

Planning (Scotland) Bill

Financial Memorandum

Introduction

1. As required under Rule 9.3.2 of the Parliament's Standing Orders, this Financial Memorandum is published to accompany the Planning (Scotland) Bill, introduced in the Scottish Parliament on 4 December 2017.
2. The following other accompanying documents are published separately:
 - Explanatory Notes (SP Bill 23-EN);
 - a Policy Memorandum (SP Bill 23-PM);
 - statements on legislative competence by the Presiding Officer and the Scottish Government (SP Bill 23-LC).
3. This Financial Memorandum has been prepared by the Scottish Government to set out the costs associated with the measures introduced by the Bill. It does not form part of the Bill and has not been endorsed by the Parliament.
4. The Policy Memorandum explains in detail the background to the Bill and the policy intention behind the Bill. This Financial Memorandum should be read in conjunction with the Bill and the other accompanying documents.

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

This document relates to the Planning (Scotland) Bill (SP Bill 23) as introduced in the Scottish Parliament on 4 December 2017

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, as the reforms are intended to do, could reduce project costs in some cases by 25% to 30%, and would also attract more people to invest in Scottish developments.

Approach to the Financial Memorandum

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

- **Development planning:** paragraphs 23 to 54. 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; removing strategic development plans (SDPs); changing the way local development plans (LDPs) are prepared; and moving to a 10-year cycle for NPF and LDPs.
- **Local place plans:** paragraphs 55 to 61. Section 9 of the Bill provides a mechanism for communities to plan their own place, which can be incorporated into the LDP.
- **Simplified development zones (SDZs):** paragraphs 62 to 69. Part 2 of the Bill (sections 10 and 11) provides for a new, streamlined alternative to simplified planning zones. 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. SDZs can also grant a range of other consents, further streamlining the process.
- **Development management:** paragraphs 70 to 81. Parts 3 and 4 of the Bill (sections 12 to 25) streamline and clarify various aspects of development management and strengthen enforcement powers. This includes expanding the range of decisions that can be considered by local review bodies instead of appeal to the Scottish Ministers, and requiring elected members to undertake training before taking part in planning decisions.

This document relates to the Planning (Scotland) Bill (SP Bill 23) as introduced in the Scottish Parliament on 4 December 2017

- **Assessment of planning authorities' performance:** paragraphs 82 to 86. Section 26 of the Bill introduces a new statutory duty for planning authorities to report annually on their performance, provision for a national co-ordinator to monitor and advise on planning authorities' performance, and new powers for the Scottish Ministers to require an authority's performance to be assessed and to direct them to make improvements.
- **Infrastructure funding:** paragraphs 87 to 96. Part 5 of the Bill gives the Scottish Ministers powers to introduce a levy, to be paid to local authorities, to fund infrastructure projects.

8. Under each of these headings estimated costs and savings are then reported against the different sectors involved. Commentary is also provided in areas where it is considered that the overall effect of a combination of changes will be cost-neutral. 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.

9. 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.

10. COSLA 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.

This document relates to the Planning (Scotland) Bill (SP Bill 23) as introduced in the Scottish Parliament on 4 December 2017

11. A summary of initial estimates of the costs and savings attributable to each of the themes set out in paragraph 7 is provided in table 1 after paragraph 15. Information on the timing of these costs is provided in paragraphs 16 to 19 and tables 2 and 3. Paragraphs 20 to 22 provide some financial context in relation to planning authorities' functions.

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

Sources of information

13. The consultation paper, Places, People and Planning¹, asked for views on the potential costs of the proposals for business and public sector delivery organisations. However, few 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.

14. 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.

15. 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.

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

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

Costs are shown in black, savings in red.

	Scottish Administration	Planning authorities	Developers	Communities
Development planning: NPF, SPP and SDPs	NPF (para 30) Saving of £255,979 from move to 10-year cycle. Removal of SDPs (para 31): saving of £206,930 on scrutiny and examinations. Total £462,909	(para 36-40) Saving of £2,239,000 from removal of SDP examination and publishing costs.	(para 47-48) No change in costs. Focus likely to shift from SDPs / regional working to NPF.	(para 53) No change. Costs depend on approach taken by organisation.
LDPs	(para 32-34) Saving of £2m from move to 10-year cycle and removal of supplementary guidance.	(paras 41-46): Saving of £17m to £25.5m from move to 10-year cycle Saving of £4.42 million to £6 million from removal of supplementary guidance.	(para 49) No change. Costs depend on approach taken by organisation.	(para 54) No change. Costs depend on approach taken by organisation.

This document relates to the Planning (Scotland) Bill (SP Bill 23) as introduced in the Scottish Parliament on 4 December 2017

		Total saving £21.42m to £31.5m expected to be absorbed by requirements to be made under regulations.		
Local place plans	(Para 55-61) Discretionary spend to support communities.	(Para 55-61) Discretionary spend to support communities	None	(Para 55-61) Monetised cost including volunteer time and practical support: £11,960,000
Simplified development zones	None (para 66)	(Paras 67-68) Report on review: total cost £330,000 to £660,000. <i>Costs for preparation of SDZs: £15,000 to £200,000 each.</i>	None	None

This document relates to the Planning (Scotland) Bill (SP Bill 23) as introduced in the Scottish Parliament on 4 December 2017

Development management: Local review bodies	(para 73) Saving of £348,000	(para 74-75) Cost of £275,500 to £420,500	None	None
Training for taking planning decisions	(para 78) £10,000 to £15,000 start-up costs.	(para 79-80) No change (£1,020,000)	None	None
Assessment of planning authorities' performance.	(para 83-84) Cost of £846,250 for co-ordinator. £10,000 for assessments, one every 2 years.	(para 85) None	None	None
Infrastructure funding	(para 90) £450,000 start-up costs.	(para 91-93) Cost neutral – income to be spent on infrastructure projects and administration.	(para 94-96) <i>Illustrative cost £350m to £750m</i>	None
TOTAL	-£1,026,231 saving over 10 years.	-£22,578,500 to £33,133,500 saving over 10 years	Illustrative cost £350m to £750m	£11,960,000 (including volunteer time).

This document relates to the Planning (Scotland) Bill (SP Bill 23) as introduced in the Scottish Parliament on 4 December 2017

Timing

16. It is anticipated that the Bill will receive Royal Assent in autumn 2018. 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 2020-21 onwards. The following tables set out the costs and savings to the Scottish Administration and to planning authorities year by year.

17. No table is provided for developers as the only change in costs is for the infrastructure levy, 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 local place plans may be brought forward is not predictable.

18. Preparation of the new National Planning Framework (NPF) will start in 2018 to be in place from 2020, to inform the preparation of local development plans under the new arrangements set out in the Bill. Some costs to the Scottish Administration for the NPF will therefore arise prior to 2020. However, this is expected to draw on existing work done by SDPAs and should not impose duplicate costs on planning authorities or developers. For consistency across sectors, the 10-year cycle on which costs and savings are totalled is considered to be from 2020 to 2030.

19. The savings from removal of SDPs and changes to 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 local reviews, the planning performance co-ordinator and the SDZ report are also spread equally. Training for taking planning decisions has a start-up cost of £15,000 in 2020-21, and one performance assessment of £2,000 is assumed every second year from then on. For planning authorities, the total cost of SDPs is shown as a saving in the first column, and the expected ongoing effort which will be transferred to NPF preparation and regional working/delivery is shown separately as a cost, to demonstrate the variation in balance over time. Costs to planning authorities are shown as the average of the ranges set out in table 1.

This document relates to the Planning (Scotland) Bill (SP Bill 23) as introduced in the Scottish Parliament on 4 December 2017

Table 2: Costs to Scottish Administration by year

	SDP, LDP, local reviews, performance co-ordinator	NPF	Training & performance	Infrastructure levy	Total
2018-19		£152,488			£152,488
2019-20		£152,488			£152,488
2020-21	-£124,525		£17,000	£225,000	£117,475
2021-22	-£124,525			£225,000	£100,475
2022-23	-£124,525		£2,000		-£122,525
2023-24	-£124,525	- £280,479			-£405,004
2024-25	-£124,525	- £280,478	£2,000		-£403,003
2025-26	-£124,525				-£124,525
2026-27	-£124,525		£2,000		-£122,525
2027-28	-£124,525				-£124,525
2028-29	-£124,525	£152,488	£2,000		£29,963
2029-30	-£124,525	£152,488			£27,963
Total					- £1,026,231

Table 3: Costs to planning authorities by year

	SDP, LDP, local reviews, SDZ report	NPF preparation	Regional working / delivery	Total
2020-21	-£3,801,700	£510,000	£510,000	-£2,781,700
2021-22	-£3,801,700	£255,000	£755,000	-£2,791,700
2022-23	-£3,801,700		£1,020,000	-£2,781,700
2023-24	-£3,801,700		£1,020,000	-£2,781,700
2024-25	-£3,801,700		£1,020,000	-£2,781,700

This document relates to the Planning (Scotland) Bill (SP Bill 23) as introduced in the Scottish Parliament on 4 December 2017

2025-26	-£3,801,700		£1,020,000	-£2,781,700
2026-27	-£3,801,700	£255,000	£755,000	-£2,791,700
2027-28	-£3,801,700	£510,000	£510,000	-£2,781,700
2028-29	-£3,801,700	£755,000	£255,000	-£2,791,700
2029-30	-£3,801,700	£755,000	£255,000	-£2,791,700
Total				- £27,857,000

Financial context for the planning system

20. The functions of planning authorities are generally divided into two areas. Development planning covers the production of local development plans 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.

21. 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, 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.

22. 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

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

This document relates to the Planning (Scotland) Bill (SP Bill 23) as introduced in the Scottish Parliament on 4 December 2017

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. 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 after completion of the Bill.

Development Planning

Structure and key roles

23. Paragraphs 24 to 28 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.

24. 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.

25. 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.

³ A list of abbreviations is provided in the Annex.

This document relates to the Planning (Scotland) Bill (SP Bill 23) as introduced in the Scottish Parliament on 4 December 2017

Proposed changes

26. The Bill updates the description of the NPF to incorporate the content of the current SPP, and removes SDPs and SDPAs. The Scottish Ministers will have powers to direct planning authorities, individually or collaboratively, to provide information to support the NPF, so that the NPF will set out regional priorities. The Bill also 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 LDP if agreed that this is necessary to reflect local circumstances.

27. The Bill requires planning authorities to produce an evidence report as the first stage in preparing an LDP. This 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 is expected to be less onerous than at present, as key issues will have been addressed at an early stage. Changes to existing secondary legislation and guidance are expected to require enhanced engagement with communities. 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.

28. 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; the process for doing so will be set out in regulations.

Costs on the Scottish Administration

29. The costs described in paragraphs 30 to 34 are summarised in table 4 after paragraph 34.

NPF and SPP

30. 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, including more detail on regional proposals, is likely to create an increase in the costs of preparation. 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

This document relates to the Planning (Scotland) Bill (SP Bill 23) as introduced in the Scottish Parliament on 4 December 2017

£495,042⁴, plus specialist assistance provided by secondees at a cost of £65,913, making a total of £560,955. The new system 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 next NPF is expected to be produced in 2018-2020. This therefore produces an increased cost for those years of £304,976 over the previous version, but a saving in 2023-25 of £560,955, a total saving over 10 years, in cash terms at current rates, of £255,979. These calculations are summarised in table 4. Updates to the NPF are expected to be rare and would be accommodated within existing resources.

SDPs

31. There will be savings to the Scottish Administration from the removal of SDPs and therefore the need to scrutinise and examine them. The costs of scrutiny within PAD 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. 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 £206,930.

LDPs

32. There will be similar savings from the change to a 10-year review cycle for LDPs. The costs of scrutiny 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. (Examination of LDPs is fully charged to the planning authority.) 10-12 plans are live each year, as they go through the preparation process. As the 10-year cycle comes into effect there will be half as many plans requiring scrutiny each year, leading to a total saving over 10 years, in cash terms at current rates, of £160,772.

33. Removal of statutory supplementary guidance could result in significant savings for the Scottish Administration. 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. Some of these items may in future be incorporated into the LDP, resulting in a need for greater scrutiny at that stage. If we therefore

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

This document relates to the Planning (Scotland) Bill (SP Bill 23) as introduced in the Scottish Parliament on 4 December 2017

assume 100 items will be removed each year, this will result in a saving over 10 years, in cash terms at current rates, of almost £1.4 million.

34. The total saving to the Scottish Administration, over the 10-year cycle, is estimated at just under £2m.

This document relates to the Planning (Scotland) Bill (SP Bill 23) as introduced in the Scottish Parliament on 4 December 2017

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
Total for process		560,955		865,931
Total over 10 years	x2	1,121,910	x1	865,931
Saving over 10 years				-255,979
SDPs	Current version		New version	
	FTE	£	FTE	£
Principal Planner @ £69,981	0.092 per plan	6,438		0
Examination	Per plan	19,428		0
Total per plan		25,866		0
Total over all plans	x4	103,465		0
Total over 10 years	x2	206,930		0
Saving over 10 years				-206,930
LDPs	Current version		New version	
	FTE	£	FTE	£
Principal Planner @ £69,981	0.18 per year	12,597	0.092 per year	6,438
Senior Planner @ £53,042	0.37 per year	19,626	0.183 per year	9,707
Cost per year		32,223		16,145
Total over 10 years		322,230		161,450

This document relates to the Planning (Scotland) Bill (SP Bill 23) as introduced in the Scottish Parliament on 4 December 2017

Saving over 10 years				-160,780
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	73198		0
Cost per year		137,581		0
Total over 10 years		1,375,810		0
Saving over 10 years				- 1,375,810
Total saving				- 1,999,499

Costs on planning authorities

35. The costs described in paragraphs 36 to 46 are summarised in table 7, after paragraph 46.

NPF, SPP and SDPs

36. 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 Bill removes SDPs from the system, and regional priorities will instead be set out in the NPF. The Scottish Ministers will have a power to direct planning authorities to provide information to contribute to the NPF; it is expected that the work currently undertaken to produce SDPs, or in other regional working, will in future be partly redirected as a contribution to the NPF, and partly to regional working and delivery of the development plan.

37. 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. Based on the past three years' audited accounts, the cost of the SDPAs over a five-year cycle is around £6.2 million, or about £62,000 per authority per year. This does not include additional support provided by teams within the constituent authorities, which is not separately costed. While other planning authorities are not required to produce formal strategic plans, they do work collaboratively with neighbouring authorities and agencies on similar issues. Examples include the Ayrshire Partnership

This document relates to the Planning (Scotland) Bill (SP Bill 23) as introduced in the Scottish Parliament on 4 December 2017

and the Our Islands, Our Future approach.⁵ However, this work is not separately costed by those authorities.

38. When SDPs are discontinued there will be savings to planning authorities arising from the removal of their examination. The amount charged by DPEA over the past five years is £155,000 in total; it 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. Over 10 years this gives a saving of £1,110,000, as shown in table 5:

Table 5: Examination costs for SDPs

	Per SDP	For 4 SDPs
DPEA charge		£155,000
Staff costs	£70,000	£280,000
Consultancy	£30,000	£120,000
Total over 5 years		£555,000
Saving over 10 years		-£1,110,000

39. Producing a plan also incurs significant costs for advertising the proposed plan, handling of formal representations and printing and publication of the final plan. These will no longer be required in future. Costs are not broken down in this way in the SDPAs’ accounts, but the Scottish Government estimates that these activities may take up 10-15% of expenditure excluding examination. Consultation and engagement on proposals is also a substantial cost, but it is expected that at least some of this activity will still be required in preparing contributions to the NPF, so no saving has been allocated for this.

Table 6: Costs and savings for SDPs

	For 5 years	For 10 years
Current cost of SDPs	£6,200,000	£12,400,000
Removal of examinations	-£555,000	-£1,110,000
Cost after examination	£5,645,000	£11,290,000

⁵ <http://www.gov.scot/Publications/2014/06/2708>

This document relates to the Planning (Scotland) Bill (SP Bill 23) as introduced in the Scottish Parliament on 4 December 2017

10% cost of production	-£564,500	-£1,129,000
Remaining cost	£5,080,500	£10,161,000
Total saving	-£1,119,500	-£2,239,000

40. In terms of the remaining costs, following the removal of SDPs from the system it is expected that the 20 local authorities which formed SDPAs will continue to expend similar effort on regional partnership working. Based on the figures shown in table 6 this averages at £51,000 per authority per year (this excludes current effort on NPF, SPP and contribution to SDPs which is not reported by authorities). The total amount is expected to be approximately the same each year, but the balance between contribution towards preparation of the NPF and delivery of the development plan will change through the NPF cycle. This is shown in table 3.

LDPs

41. 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 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 headline savings across Scotland (for 34 LDPs) of £17 million to £25.5 million over 10 years.

42. 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 of around £442,000 to £600,000 each year, or £4.42 million to £6 million over 10 years.

43. As set out in the Policy Memorandum, the aim of the changes to development planning being made through the planning review is to

This document relates to the Planning (Scotland) Bill (SP Bill 23) as introduced in the Scottish Parliament on 4 December 2017

strengthen the system and bring a far greater focus on active delivery of development, rather than continuous plan-writing and repetitive policy development. The provisions in the Bill itself appear to provide savings, as set out above, by halving the frequency of local development plans and removing supplementary guidance, depending instead on the policies set out in the NPF (incorporating SPP). However, the intention is that these measures should free up resources for other activities, which will be set out in different ways. In particular,

- regulations made under existing powers in section 18 of the 1997 Act (preparation and publication of proposed local development plan), amongst others, are expected to be amended to require more extensive community engagement in the preparation of the local development plan;
- 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.

44. 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.

45. In developing all these regulations, it is the Scottish Government’s intention that the overall costs to planning authorities relating to the preparation and delivery of local development plans should not increase as a result of the planning review.

46. Similarly, 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

This document relates to the Planning (Scotland) Bill (SP Bill 23) as introduced in the Scottish Parliament on 4 December 2017

“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.

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

	Current version	New version
NPF & SDPs (over 10 years)	£	£
SDP examination	1,110,000	0
Plan production	1,129,000	0
SDP staff costs	10,161,000	0
Contribution to NPF		3,041,000
Regional partnership / NPF delivery		7,120,000
Total over 10 years	12,400,000	10,161,000
Saving over 10 years		-2,239,000
LDPs	£	£
Cost per plan	625,000	
Cost over 5 years	21,250,000	
Cost over 10 years	42,500,000	21,250,000
Supplementary guidance	5,210,000	
Total over 10 years	47,710,000	21,250,000
Saving over 10 years		-26,460,000
Total saving		-28,699,000

Costs on other bodies, individuals and agencies

Developers

47. 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. They vary widely in the amount of involvement they have with the preparation of SDPs, ranging from a few meetings to contribute to an umbrella body's response, to significant effort relating to individual sites. For those who have substantial involvement, suggested costs included £60,000 across all four SDPs, £10,000 per site, or £5,000 - £10,000 for one SDP. A reasonable average might be around £12,000 across the five-year period, per SDP, or £24,000 over 10 years, making a total of £44,000 for NPF, SPP and SDPs.

48. The Scottish Government considers that the overall cost to developers of engagement with national and regional-level planning is likely to remain the same following the changes made by the Bill. The same

This document relates to the Planning (Scotland) Bill (SP Bill 23) as introduced in the Scottish Parliament on 4 December 2017

functions will be required, although the focus for identifying locations for significant development will shift more towards the NPF rather than regional partnerships. 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.

49. 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.

50. Public sector bodies may also be involved in developing land for different purposes, and will therefore have an interest in national 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

This document relates to the Planning (Scotland) Bill (SP Bill 23) as introduced in the Scottish Parliament on 4 December 2017

51. 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.

52. Key agencies, as defined under section 23D of the 1997 Act, are required to contribute to the preparation of all SDPs and to comment at their examinations. Their involvement varies depending on the issues involved in each plan. Only Scottish Water was able to provide costs for this activity, which was estimated at £7,000 per plan, across the five-year period. It is expected that similar involvement will continue through flexible regional partnership working.

Community bodies

53. Estimates from the community bodies indicated that they spend around two to three days engaging with the NPF, and five days on an SDP. 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.

54. 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 local place plan 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.

Local place plans

55. Section 9 of the Bill provides for community bodies to create local place plans (LPPs) and submit them to the local planning authority. The authority must have regard to any local place plans that have been submitted in preparing or amending the local development plan.

This document relates to the Planning (Scotland) Bill (SP Bill 23) as introduced in the Scottish Parliament on 4 December 2017

Regulations are to prescribe the detail of what a local place plan must contain and how it is to be prepared.

Demand

56. The demand for local place plans 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.

57. 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

58. 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 planning⁶ which

⁶https://mycommunity.org.uk/take-action/neighbourhood-planning/case-studies/?subject=neighbourhood-planning&cpt=case_study

This document relates to the Planning (Scotland) Bill (SP Bill 23) as introduced in the Scottish Parliament on 4 December 2017

found the average cost to be around £13,000⁷. 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

59. The costs of preparing local place plans 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

60. 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 the normal process of preparing and amending LDPs.

61. 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

⁷http://www.ourneighbourhoodplanning.org.uk/storage/resources/document/s/How_to_resource_your_neighbourhood_plan4.pdf

This document relates to the Planning (Scotland) Bill (SP Bill 23) as introduced in the Scottish Parliament on 4 December 2017

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.

Simplified development zones

62. Part 2 of the Bill introduces simplified development zones (SDZs), 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.

63. The Bill provides that each planning authority must consider from time to time whether it would be desirable to make an SDZ, and must publish a statement setting out their decision and reasons. Anyone may ask the planning authority to make an SDZ 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 SDZs. The Bill removes the ability to make new SPZs; all new schemes will be made under the new provisions for SDZs, which are very similar but address a number of concerns that have been raised.

64. 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,⁸ identifies that a key concern is the cost of engagement and technical studies required before the SPZ is

⁸ <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>

This document relates to the Planning (Scotland) Bill (SP Bill 23) as introduced in the Scottish Parliament on 4 December 2017

established, and the lack of income from planning fees, as no planning applications are 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.

65. 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 SDZs. The provisions on SDZs 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 SDZ 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 SDZ.

Costs on the Scottish Administration

66. The Bill gives the Scottish Ministers various roles in relation to SDZs. For example, they have powers to require planning authorities to notify them of certain proposals, and to call proposals in and if necessary hold a local inquiry. They may also direct a planning authority to make a scheme and if this is not done, make it themselves. However, all of these powers are already available to the Scottish Ministers in relation to SPZs, and in some respects SDZs will require less intervention; for example, all SPZs must be notified to the Scottish Ministers at two stages, SDZs will only have to be notified if they meet the requirements set by direction, and only once. As a result, it is not considered that these provisions result in any new costs on the Scottish Administration.

Costs on planning authorities

67. 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 SDZs is not expected to add any significant cost, particularly as it can be part of the LDP delivery programme the planning

This document relates to the Planning (Scotland) Bill (SP Bill 23) as introduced in the Scottish Parliament on 4 December 2017

authority will be obliged to produce. Costs of including the report on SDZs may be £1,000 to £2,000 for each authority per year.

68. The preparation of any SDZs 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 65. 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

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

Development management

70. Parts 3 and 4 of the Bill make provision to streamline and clarify various aspects of development management and strengthen enforcement powers. The majority of these provisions are not expected to result in any cost implications for any sector, although developers welcomed both clarity and flexibility, which have the potential to avoid delays and additional work.

Local review bodies

71. 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.

72. 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

This document relates to the Planning (Scotland) Bill (SP Bill 23) as introduced in the Scottish Parliament on 4 December 2017

73. 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

74. 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.

75. 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 a cost to planning authorities of between £27,550 and £42,050.

Costs on other bodies, individuals and agencies

76. 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.

Training for taking planning decisions

77. Section 24 of the Bill gives the Scottish Ministers a power to make regulations prohibiting members of a planning authority from taking part in planning decisions unless they have undertaken specified training.

Costs on the Scottish Administration

78. Scottish Government officials have been liaising with authorities to identify existing training methods and packages for elected members. The initial requirement to prescribe what that training should consist of may

This document relates to the Planning (Scotland) Bill (SP Bill 23) as introduced in the Scottish Parliament on 4 December 2017

require the commissioning of a consultant at a cost of £10,000 to £15,000. Updates will be required periodically but can be carried out by Scottish Government officials and are not expected to require any additional resource.

Costs on planning authorities

79. Planning authorities already provide training for elected members and do so in a variety of forms and formats. Some handle training in house, others contract consultants to provide it. Costs for training vary but are generally not more than £3,000 per authority per year. Those costs at present are likely to include designing as well as delivering training. The intention with statutory training would be that the Scottish Government would design the training and planning authorities would ensure it is delivered. Some authorities would continue to do this in house, others may use consultants.

80. The training requirements prescribed by the Scottish Ministers are expected to reflect existing best practice, and therefore will not increase costs for most authorities. Ensuring costs are kept low and proportionate will be a key consideration when determining what the training should consist of. Costs to planning authorities are expected to be similar to current levels, at around £3,000 per authority per year.

Costs on other bodies, individuals and agencies

81. There are no costs to any other sectors from these provisions.

Performance of planning authorities

82. Section 26 of the Bill inserts new sections into the 1997 Act relating to the assessment of planning authorities' performance. These require all planning authorities to provide an annual report of performance, give the Scottish Ministers powers to appoint a national planning performance co-ordinator to monitor performance and advise planning authorities on how to improve, and enable the Scottish Ministers to appoint persons to conduct an assessment of any planning authority's performance, and to direct authorities to take steps to improve their performance if the assessment finds this is necessary.

Costs on the Scottish Administration

83. The planning performance co-ordinator may be appointed from within the Scottish Government, or externally. The post is expected to be of

This document relates to the Planning (Scotland) Bill (SP Bill 23) as introduced in the Scottish Parliament on 4 December 2017

similar grade to a C2 Reporter with an annual cost of approximately £84,625.

84. If a person is appointed to carry out an assessment of a planning authority's performance, they will be paid a day rate, based on the Scottish Government's Public Sector Pay Policy for Senior Appointments: Technical Guide⁹, using the mid-range for a chair and member of a Band 3 body. It is estimated that two people may be required, at rates of around £179 for the lead assessor and £134 for the other. The length of time will be dependent on the issue to be investigated but is likely to be a minimum of two days and a maximum of two weeks to investigate and report the recommendations. This would give a total cost for each assessment of between £626 and £3,130. How often assessments might be required will depend on planning authorities' performance but costs have been estimated on the basis of one every two years, at a median cost of £2,000. This gives a total cost of £10,000 over 10 years.

Costs on planning authorities

85. Currently planning authorities produce, on a voluntary basis, an annual planning performance framework report. This is estimated to cost £2,000 to £3,000 per authority. While the Bill will make such a report mandatory, the report and monitoring by the co-ordinator are intended to be of mutual benefit and aim to ensure that reporting is more proportionate than current arrangements, therefore there is not expected to be any significant change to the costs. If an authority is subject to an assessment, there will be staff costs for the authority to provide the assessor with relevant information and evidence. This will only occur if performance is suspected to be unsatisfactory.

Costs on other bodies, individuals and agencies

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

Infrastructure funding

87. 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

⁹ <http://www.gov.scot/Topics/Government/public-sector-pay/senior-appointment-pay>

This document relates to the Planning (Scotland) Bill (SP Bill 23) as introduced in the Scottish Parliament on 4 December 2017

published by the Scottish Government¹⁰ 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.

88. 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.

89. 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.

Costs on the Scottish Administration

90. 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

¹⁰ <https://beta.gov.scot/publications/research-project-identify-assess-options-introduction-infrastructure-charging-mechanism-scotland/>

This document relates to the Planning (Scotland) Bill (SP Bill 23) as introduced in the Scottish Parliament on 4 December 2017

(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 2020-2022 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

91. 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.

92. 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 2022 at the earliest, depending on when the Scottish Ministers choose to implement the levy.

93. The income from the levy, discussed in paragraph 94, 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

94. 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 2022 at the earliest and perhaps coming into full effect from 2025.

This document relates to the Planning (Scotland) Bill (SP Bill 23) as introduced in the Scottish Parliament on 4 December 2017

95. 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.

96. 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).

This document relates to the Planning (Scotland) Bill (SP Bill 23) as introduced in the Scottish Parliament on 4 December 2017

Annex: list of abbreviations

COSLA	Convention of Scottish Local Authorities
DPEA	Directorate for Planning and Environmental Appeals (Scottish Government)
HOPS	Heads of Planning Scotland
LDP	Local development plan
LPP	Local place plan
NPF	National Planning Framework
PAD	Planning and Architecture Division (Scottish Government)
PAS	Planning Aid for Scotland (known as PAS)
SDP	Strategic development plan
SDPA	Strategic Development Planning Authority
SDZ	Simplified Development Zone
SPP	Scottish Planning Policy
SPZ	Simplified Planning Zone

This document relates to the Planning (Scotland) Bill (SP Bill 23) as introduced in the Scottish Parliament on 4 December 2017

Planning (Scotland) Bill

Financial Memorandum

© Parliamentary copyright. Scottish Parliamentary Corporate Body

Information on the Scottish Parliament's copyright policy can be found on the website – www.scottish.parliament.scot

Produced and published in Scotland by the Scottish Parliamentary Corporate Body.

All documents are available on the Scottish Parliament website at: www.scottish.parliament.scot/documents