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**FINANCE AND CONSTITUTION COMMITTEE:  
CALL FOR EVIDENCE ON THE PLANNING (SCOTLAND) BILL  
RESPONSE BY HOMES FOR SCOTLAND**

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**CONSULTATION**

- 1. Did you take part in any consultation exercise preceding the Bill and, if so, did you comment on the financial assumptions made?**
- 1.1 Homes for Scotland submitted representations at all stages of the planning review preceding the Bill. Whilst specific comments were not made on the financial assumptions, Homes for Scotland has consistently promoted the need to adequately resource the planning system to support the delivery of enough new homes across Scotland.
- 1.2 Homes for Scotland members engaged in a consultation exercise by Scottish Government on the business and financial impacts of planning reform proposals in August and September 2017 at the specific request of the Scottish Government.
- 1.3 Unfortunately, with the limited level of detail provided by the Scottish Government's consultation paper "Places, People and Planning" and the subsequent "Position Statement" in 2017, it was not possible to respond with any degree of confidence on the specifics of cost implications of the proposals.
- 1.4 The lack of a clear route map for the full suite of changes that will be delivered through the Bill as well as secondary legislation, updated guidance and revised policy has also made it difficult to quantify effects and fully engage in the discussions on financial implications. Whilst the Financial Memorandum acknowledges that the cost implications have only been noted for the changes that might arise as a direct result of the Bill, it is important to sign-post where other parts of the planning review jigsaw may have further impacts on resources by all participants in the planning system.
- 2. If applicable, do you believe your comments on the financial assumptions have been accurately reflected in the FM?**
- 2.1 No response
- 3. Did you have sufficient time to contribute to the consultation exercise?**
- 3.1 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.**
- 4.1 The Bill introduces a series of changes in the way that planning functions will be delivered and therefore there will be a change in the way that developers will have to interact with the system for this to achieve the shared aspiration of a better functioning planning system.
- 4.2 Much of what the Financial Memorandum assumes is no net change in cost to developers. However, there is an inherent expectation that plan preparation will become a more collaborative exercise between planning authorities and stakeholders, including developers, and as such, there is a natural expectation that the cost to developers of engaging in individual plan preparation exercises should increase. One example is the expectation of more, upfront information to support proposed allocations within an emerging Local Development Plan (to make engagement more effective) would incur additional cost to

developers and landowners; a point that is not reflected at all within the Financial Memorandum.

- 4.3 In addition, the move to a delivery focus once plans have been adopted will also have a cost implication for developers (and planning authorities) as the various partners work closer together to ensure that the planned development can be, and will be, delivered. The very high-level view set out within the Financial Memorandum of cost impacts for developers therefore necessitates some further scrutiny.
- 4.4 The enabling powers for an Infrastructure Levy set out within the Bill will have implications for the home building industry if these are enacted in due course. The illustrative additional cost to the development industry set out in the Financial Memorandum is significant but given the lack of any common understanding of if, how and when a Levy may be progressed as well as what it could realistically achieve, such figures must not be given any credibility at this time. There is a critical need to consider all aspects of an Infrastructure Levy (including any additional financial implications for developers and potential impacts on project viability) as part of the next stages of work to explore if and how this may work within Scotland to support the delivery of the infrastructure needed but also to deliver the development necessary to drive Scotland's sustainable economic growth.
- 4.5 In addition, the changes proposed to Section 75 of the Planning Act are intended to be in addition to potentially progressing an Infrastructure Levy and as such, those changes could legitimise the pursuit of further payments from developers.
- 4.6 The Planning Bill also introduces additional scope for fees to be charged for other services delivered by planning authorities as well as fees being charged by the Scottish Government. The view of Homes for Scotland remains that making a charge for any service is reasonable only if that delivers a better service. The introduction of higher planning fees in 2017 for major planning applications has delivered no discernible improvement in services. Given that fees paid will go into a local authority's general fund, Homes for Scotland would contend that regardless of what fees are charged, these will never be linked to an improved service.
- 4.7 The best example of this is with Midlothian who, despite seeing the 2017 planning fee increase, nevertheless required budget cuts equivalent to the removal of 2 planner posts. We understand that Council has indicated that this will have implications for the time taken to determine planning applications. Therefore, the likely net effect on developers is twofold; a direct increase in costs associated with making a planning application plus a cost associated with planning delays.
5. **Do you consider that the estimated costs and savings set out in the FM are reasonable and accurate?**

**General comments:**

- 5.1 It is important that the whole planning system is considered in terms of estimated costs and savings and while the Financial Memorandum may only refer specifically to changes proposed by the Bill, further analysis is required. That analysis is necessary to ensure that all costs of both primary and secondary legislative changes, plus policy changes, are clearly set out to allow a full understanding of the financial implications of the planning reforms along with the resources required by planning authorities and others to adequately function and deliver the statutory requirements and aspirations of planning reform.
- 5.2 Failure to adequately set out the true financial implications of planning reform will lead to misunderstanding. This Financial Memorandum has the potential to be misinterpreted by local authorities whereby Chief Executives and other decision makers within local authority corporate teams may see the theoretical savings set out within the Financial Memorandum as an opportunity to reduce planning authority budgets at a time where resourcing is finely balanced and is already scarce.

- 5.3 We are faced with the unfortunate reality of a piecemeal approach to understanding the full resource implications of all the planning reforms that will come forward with subsequent Financial Memorandums being produced in support of secondary legislation etc..

**National Planning Framework / Scottish Planning Policy / Strategic Development Plans:**

- 5.4 The financial assumptions set out with in the Financial Memorandum for the preparation of National Planning Framework by the Scottish Government assume increased costs for the preparation of a Framework (from £561k to £866k) given its enhanced status and the combination of Scottish Planning Policy into the document. However, the level of increased costs may be more than this given then need to ensure that the National Planning Framework can play a credible role as part of the Development Plan and the need to integrate individual local authority and regional partnership contributions. In addition, the suggested cost savings of over £255,000 over 10 years do not take into account the work that will be required within the 10-year lifespan of the document, particularly if a review is required after 5 years. Homes for Scotland considers the cost savings for Scottish Government over the 10-year period to be over-estimated.
- 5.5 The Financial Memorandum presumes savings over 10 years with the removal of the statutory requirement to prepare a Strategic Development Plans and the move towards regional partnership working, with some of the costs of Strategic Development Plan preparation re-purposed for Regional Partnership working and making contributions to the preparation of National Planning Framework. Since there is no statutory requirement for collaborative working at the regional level included within the Bill, Homes for Scotland is concerned that local authorities may therefore choose to invest possible further savings from the removal of the statutory requirement to prepare Strategic Development Plans into other areas of local government which do have statutory requirements, therefore resulting in a loss of funding for planning functions. In our submission to the Local Government and Communities Committee we have highlighted the need for a more explicit requirement or default expectation for Regional Partnership working to ensure that this important tier in the Scottish planning system is not completely lost.
- 5.6 Table 5 indicates a combined saving of £2.24m from not having to subject Strategic Development Plans to examination or produce the documents but then assumes that some £10.2m will remain available to undertake regional planning in some shape or form. It is that £10.2m as a minimum that must remain available for Regional Partnerships. However, the expectation is that Regional Partnerships will be extended beyond the current Strategic Development Planning Authorities (i.e. Stirling and Clackmannanshire or the three Ayrshire authorities) and as such, the total cost of preparing regional spatial strategies across Scotland could, and perhaps should, increase.

**Local Development Plans:**

- 5.7 The cost savings for the Scottish Administration for Local Development Plans indicates a modest £16k per annum saving driven primarily through the extension of the plan period from 5 to 10 years. Whilst there may then be half the number of plans to be reviewed at the plan preparation stage in any "normal" 10-year period, there would remain the same number of plans to be engaged with on a day-to-day basis.
- 5.8 Therefore, whilst the costs to scrutinise any individual plan would reduce, the necessary engagement in any mid-term review as well as inevitably (and properly) engage in the delivery phase of any plan could, and should, increase as the Scottish Government will become a partner in the Development Plan as a whole.
- 5.9 There will be an opportunity to achieve some degree of saving through the removal of the need, or opportunity, to prepare Supplementary Planning Guidance. Table 7 suggests that the costs to prepare an individual Local Development Plan will remain the same under the new system but with the need to absorb the detail of Supplementary Planning Guidance into the Development Plan, some costs currently ascribed to production of Guidance ought to be transferred to plan preparation. Nevertheless, it is expected that planning authorities will wish

to prepare non-statutory planning guidance in place of at least some of their Supplementary Planning Guidance.

- 5.10 Whilst the process of plan making is also expected to change, some current elements being replaced by new approaches, the Financial Memorandum again expects no net change in plan production costs. In Homes for Scotland's opinion that is both an unreasonable assumption and, if Local Development Plans are to be done "better", perhaps also highly disingenuous to the aspirations underpinning the Bill and accepted by stakeholders.
- 5.11 One conclusion to be drawn from the intent behind the current planning review is that plan preparation does not achieve as much stakeholder engagement as is necessary to deliver a more widely shared understanding, and acceptance, of the growth strategy for a particular area. The solution is therefore to do more engagement in a better manner. No cost assumption is made for that reality.
- 5.12 There will be costs to prepare an Evidence Report (which may well be a re-purposing of costs associated with the production of the Main Issues Report) but there is a need to achieve greater engagement in that process and as such an inevitable additional cost. It is perhaps also a reasonable assumption that planning authorities will look to engage consultants to support them in the production of their Evidence Reports.
- 5.13 There will be a cost associated with the new "gate-check" process that will need to be met by planning authorities, the Scottish Administration (through the DPEA), developers and communities. Ideally the costs associated with the current Examination at the end of the plan making process will be reduced and the associated savings re-purposed to the gate-check but, if there is to be effective scrutiny of the Local Development Plan's context and continue to be a more focussed end of plan Examination, there would be a reasonable expectation that such costs (for all parties) will increase to some degree.
- 5.14 The production of a Local Place Plan may also trigger earlier Local Development Plan reviews and the Financial Memorandum does not consider the potential for Local Development Plan (or National Planning Framework) production more regularly than every 10 years.
- 5.15 The Development Plan is rightly to have a greater delivery focus but there are no assumptions set out within the Financial Memorandum to reflect this. As with engagement at the plan preparation stage, the expectation set out by the Bill is that there will be greater effort applied to that stage and for activities to be done "better". The lack of any assumption to reflect that aspiration and expectation is therefore directly at odds to what has been set out elsewhere in promoting the Bill and all it can achieve. As with potential increased costs arising from better engagement in plan preparation and processing an Evidence Report through the gate-check, increased costs associated with delivering the Development Plan, would, in Homes for Scotland's opinion, be money well spent in ensuring the right development is delivered in the right locations and better reflecting where people want to live and work. The expectation must become that proposals set out within the Development Plan will be delivered rather than may be delivered.

### **Local Place Plans:**

- 5.16 The Financial Memorandum assumes a "discretionary spend" for both the Scottish Administration and planning authorities, therefore no funding has been committed for communities for upskilling or to fund the preparation of Local Place Plans. Homes for Scotland firmly believes that communities must be supported to build the necessary skills for the preparation of these plans, to ensure that meaningful plans can come forward to support the development set out within the Local Development Plan (i.e. Local Place Planning is undertaken as a complementary activity to the Local Development Plan).
- 5.17 Further, Homes for Scotland acknowledges the difficulty in estimating the cost of a Local Place Plan, but from anecdotal evidence, we consider the average of £13,000 to be low, and that plans are likely to cost more than this for their preparation. To ensure that Local Place Plans are taken seriously as a powerful engagement tool, allowing communities to shape the

development of their area, and to ensure that they do not become a “NIMBY” charter only for communities with the financial capabilities to support the preparation of a plan, communities must be better resourced. Planning Authorities and / or the Scottish Government must provide funding for Local Place Plan preparation under the strict parameters of the primary legislation and any subordinate legislation and guidance.

**Simplified Development Zones:**

- 5.18 A cost / benefit analysis should be undertaken to ensure that the costs for the planning authority of implementing Simplified Development Zones, together with the calculated loss of planning fees for the zoned area, do not outweigh the benefits of the implementation of Simplified Development Zone. It is essential that all potential costs are identified to allow the full picture of required planning authority resources to be understood.
- 5.19 It may be a reasonable assumption that Simplified Development Zones will come forward in locations where local authorities will be seeking to encourage development to happen (i.e. there are market constraints that require to be addressed). The expectation that discretionary charging will be used is therefore a possible wrong assumption as “free” planning could well be (and may need to be) part of the enticement package to drive developer interest.

**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?**

- 6.1 Setting aside any consideration of the financial implications of the Infrastructure Levy, Homes for Scotland expects there to be increased costs to be borne by the development industry in engaging in Development Plan preparation and delivery. If the Planning Bill can deliver on its own expectations and assumptions, such cost increases are reasonable and appropriate. There ought to be greater confidence that the Development Plan can and will deliver development in the scale and locations necessary to meet need and demand.
- 6.2 The Bill, in not including third party rights of appeal also ensures that what might have been a significant additional cost to the development industry, both through the need to defend planning decisions as well as the undermining in investor confidence in Scotland that would preclude some development come forward, would not arise and then also ensures that overall cost impacts of the full suite of planning reforms are likely to be capable of being absorbed. The fact that such rights are not supported by the Scottish Government also ensures that an additional financial burden to planning authorities, through defending a decision to approve a proposed development, would not arise.
- 6.3 Given the significant uncertainty associated with the implementation of an Infrastructure Levy, it is impossible to offer any detailed view on the financial implications of the enabling powers set out in the Bill. The further discussions and engagement on the Levy will allow for these to be quantified and understood but it will be critical that if a Levy is brought forward in due course, this is designed to avoid generating costs that render development in particular locations as unviable and hence undeliverable.

**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?**

- 7.1 Homes for Scotland acknowledges the difficulty of planning for costs which are unknown at the moment, however (as set out in the response to question 5 above) there are a number of aspects of the Financial Memorandum which appear to be under-estimated. Whilst we are no better able, based on the evidence available, to provide a reliable estimate, we do think that the figures for National Planning Framework preparation, Local Development Plan preparation and Local Place Plan preparation are likely to be under-estimates. The Financial Memorandum must therefore provide stronger caveats to its figures and explicitly acknowledge that costs may be higher.

- 7.2 Homes for Scotland believes that any costs should be set out as realistically as possible to better understand the financial implications of planning reforms coming through this Bill and through subsequent secondary legislation, guidance and policy.

## 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?**

- 8.1 The Homes for Scotland comments on where cost assumptions set out within the Financial Memorandum may be inaccurate and where further detail is required are set out within the response to question 5 and question 6 above. The Financial Memorandum suggest that the Bill will maintain the status quo in many (financial) respects. However, Homes for Scotland believes that for the Scottish planning system to enable the Scottish Government, planning authorities, developers, communities and all other actors within the system to be able to plan better, this will inevitably cost more to deliver. It is important to note, however, that this extra cost, comes with added value and is therefore money well spent.

**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?**

- 9.1 This Planning Bill forms an important but potentially relatively small part of the much wider planning reform which the Scottish Government is seeking to achieve, and which will be informed by subordinate legislation, policy, guidance and voluntary changes in behaviour and roles by local planning authorities, developers, communities and others.
- 9.2 A reform of the radical and transformational nature clearly intended by the Scottish Government will inevitably have financial impacts for all involved. Whilst the Financial Memorandum to this Bill cannot fully anticipate and cover all those impacts, it is vital that wider impact is acknowledged so that the Financial Memorandum itself cannot be misinterpreted as an attempt to provide a full and reliable forecast of the costs of planning and development and engagement during and after reform, as opposed to the status quo.
- 9.3 In addition to the points raised above where higher costs could reasonably be absorbed, areas of change which could have significant and potentially prohibitive impacts on the development industry's ability to plan well and deliver what Scotland needs include:
- Widening the degree to which both local authorities and the Scottish Government levy charges on developers and applicants to fund the essential components of the planning system (all of which are imposed on the basis they are needed in the public interest).
  - Loosening the limitations placed on the way in which planning authorities can seek contributions from developers towards infrastructure provision. The use of current provisions has already greatly increased both in scope and degree. Under proposed changes we may lose the link between the impacts of a development and payments taken from the relevant developer but without any clear guarantee so far that this will improve the delivery of infrastructure and remove associated delays to development.
- 9.4 Given the difficulties at this stage to quantify all associated costs, it is important that the Financial Memorandum accompanying the Planning Bill acknowledges the scope and scale of further costs associated with implementing all the changes set out within the Bill and expected to come forward through subsequent secondary legislation, guidance and policy.