The Scottish Parliament
Pàrlamaid na h-Alba

Finance and Constitution Committee

Convener of the Local Government
and Communities Committee

The Scottish Parliament
Edinburgh
EH99 1SP

Tel: (0131) 348 5451
finance.constitution@scottish.parliament.uk

21 March 2018

Planning (Scotland) Bill – Financial Memorandum

Dear Bob,

The Finance and Constitution Committee agreed to write to you to highlight some of the themes raised during our scrutiny of the Planning (Scotland) Bill's Financial Memorandum (FM). The Committee issued a call for views on the FM which closed on 26 January 2018 and received twenty nine responses. The Committee then took evidence from PAS, the Royal Town Planning Institute Scotland, the Scottish Property Federation and Homes for Scotland and then from the Minister for Local Government and Housing on 28 February 2018, to explore further the issues raised by respondents. All the evidence can be found on our website and a summary of the written evidence is attached at the Annexe.[1]

Development planning.

The Committee explored the estimated costs associated with the production of Local Place Plans (LPPs) and involving local communities in their development. We considered the estimated savings associated with the preparation of Local Development Plans (LDPs), the implications of removing the legal requirement to produce Strategic Development Plans (SDPs) and from moving towards a 10 year review cycle for LDPs and the National Planning Framework (NPF) as set out in the FM.

Under the Bill, community bodies will create LPPs and the demand for these will be led by communities. In estimating the demand for LPPs, the FM referred to the

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[1] http://www.scottish.parliament.uk/parliamentarybusiness/CurrentCommittees/107723.aspx
http://www.scottish.parliament.uk/S5_Finance/Meeting%20Papers/Public_Agenda_28.02.2018.pdf

Scottish Government's 'Charettes Mainstreaming' programme and concluded that around 92 LPPs will be prepared each year. The FM said that the cost of producing LPPs, based on neighbourhood planning in England, would be £13,000.

PAS welcomed the Bill and the planning reform agenda aimed at increasing community involvement in planning issues including the development of LPPs but questioned the level of resources allocated to do this effectively. Homes for Scotland also welcomed this new approach and reiterated the fact that the level of resources being allocated for community involvement was inadequate saying that costs of the Bill to communities is made up of volunteer time rather than making money available to communities. The Scottish Property Federation told us that the cost of the preparation of LPPs could be between £25,000 and £30,000.

Questions arose around the comparisons between the charrette process with the process for preparing LPPs. We were told that the charrette process is an ad hoc process more closely linked with LDPs and RTPI Scotland said that charrettes can cost between £25,000 and £40,000.

The Minister acknowledged that charrettes can be costly however pointed out that not all LPPs will require them and said that charrettes can 'often be a barrier to some folk who do not really understand what they are all about'.

We considered the estimated savings from moving to a 10 year review cycle for LDPs and the NPF and witnesses told us that these savings were unrealistic as funds will need to be redirected into delivering plans and support the delivery of LPPs. Witness also told us, including the Royal Town Planning Institute Scotland, that funding for community involvement in development planning for disadvantaged areas should be prioritised.

The Minister accepted that poorer communities may not have the resources to get involved fully in the development of LPPs and said that he expected local authorities to use their resources to target those communities. When asked if he intended to make new financial provision available to local authorities he replied that he did not and told us resources would be freed up in the removal of processes around LDPs. When asked what regulations will be made to specify how money will be redirected to communities bodies to support community involvement, the Scottish Government told us that they will amend existing regulations for LDPs and these new regulations will be consulted on but they do not have a timescale for this.

Infrastructure levy

The Bill introduces an infrastructure levy which is payable to a local authority, in respect of development wholly or partly within the authority's area, the income from which is to be used by local authorities to fund infrastructure projects. The FM estimates the illustrative cost to developers over 10 years at between £350m to £750m.

A number of respondents raised concerns regarding the lack of clarity on how the levy would be administered and whether it would be collected nationally and distributed locally or nationally. Concerns were also raised in written evidence regarding the impact this levy could have on the viability of development sites. Homes for Scotland told us that the levy would not provide a clear approach to developer contributions and was based on the land tax model. The Scottish Property Federation questioned the lack of economic benefit analysis in the FM around the infrastructure levy and why the Bill did not contain any provision for the creation of an infrastructure agency.

The Minister told us that he expected the levy to be distributed locally but acknowledged that more work needs to be done on the infrastructure levy and that it would be introduced once all the operational details had been worked out. He told us he would 'carry out a full financial assessment and consultation on more detailed proposals when the time comes'.

I hope that this letter is helpful in your scrutiny of the Bill at Stage 1.

Yours sincerely,

Bruce Crawford MSP
Convener

Annexe

Summary of responses to the call for views

The call for views on the Panning (Scotland) Bill Financial Memorandum closed on 26 January and 29 responses were received. Responses were received from the following organisations and have been published on the Committee's website[2]—

- Barratt & David Wilson Homes East Scotland
- Barratt North Scotland
- Built Environment Forum Scotland
- Leith Creative
- Clydeplan
- COSLA
- East Ayrshire Council
- Edinburgh Association of Community Councils (EACC
- Heads of Planning Scotland (HOPS)
- Health & Safety Executive
- Homes for Scotland
- Improvement Service
- Institute of Historic Building Conservation (Scotland Branch)
- MPA Scotland
- The National Trust for Scotland
- PAS
- Persimmon Homes Limited
- Royal Town Planning Institute Scotland
- Scottish Environment LINK
- Scottish Property Federation
- Scottish Water
- Society of Chief Officers for Transportation Scotland
- South West Community Forum
- Dave Sutton
- UNISON Scotland
- Walker Group (Scotland) Ltd
- John Watchman
- West Dunbartonshire Council
- West Lothian Council

Issues raised by respondents

Development planning

The Royal Town Planning Institute Scotland (RTPI Scotland) was concerned that the FM did not contain an estimated cost of the production of Local Place Plans (LPP). Persimmon Homes Limited (PHL) said that councils are likely to incur costs setting up new regional partnerships and assisting communities in preparing LPPs and driving delivery. This point was echoed by West Lothian Council, John Watchman and Heads of Planning Scotland (HOPS). PAS also highlighted that no funding had

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[2] http://www.scottish.parliament.uk/parliamentarybusiness/CurrentCommittees/107723.aspx [Accessed February 2018]

been made for upskilling communities or to fund the preparation of LPPs, a point also made by the Built Environment Forum Scotland (BEFS) .PAS said that it is essential that costs are not underestimated in terms of capacity building, funding and skill building for communities in delivering these local plans, a similar point was also made by Barratt North Scotland. David Sutton said that the suggestion that developing LPPs will cost £13k is simplistic and would more likely cost in the region of £35k-£40k. South West Communities Forum (SWCF) and the Edinburgh Association of Community Councils (EACC) also made the point that enabling communities to submit their own LPPs is laudable yet impractical unless further provision is made within the legislation to ensure such plans are robust and professional and suggest that local authorities should be required to provide and fund a nominated planner or architect to prepare the LPP on behalf of the community.

West Dunbartonshire Council also said that, although there will be a saving with the removal of the statutory requirement for a Strategic Development Plan (SDP), these savings will be needed to meet the costs of a regional partnership and the costs associated with spatial planning, infrastructure and other related work. COSLA made a similar point, highlighting that the removal of SDPs will not apply to 13 local authorities who are not currently part of an SDP area. Clydeplan suggest that the estimated costs associated with the current examination and publication of Strategic Development Plans are too high and is concerned regarding the lack of detail in the Bill on the future role of strategic planning within a non-statutory regional partnership model. David Sutton said that there is no detail on regional partnerships and how they will include community councils and, as they have no statutory role, local planning authorities will priorities other budget areas.

West Dunbartonshire Council warned that the estimated costs of the new Local Development Plan (LDP), processes do not take into account that the savings will be subsumed into the new requirements in relation to the preparation, production and delivery of LDPs. Homes for Scotland highlighted that there are no funds for upskilling of communities and the preparation of LDPs. SWCF and EACC said the FM underestimates the amount of time community organisations will spend engaging with the National Planning Framework (NPF) and COSLA questioned the presumption that the reform of the development planning process will result in efficiency savings which will fund the delivery of the LDP as resources will need to be re-invested in spatial planning, community planning and service delivery.

John Watchman however argued that there will be significant savings in relation to LDP examinations and the costs to the Scottish Administration should be amended to reflect a decrease in income to the Planning and Environmental Appeals Division (DPEA) as a result of fewer examination days.

The Walker Group stated that the costs associated with development planning have been underestimated as the FM does not take into account the additional costs to developers for producing numerous statements for inclusion in Local Development Plans such as Transport, Environmental, Flooding and Sewerage Infrastructure statements. Leith Creative also raised concerns regarding the underestimated cost of developing LPPs and the need for community capacity building to ensure disadvantaged communities can be involved in development planning.

BEFS warned that, in removing the statutory requirement to produce SDPs, councils could reinvest the savings in other areas not related to planning, this point was also made by Homes for Scotland.

Infrastructure levy

PHL said the introduction of an infrastructure funding mechanism will have unknown implications for developers and further research need to be done to understand the impact and what it can achieve, a point echoed by Barratt North Scotland and Homes for Scotland, who both also said it is likely to have significant financial implications for developers. PHL said it could not meet the costs which will incur as a result of the Bill and that the unknown cost of the infrastructure levy combined with unknown developer contributions through section 75 agreements will affect developer confidence. It said that the level of the infrastructure levy could affect the development viability of a site and alternative funding models should be explored such as increased council tax, Tax Incremental Funding, City Deals and a tourist tax.

The Scottish Property Federation (SPF) stated that its members have major reservations regarding the infrastructure levy. They said that while it is understood that section 75 agreements are not in itself sufficient to fund the level of essential infrastructure investment required, it is vital that the viability of projects is not compromised. They were firmly of the view that section 75 agreements must be considered alongside any future discussions on the role of a levy and that a new infrastructure Agency should be introduced to co-ordinate infrastructure funding sources.

The Mineral Products Association Scotland (MPAS) also raised concerns regarding the infrastructure levy and how it could be counter-productive, saying it would make sites commercially nonviable. They stated that it could open the market to cheaper mineral imports which would be detrimental to the Scottish economy, rural employment and global climate change objectives.

Homes for Scotland said that, given the uncertainty around the implementation of the levy, it is critical that it is designed to avoid generating costs that render development in particular locations as unviable.

The Society of Chief Officers for Transportation Scotland questioned the costs attributed to local government compared with the costs incurred by groups of authorities who have already brought variations on the levy forward under the current planning regime.

HOPS said that the relationship between developer contributions through section 75 agreements needs to be fully reconciled and that the income from the levy will not be sufficient to provide full funding for the provision of infrastructure.

Secondary legislation

A number of respondents, including the National Trust for Scotland and Unison Scotland, highlighted that the full costs cannot be quantified as proposals will be contained in secondary legislation. PHL did not believe the financial assumptions were accurately reflected in the FM as changes will be influenced by secondary legislation. West Lothian Council and West Dunbartonshire Council also made this point as did RTPI Scotland and SWCF who said it was difficult to assess the exact costs of the Bill as the detail will appear in secondary legislation.

Fees and charging
West Lothian Council stated that it would not be able to meet the costs that the Bill may incur and that additional costs should be met by the Scottish Government either through additional revenue support or by an early review of the fee structure to ensure that the service moves to a full cost recovery basis. RTPI Scotland also said that fees should be increased with a view to moving the development management service towards full cost recovery as soon as practicable.

John Watchman highlighted that the FM failed to take into account increased revenue for planning authorities from increased planning fees and charges and the use of Charge Orders. In addition, it does not take into account the additional requirements and subsequent costs placed on developers in relation to pre-application consultations. The Health and Safety Executive also said that the pre-application consultation report could result in increased financial costs and an increased call on resources.

Barratt & David Wilson Homes East Scotland and Barratt North Scotland drew attention to their submissions to the Scottish Government's consultation on raising planning fees. They stated that the proposed changes to the fees regime will have a disproportionate effect on developers who pursue planning applications in excess of 50 units, increasing the cost of a planning application for 100 units from £20, 050 in the current regime to £30,050. They highlight that this increase in fees is not linked to any proposals to improve planning performance.
HOPS welcomed the increased levels for fines and the new Charging Orders but pointed out that many planning authorities do not have the resources to carry out an effective enforcement service. They suggested that fees associated with enforcement should be considered as part of the Scottish Government's wider review of fees.

Statutory Guidance
West Dunbartonshire Council stated that the estimated costs relating to the removal of the statutory guidance are misleading as it will not remove costs, rather it will divert them given that the detail which was contained in this guidance will now be contained within the LDP. This point was echoed by COSLA who said that it is likely that local authorities will produce additional informal guidance associated with the implementation of LDPs. NTS believe the savings in relation to the removal of supplementary guidance may be lower given that it will have to be reviewed for inclusion in LDPs.

Simplified Development Zones
West Lothian Council noted that the Simplified Development Zones (SDZs) section based its cost assumptions on two existing simplified planning zones which were not housing development zones, therefore are questionable assumptions. COSLA stated that, although there may be savings in moving to a 10 year planning cycle, the assumption that this will result in staff savings is inaccurate as staff will work on new requirements resulting from the Bill including extensive community engagement, the preparation and implementation of delivery programmes and the implementation of SDZs.

The NTS also questioned the fact that the Scottish Government's proposals are based on two simplified panning zones which they believed to be less applicable where there are multiple uses, owners and where residents could be affected. David Sutton said that SDZs add a layer of complication which is not proportionate to any perceived benefits.

Homes for Scotland argued that there should be a cost/benefit analysis undertaken to ensure the costs of implementing SDZs, together with the loss of planning fees for the zoned area, do not outweigh the benefits of implements SDZs.

Other issues

Scottish Environment Link questioned why there is no mention of sustainable development in the Bill and also called for the Scottish Parliament to take a bigger role in the ownership of the NPF.

West Lothian Council said that the FM does not contain information on local level spending therefore it is difficult to comment on the overall financial implications for the Council. The Improvement Service stated that consideration needs to be given to future upskilling costs for planning authorities.