Scottish Parliament, Finance and Constitution Committee

Planning (Scotland) Bill – call for evidence

Summary

- **The cost of poor planning decisions** – much of the quantification in the Financial Memorandum is around reduced costs for processing. However, the overall financial (and economic, environmental and social) impact will depend on the quality of decision-making, whether in preventing poor developments, or in improving proposals. The bill’s own proposals therefore need to be evaluated not simply on efficiency grounds, but also on their anticipated effectiveness in delivering public benefits.

- **Unquantifiable impact of secondary legislation** – much of the impact of the bill’s proposals will depend on decisions made in secondary legislation, and cannot therefore be quantified at this point.

- **Reducing uncertainty** - The Financial Memorandum’s estimates of potential savings from reducing uncertainty in planning are, on available evidence, significantly overstated. Research finds that increased time to process applications often result from variability within authorities, from applicants appealing decisions, and from the size of developments – with larger developments taking longer. On this basis, the major drivers to reducing uncertainty for applicants would be bolstering local authority capacity, acceptance of local authority decisions, and bringing forward smaller-scale developments.

- **Simplified Development Zones** – the examples to date have involved only a small number of use types, in a restricted area, and for variations within a restricted palette of interventions. They are therefore less likely to be suited to more complex or large-scale developments, unless there is a parallel investment in master planning and site investigation.

- **Supplementary guidance** – the two estimates of cost savings given in the Financial Memorandum for the removal of supplementary guidance are contradictory, and the actual costs is likely to be at the lower end of the two estimates. We do not perceive any particular benefit in moving supplementary guidance out of local development plans, and now moving it back in.

**Purpose of planning reforms**

The financial memorandum makes reference to “delays and uncertainties” in the planning system causing significant costs to developers, with the Scottish Property Federation quoted as stating that reducing these could in turn “reduce project costs in some cases by 20% to 30%.”
However, the Scottish Property Federation did not provide any evidence for this estimate and, given industry standards, this seems very high given planning costs are only one small element of professional costs, and an element of these is unavoidable in any case.

The industry database, Designing Buildings\(^1\), gives basic estimates of likely costs of construction projects, in which total professional fees amount to only some 10% of the total project cost (core fees – 8%; acquisition – 1%; specialist consultants – 1.7%), and much of this cost would be incurred in any case.

The Barker Review of Land Use Planning, in its interim report\(^2\), cited the Confederation of British Industry’s 1992 study\(^3\) which, based on a survey of members, found that planning costs accounted for only 2% of commercial and infrastructure developments, and again an element of these is unavoidable.

Research for the National Housing and Planning Advice Unit in 2010 on housing supply and planning controls\(^4\) found that found that a significant element of delay in applications was variability in case handling within individual local authorities, i.e. similar applications took differing times to process. Ensuring local authorities have the needed skills and capacity may therefore reduce processing time, without any change in the structure of the system. Conversely, changing the structure without ensuring skills and capacity are available may still see processing times increase.

However the NHPAU’s research did identify two additional factors that could lead to delay. Firstly, the time in development control increased substantially when developers had appealed to the planning inspectorate against a rejection by the local authority of their scheme. The additional time for the preparation and submission of an appeal added considerable cost to developers and to planning authorities. As the outcome of the appeals was not certain when an appeal is made, appealing added further uncertainty to the outcome and to the time and costs of the developer.

Secondly, larger developers experienced longer processing times, than housing associations and social housing. This appeared not to relate contested sites, but simply to larger developers bringing forward larger sites, which in turn invited greater scrutiny. So while these applications took less time per dwelling, as sites they took longer to process.

The costs of democratic control for the developer have to be weighed against the public benefits of bad developments being prevented, and mediocre applications improved.

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1. [https://www.designingbuildings.co.uk/wiki/Building_design_and_construction_fees](https://www.designingbuildings.co.uk/wiki/Building_design_and_construction_fees)
3. Confederation of British Industry (1992) *Shaping the Nation*
4. Ball, Michael (January 2010), *Housing Supply and Planning Controls - The impact of planning control processing times on Housing Supply in England*, National Housing and Planning Advice Unit
The best ways to avoid developers incurring additional costs in applications may therefore be to have a plan-led system that gives confidence to all concerned; and that applicants anticipate the potential economic, social and environmental impacts of their proposal and have the necessary evidence ready at the time of application.

Where developments are of the type and in the location envisaged by the local development plan, then developers will have greater certainty. The greater certainty attached to planned development will however be reflected in the land cost. If an area of land is already zoned for housing, for instance, it would cost more than, say, agricultural land. If the developer were to buy agricultural land cheaply, and then apply for planning permission to convert to housing then there will inevitably be greater uncertainty and indeed planning costs.

**Simplified Development Zones**

The government’s proposals here are based on the example of only two Simplified Planning Zones: Renfrew town centre, and Hillington industrial park.

Renfrew’s SPZ was relatively cheap at a cost of £15,000, covering three streets in Renfrew, and allowing change of use between residential, retail, food and drink, and office use; and minor alterations to exteriors. All other developments would be required to go through normal planning controls.

Hillington Park SPZ was more expensive, at £200,000, but covers a larger area at 200 hectares. Under the control of a majority land owner, it was possible to anticipate the types of development that might come forward, with the main planning issues already known. As there are no residents on site or close by, the scheme would have had less social impact or affect the delivery of public services.

These schemes therefore illustrate the benefits, and limitations, of SPZs. They are likely to work best where there is a relatively small palette of potential developments, which can then be anticipated and planned for, and where impact on alternative uses is low. They are therefore likely to be less applicable where there are multiple uses, multiple owners, and where residents could be affected.

**Supplementary guidance**

We consider that planning guidance specific to the needs and ambitions of a local community is needed in the planning system – whether it comes in the form of an expanded Local Development Plan or, as at present, supplementary guidance. We would note that supplementary guidance was instituted to reduce the amount of detail in the local development plan: “As part of the drive for shorter, more up to date development plans, the planning reforms introduced the concept of supplementary guidance
The Financial Memorandum gives two estimates of potential savings from moving detailed guidance from current supplementary guidance back to the local development plan:

“Section 33. “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.”

And:

“Section 42: “the Scottish Government estimates that on average each piece could take about a month of a Senior Planner’s time, costing £4,420. 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 of around £442,000 to £600,000 each year, or £4.42 million to £6 million over 10 years.”

As the Scottish Government’s main scrutiny role is to ensure that the appropriate consultation process has been followed, it seems likely that it is the lower estimate which is more accurate. As the supplementary guidance will be moved back to the Local Development Plan, therefore still requiring the content to be reviewed, the overall saving may be still lower.

Local place plans

Finally, the Financial Memorandum gives what appear to be reasonably accurate costs for the preparation of local place plans. However, the costs of these are stated as being expected to be found “by the community in the first place.” We would ask the Committee to consider what the likely impact of these costs would be on uptake, if not supported by central or local government. There is a potential equity issue if only better resourced communities are in a position to prepare these.

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Appendix: Finance and Constitution Committee Questionnaire

This questionnaire is being sent to those organisations that have an interest in, or which may be affected by, the **Planning (Scotland) Bill — Financial Memorandum (FM)**.

In addition to the questions below, please add any other comments you may have which would assist the Committee’s scrutiny of the FM.

**Consultation**

1. Did you take part in any consultation exercise preceding the Bill and, if so, did you comment on the financial assumptions made?
   
   Yes. No, these were not part of the discussions.

2. If applicable, do you believe your comments on the financial assumptions have been accurately reflected in the FM?

   NA

3. Did you have sufficient time to contribute to the consultation exercise?

   Yes.

**Costs**

4. If the Bill has any financial implications for your organisation, do you believe that they have been accurately reflected in the FM? If not, please provide details.

   NA.

5. Do you consider that the estimated costs and savings set out in the FM are reasonable and accurate?

   No. As stated in our consultation response, the Financial Memorandum quotes a figure of possible savings of 25%-30% on construction projects as a result of streamlined planning. This claim is not evidenced in the National Property Federation comment this originates from.

   From the evidence we cite, the overall cost of the planning element of developments appears to be much lower. The research finds that delays in applications stem from variability within local authorities, which may need to be addressed by improved capacity; from appeals against local authority decisions; and from large developments requiring greater scrutiny. A more plan-led system, with less scope for off-plan development, and with resources proportionate to demand, would therefore give greater certainty to applicants.
The Memorandum gives two, contradictory estimates of savings from relocating supplementary guidance. We think, if there is any saving at all, it is likely to be around the lower estimate.

The likely overall costs and benefits of the bill are impossible to estimate at this stage, as much will depend on the content of secondary legislation. Any estimates should include the potential public benefits of halting adverse development, and improving the quality of other applications.

The costs, and source of funds or resources, for local place plans needs to be considered – currently they are assumed to be community-originated. While this initiative offers the potential to better engage communities in the shaping of their places, high costs could limit uptake, or restrict it to wealthier communities.

6. If applicable, are you content that your organisation can meet any financial costs that it might incur as a result of the Bill? If not, how do you think these costs should be met?
NA

7. Does the FM accurately reflect the margins of uncertainty associated with the Bill’s estimated costs and with the timescales over which they would be expected to arise?
No. As noted above, much will depend on the content of the secondary legislation, so there is considerable uncertainty at this point. This should be made clear.

As planning has an impact on economic, social and environmental assets, it will be important to understand how the proposals may encourage positive developments, improve mediocre ones, and prevent adverse developments. At present, the quantification concentrates on inputs and outputs, rather than outcomes, i.e. a more efficient system, not necessarily a more effective one.

Wider Issues

8. Do you believe that the FM reasonably captures any costs associated with the Bill? If not, which other costs might be incurred and by whom?
No. As noted above, the intended effects of the bill proposals on the physical environment need to be referenced, not simply the intermediary processing costs.

9. Do you believe that there may be future costs associated with the Bill, for example through subordinate legislation? If so, is it possible to quantify these costs?
Yes. At the moment, much of the detail of the bill is being left to secondary legislation, and without this it is more difficult to quantify these costs and benefits. However, there are a limited number of options that can be taken under the current proposals, and these could be quantified as illustrative scenarios.