bodies, individuals and agencies

104. There are not expected to be any additional costs on other bodies from this change. Having an application declined does mean that the applicant has no return for their costs in preparing the application. However, the measure is intended to encourage developers to consider carefully whether to make a similar application following an earlier refusal.

Local review bodies

105. Section 16 of the Bill amends the provisions of the 1997 Act relating to the delegation of decisions, with the effect that decisions on applications for prior approval required by a development order, advertisement consents and certificates of lawfulness of existing or proposed use may be delegated to officers, in addition to decisions relating to local developments. This means that where such delegated decisions are challenged, they can be considered by a local review body, rather than be subject to appeal to the Scottish Ministers. The aim of this provision is to keep more final decisions at the local level.

106. Between 2012-13 and 2016-17 there were an average of 48 appeals per year (ranging from 38 to 60) to the Scottish Ministers relating to prior approvals, advertisement consents and certificates of lawful use and development. While planning authorities may continue to require some of these to be decided by the planning committee (for example if councillors have an interest in the application, or there are significant numbers of objections), and so potentially be appealed to the Scottish Ministers, the majority would in future go to delegated decision with a subsequent right to local review.

Costs on the Scottish Administration

107. There will be some saving to the Scottish Administration from the diversion of appeals to local review bodies. Costs are not recorded for individual appeals, but it is thought that a reasonable average might be £725 per appeal. Taking the average of 48 cases per year, this would be a total saving of £34,800 per year.

Costs on planning authorities

108. HOPS estimates that a similar amount of resource is required to defend a decision at local review or at appeal. Any increase in costs from the transfer of cases to local review would therefore be only for the administration of the local review body, including elected members' attendance, and in some cases for external consultants' advice and site visits. No actual costs are available for this; for the purposes of this Memorandum it has been assumed that the cost will be the same as for appeals, at £725 per case. With the average of 48 cases transferred each year this would be a cost to planning authorities of £34,800 per year.

109. Following the introduction of local reviews, there was a consistent reduction in the total number of cases challenged each year of around 20%: from about 1000 to 1100 appeals per year in 2005-6 to 2008-9, to about 800 to 900 appeals and local reviews per year from 2009-10 to 2016-17. However, the reason for this change is not known, and the difference in the types of cases affected, together with other changes made by the Bill, may result in these provisions having a different impact. Allowing for a change of 20% either way would produce an annual cost to planning authorities of between £27,550 and £42,050.

Costs on other bodies, individuals and agencies

110. Those developers who have experience of both appeal and local review indicate that the costs of undergoing a local review are either similar to appeal or lower, and therefore there is likely to be some saving from this provision for applicants. However, no actual costs were given.

Planning obligations

111. Section 19A amends section 75 of the 1997 Act to require a planning authority to publish the document setting out a planning obligation, and to promote it "in such a manner as they consider sufficient to ensure that it is brought to the attention of residents of the area or district to which the relevant planning obligation relates". Section 19B makes a similar amendment, but requiring the person who enters into the obligation to publish details of it in such a manner as to bring it to the attention of residents. Section 19B also inserts a requirement for the planning authority to publish an annual report on planning obligations, covering those entered into in that year and those entered into in previous years and not yet expired or complied with. An average of 80 planning obligations have been agreed each year over the past 5 years.

Costs on planning authorities

112. The requirement for planning authorities to publish planning obligations is unlikely to have any significant costs, as it can simply be added to the documents associated with an application on the eDevelopment portal. (It is assumed that “publication” allows for electronic publication rather than requiring hard copy. Local authorities can make arrangements for people who do not have internet access to be able to access information held electronically.)

113. The requirement to ensure that the planning obligation is brought to the attention of residents in the area may involve some cost, depending how that is interpreted. Presumably this would involve a notice that the obligation has been made and details of where to find the full documents. There are a range of ways in which planning authorities could choose to implement this requirement. At minimum cost, the notice could be promoted electronically on the authority’s website and through social media. Some local authorities produce regular newsletters for residents in which such a notice could be included. If a notice was placed in a local newspaper, that would cost, on average, £146.50 each time, giving an average cost of £11,720 per year. A notice or notices could also be put up at the site and in public locations nearby. The cost of this is negligible in urban areas and small authorities but can be significant in large rural authorities where it involves substantial travel time and costs, possibly even ferry or air travel. If 10 applications required this each year, it would add £1,000 to £3,000 to the annual cost.

114. At a maximum, some authorities might consider that direct notification to households was required to ensure the obligation is brought to residents’ attention. The size of development that is likely to involve a planning obligation would suggest awareness within at least a 500m radius. Information from HOPS indicates that neighbour notification for planning applications, within 20m of the property, requires notification of between 8 and 60 neighbouring properties, and costs around 80p per property for printing and postage, or around £1.50 including staff time. To cover properties within 500m would be an area 625 times larger, and could thus require between 5,000 and 37,500 notifications, at a cost of £7,500 to £56,250 for each planning obligation, or £600,000 to £4.5m per year.

115. Planning authorities produce a voluntary annual performance report, which is estimated to cost £2,000 to £3,000 for each authority. It is assumed that the annual report on planning obligations might cost a similar amount, totalling £68,000 to £102,000 per year.

Costs on other bodies, individuals and agencies

116. Where the developer is required to publish the planning obligation, this is likely to impose greater costs than for the planning authority, because the developer will not necessarily have the systems already in place that the planning authority has. If they require to create and maintain a new website to publish the document, that would cost up to £100 each time, at a total of £8,000 per year. However, since large developers are likely to have multiple planning obligations which could all be hosted on a single site, this estimate has been reduced to £6,000 per year.

117. Similarly, the developer is unlikely to have existing methods of disseminating information to local residents, therefore in order to bring the details of the obligation to the attention of residents they would need to use notices either in a local paper, or around the site, or directly to households, at the same costs as the local authority. Note that both the developer and the authority are required

to publish the details of the obligation and bring it to the attention of local residents, it is not possible for only one or the other to do so.

Notifications

118. Section 14B amends section 34 of the 1997 Act to introduce a requirement that a planning authority must notify all councillors, MSPs and MPs for the area of any applications for major developments. This applies not only to applications for planning permission, but also for approval of matters specified in conditions.

119. Section 26E amends section 9 of the Planning (Listed Buildings and Conservation Areas)(Scotland) Act 1997, to provide that regulations must require that neighbours are notified of any application for listed building consent. A notice must be sent to “the Owner, lessee or Occupier” of any premises on land neighbouring the building for which consent is sought, and where there are no such premises, a notice must be published in a local newspaper. The provisions also require that the regulations must ensure that notice is given to the same categories of person and in the same manner and time as for applications for planning permission.

Costs on planning authorities

120. The requirement to notify elected representatives of major developments is not expected to have any significant costs for planning authorities. It is assumed that this will be done electronically using a circulation list; unlike notification of neighbouring premises, all councillors, MSPs and MPs have publicly available email addresses. On average over the past 5 years (2013-14 to 2017-18) there were 272 applications for major developments each year and 303 applications for matters specified in conditions, making an average of 575 emails to be sent each year.

121. The requirement for neighbour notification for listed building consent will have substantial costs. Over the past 5 years the total number of applications for listed building consent and conservation area consent has ranged from 3,290 to 3,681, with an average of 3,476. Separate figures are not available, but conservation area consent is only required for complete demolition, therefore the vast majority of these are for listed building consent – possibly as many as 95%, giving an average of 3302 applications per year. Based on the figures in paragraph 114, of 8 to 60 properties to be notified at a cost of £1.50 each, this gives a total cost each year of between £39,624 and £297,180. There is currently no charge for listed building consent, so this cost will all fall on the planning authority. There will be no additional cost for the newspaper advertisement as this is already required for all listed building consent applications.

Table 10: Summary of costs for development management procedure, over 10 years

	Scottish Admin.		Planning authorities		Developers	
	min	max	min	max	min	max
Decline to determine	£26,000	£26,000				
Local reviews	(-£348,000)	(-£348,000)	£275,500	£420,500		

Planning Obligations - publish					£60,000	£60,000
Planning Obligations - promote			£217,200	£45m	£217,200	£45m
Planning Obligations - report			£680,000	£1m		
Notification			£396,240	£2.97m		
Totals	(-£322,000)	(-£322,000)	£1.57m	£49.41m	£277,200	£45.06m

DEVELOPMENT MANAGEMENT – TOPICAL

Short-term holiday lets

122. Section 11B of the Bill amends the 1997 Act to provide that the use of a dwelling house to provide short-term holiday lets always involves a material change in the use of the building, where it is not the sole or main residence of the landlord or occupier. This means that an application for planning permission will be required in all cases where a house or flat changes use from being a sole or main residence to being used for short-term holiday lets. There are exemptions for those letting all or part of their sole or main residence as a short-term holiday let and for the letting of a residential property under a “residential lease”. Also, the section relates specifically to short-term lets for ‘holidays’.

123. Figures are not available to accurately predict how many premises might change use in each year in this very specific way, but there is some information on similar issues.

124. The Scottish Assessors’ Valuation Roll records non-domestic property descriptions. The core descriptions include those for: “Bed & Breakfast Accommodation”, Chalet, Guest House, Holiday Hut, Self-Catering Unit, Time Share Unit. If self-catering units are taken as the nearest description to ‘short-term holiday let’ as set out in section 11B, then the number of new entries of that description at 1 April are:

- 2016 – 1225 new entries (compared to 1 April 2015)
- 2017 – 1430 new entries
- 2018 – 1908 new entries (this figure may be a spike in light of changes to council tax leading to properties being registered as non-domestic).

125. Taking an average over those three years, it could be expected that there would be 1,521 additional planning applications per year.

126. An alternative is to consider the number of short-term lets available in Scotland on websites such as AirBnB. AirBnB’s submission to the Scottish Expert Panel on the Collaborative Economy indicated 21,900 active listings as of 1 July 2017, of which 59% were entire home (12,900). The growth rate for listings of entire homes in the previous year to that date was 55% for such listings.

If we assume that level of growth were continued (though it may fall over time as AirBnB is a new company experiencing significant growth) that suggests 7,100 new listings per year. A European Commission study (2018)¹² indicated AirBnB has 62% of the European market, then accounting for the rest of the market suggests a figure of 11,500 new entire-home listings per year.

127. Neither of these figures is entirely accurate; they do not distinguish between holiday and other short-term lets, and the AirBnB figures do not distinguish between, for example, the short-term letting of entire homes which are someone's sole or main residence most of the time (exempt from the new requirement for planning permission) and entire homes which are purely intended for short-term letting. AirBnB is also likely to give an over-estimate because some of these properties may be long-standing short-term lets which are only now being added to the online platform. However, they give an overall indication of the potential scale of new applications.

Costs on other bodies, individuals and agencies

128. As a change of use, each application for planning permission for short-term holiday lets will attract a fee (at current rates) of £401 each, which suggests a range of costs to landlords of between £610,000 and £4.6m per year.

129. This does not include the costs of putting together an application, the costs of refusal or of compliance with any planning conditions.

Costs on planning authorities

130. Taking into account the finding, set out in paragraph 23, that planning fees cover only 63% of the cost of processing, on average, it may be assumed that the cost to planning authorities of these additional applications will be between £358,207 and £2.71m per year.

Brownfield land

131. Section 14D provides that a planning authority may not grant planning permission for development on land designated as green belt land if the application would in their opinion be likely to have an adverse effect on any intrinsic natural or cultural heritage value of the proposed green belt land. It also requires any application for development on green belt land to provide a statement setting out why the development cannot be achieved on brownfield land, identifying the brownfield land that was considered and why it was not considered suitable.

132. It has been estimated that a very light-touch report on alternative brownfield land could cost around £3,000 to £5,000, however it could be significantly higher, depending on how many unsuitable sites have to be assessed, and how much detail needs to be given. No figures are recorded on the number of applications made for development on green belt land, therefore an overall cost cannot be calculated.

¹² European Commission, Study to Monitor the Economic Development of the Collaborative Economy at sector level in the 28 EU Member States, February 2018, p52

Changing Places Toilets

133. Section 14G inserts a new requirement into the 1997 Act that planning permission for certain development must include a condition that the development includes at least one toilet facility meeting specific standards – what is known as a “changing places” toilet (CPT) providing facilities for adults with complex disabilities. The requirement covers buildings accessible to the public and includes schools, leisure centres, hospitals, shopping centres and major transport terminals.

134. There is a building standards’ requirement to provide suitable sanitary provision in all non-domestic buildings. Statutory guidance then covers how to meet this requirement, but does not currently include CPT, although a consultation paper¹³ has recently been published proposing that they should be included. Sanitary facilities should meet the needs of occupants and visitors, both in terms of availability and accessibility. Facilities should be sufficient in number to prevent queuing. The requirement for a planning condition to provide a CPT in a development would be in addition to the requirement for an accessible toilet – a CPT not being generally suitable for independent users of accessible toilets. A CPT should not replace the provision of an ordinary toilet as it may increase waiting times for users of the standard facilities.

Costs on other bodies, individuals and agencies

135. Research carried out for Scottish Government Building Standards Division in 2012, and updated for the recent consultation paper, identified the range of capital costs for including Changing Places Toilets in different building types as between £41,700 for a retail unit, and £56,100 for a hospital.

136. Precise figures are not available on the number of developments that might meet the criteria each year. However, the Scottish Government has published statistics for ‘major development – other’ over the past few years. These are developments not falling wholly within any other single class and include, but are not limited to: retail, leisure and entertainment; education; healthcare; community facilities; transport interchanges; water and drainage developments and projects. This class also covers mixed use projects. It has not been possible to break down the figures further. They show that there are approximately 70-80 such developments a year. Over a ten year period this leads to figures of £29.2 – 44.9 million additional outlay.

137. The building standards consultation identifies developments that would be affected by their new requirements as non-domestic projects with a project value over £1 million, and estimates that there would be around 30 per year. However, the types of building to which the building standards requirement would apply are more restricted than those listed under section 14G of the Bill. The provisions in the Bill can be amended by regulations, and this mechanism could be used in future to align planning and building standards requirements, but this memorandum relates only to the Bill in its current form.

Costs on the Scottish Administration and on planning authorities / local authorities

138. Clearly the requirements for CPTs could apply to local authorities, NHS Scotland and central government agencies, as well as to private sector developments. However, as the figures for “major development – other” are not broken down, it is not possible to tell how they might be

¹³ <https://consult.gov.scot/building-standards/changing-places-toilets/>

divided between the public and private sectors. For the purposes of this memorandum all the costs for this section have been allocated to “others”.

Table 11: Summary of costs for development management content, over 10 years

	Planning authorities		Others	
	min	max	min	max
Short-term lets	£358,208	£2,708,341	£609,921	£4,611,500
CPT			£29,190,000	£44,880,000
Total	£358,208	£2,708,341	£29,799,921	£49,491,500

INFRASTRUCTURE FUNDING

139. Part 5 of the Bill provides an enabling power for the Scottish Ministers to introduce a levy to support the delivery of infrastructure. No decisions have yet been made on the use of this power, although research has been published by the Scottish Government¹⁴ setting out a possible approach and giving indicative figures, based on projected rates and values of development. However, further work is still required to consider the full details of an appropriate and practical scheme. Before making use of this power, Ministers are committed to undertaking a full assessment, in collaboration with COSLA and other stakeholders, of the costs of establishing and administering the levy, the income it could achieve, how it might be phased in and other measures to minimise any impact on economic growth and the viability of development. The regulations introducing the levy will also be subject to full scrutiny through the affirmative parliamentary procedure. The Bill as amended provides that the power to establish a levy lapses if no regulations have been made under it within 10 years of the Bill receiving Royal Assent.

140. The research that has been undertaken to date has explored the potential income and costs of an infrastructure levy. Whilst the model that the analysis is based on may not reflect the way in which the enabling power is taken forward, this provides an illustration of the scale of financial considerations involved. The following is a brief summary of the approach set out in the research.

141. It is envisaged that the infrastructure levy would aim to capture a proportion of the increase in land value attributable to development, and the levy receipts would be used to fund infrastructure which supports development. The intention is that the levy will be applied through a formula, set nationally, based on a proportion of the market value of development once useable. The formula will take into account the increase in value attributable to development, and the link to land values provides a factor adjusting for the economic circumstances of different areas. The amount to be paid should be sufficiently predictable that prospective developers are able to factor it into calculations at the point of negotiations to purchase land, although it is not expected to be payable until the development is completed. The levy will be applied widely across most types of development which are not themselves infrastructure, although there is scope for the regulations to provide for exemptions where these are clearly justified.

¹⁴ <https://beta.gov.scot/publications/research-project-identify-assess-options-introduction-infrastructure-charging-mechanism-scotland/>

Costs on the Scottish Administration

142. It is expected that there would be costs to the Scottish Government in the order of £400,000 over two years arising from the need for a central team to take the provisions forward through secondary legislation (estimated at one Principal Planner, two Senior Planners and one Graduate Planner). The team would also need to be supported by external technical expertise, with an additional cost arising in the order of £50,000. This may be required around 2021-2023 or later, depending when the Scottish Ministers decide to use the power. Once the levy is established, resources for overseeing and managing its operation are expected to be met from existing resources.

Costs on planning authorities

143. It is expected that local authorities (excluding National Park Authorities) will be responsible for collection of the levy and allocation of the funding to infrastructure projects. Detailed arrangements for administration will be discussed with COSLA and subject to a full analysis of the costs and benefits. The costs are expected to be taken from the levy income, but the research suggests that implementation could be absorbed, as much as possible, by existing structures and processes.

144. A report on the Community Infrastructure Levy operating in England and Wales suggests that on average, one full time officer is required to administer the levy in each authority. A similar cost for local authorities in Scotland would represent around £1.7 million per year. The provisions allowing authorities to opt out of the levy would mean that only those who expect to generate income from the levy would need to consider resourcing its administration. The costs would begin to apply from 2023 at the earliest, depending on when the Scottish Ministers choose to implement the levy.

145. The income from the levy, discussed in paragraph 147, will be payable to the local authority. However, as the income will all be spent either on infrastructure projects or on administration of the levy, the provisions are effectively cost-neutral to local authorities.

Costs on other bodies, individuals and agencies

146. In terms of potential receipts (ie, charges to be paid by developers), the modelling suggested that income generated from the levy could range from approximately £39 million to £75 million per annum, depending on the detailed design and formula used. These estimates are based on recent market trends of development and could vary by 10% to 20% either way depending on future movements in markets. This will be a key factor in deciding whether and in what form to introduce such a levy. It is expected that the levy will be phased in gradually to minimise any impact on developments already in progress, starting from 2023 at the earliest and perhaps coming into full effect from 2026.

147. The research indicated that to ensure certain lower value developments were not adversely affected by the levy, a threshold could be set, below which no payment would be made. This was identified at around £1,250 per metre squared of developed floorspace, for one of the scenarios. For example, it is predicted that approximately 40% of affordable housing would fall below this threshold and approximately 90% of new manufacturing premises would fall below it, but higher value commercial property, for example, city centre office property would likely be liable to pay.

The research also considered the potential for the levy to affect the ability for developers to pay contributions under section 75 planning obligations and took this into account in the modelling. This was achieved by estimating the current section 75 contributions across Scotland (£130 million per year) and increased this to £205 million per year, to build in flexibility for a projected increase in section 75 contributions over time.

148. At a macro-economic level, the research indicates no adverse effect on GDP. The levy would not affect sales values or returns for developers, but was expected by the research to have a downward effect on land values over time. A £75 million reduction in land price represents about 10% of the Scottish land market for development (less than 0.05% of Scottish GDP).

ANNEX: LIST OF ABBREVIATIONS

COSLA	Convention of Scottish Local Authorities
CSZ	Culturally Significant Zone
DPEA	Planning and Environmental Appeals Division (Scottish Government)
HOPS	Heads of Planning Scotland
LDP	Local development plan
LPP	Local place plan
MCA	Masterplan Consent Area
NPF	National Planning Framework
PAD	Planning and Architecture Division (Scottish Government)
RSL	Registered Social Landlord
SDP	Strategic development plan
SDPA	Strategic Development Planning Authority
SPP	Scottish Planning Policy
SPZ	Simplified Planning Zone

PLANNING (SCOTLAND) BILL
[AS AMENDED AT STAGE 2]

REVISED FINANCIAL MEMORANDUM

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