



Localism Bill: neighbourhood plans and community
right to build
Impact assessment



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Impact Assessment: Neighbourhood plans and Community Right to Build

This document provides a robust analysis of the potential impacts of one element of a package of policies that will have an impact on housing supply.

This document should be read in conjunction with impact assessments for related measures that form part of the Government's housing supply strategy. It should be recognised that some measures, considered in isolation, may not increase supply. However, they contribute to a new approach, which will deliver more of the homes that people want, where they want them. This new approach, combined with new freedoms and financial incentives, aims to rebalance power from central government to local authorities and local people.

The Government's housing strategy and an overarching assessment of the impact of the Government's policies on housing supply can be found in the forthcoming DCLG paper: *A new approach to housing supply*.

Title: Localism Bill: Neighbourhood Plans and Community Right to Build Lead department or agency: Department for Communities and Local Government Other departments or agencies:	Impact Assessment (IA)
	IA No: DCLG 0061
	Date: January 2011
	Stage: Final
	Source of intervention: Domestic
	Type of measure: Primary legislation
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Summary: Intervention and Options

What is the problem under consideration? Why is government intervention necessary?

Resistance from local communities to proposals for housing and economic development within their neighbourhoods is partly related to communities' lack of opportunity to influence the nature of that development. A top-down and target-driven approach has alienated communities and stimulated opposition to development. Communities are often unable to ensure that development meets local needs and takes satisfactory account of the tensions between development and conservation, environmental quality and pressure on services. This flaw in the current system can lead to development taking place against the wishes of the community, being delayed by objections (at expense to both business and the local authority) or blocked, compromising housing and economic growth. Government intervention is necessary to empower local communities to take responsibility for the development of detailed planning policy for their neighbourhood and, where communities wish to bring forward small scale development themselves, to give them a Community Right to Build.

What are the policy objectives and the intended effects?

Together with local financial incentives, the empowerment of neighbourhood communities can encourage community ownership of plans. It will help communities to play a greater role in finding creative and imaginative ways to overcome the pressures that development can create for conservation and local services and amenities. It will help communities to become proponents of appropriate and necessary housing and economic growth. Alongside a system of financial incentives to promote growth, greater involvement of the community could lead to:

- i) more certainty for developers;
- ii) development that is more in line with local needs and provides greater public amenity; and
- iii) increased civic engagement and a move towards the 'Big Society'.

Under Community Right to Build, there are also opportunities for some small scale development that meets local need to be brought forward by community groups without a traditional planning application.

What policy options have been considered? Please justify preferred option (further details in Evidence Base)

- 1) Do nothing
- 2) Neighbourhood plans and neighbourhood development orders instigated solely by neighbourhood groups and taking precedence over local development frameworks in all respects. In practice such a system may be unworkable in that such plans would be likely to undermine the delivery of strategic infrastructure proposals.
- 3) Binding neighbourhood plans instigated by neighbourhood groups, in partnership with local planning authorities and set within the context of a strategic plan and national policy framework, with some of the preparation costs borne by Central Government. This option incorporates an approval process for some small scale developments under the Community Right to Build. This is the preferred option.

When will the policy be reviewed to establish its impact and the extent to which the policy objectives have been achieved?	It will be reviewed within 5 years.
Are there arrangements in place that will allow a systematic collection of monitoring information for future policy review?	Yes

SELECT SIGNATORY Sign-off For final proposal stage Impact Assessments:

I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) the benefits justify the costs.

Signed by the responsible Minister: Greg Clark..... Date: January 2011

Summary: Analysis and Evidence

Policy Option 3

Description: Binding neighbourhood plans instigated by neighbourhood groups in partnership with local planning authorities and set within the context of a strategic plan.

Price Base Year 2010	PV Base Year 2010	Time Period Years 11	Net Benefit (Present Value (PV)) (£m)		
			Low: £1,125m	High: £1,564m	Best Estimate: £1,345m

COSTS (£m)	Total Transition (Constant Price) Average Annual	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	£7m	£0m	£64m
High	£26m	£0m	£235m
Best Estimate	£16m	£0m	£150m

Description and scale of key monetised costs by ‘main affected groups’

Central government: The cost of preparing a neighbourhood plans will be met partly by the local authority and partly by the promoters of the neighbourhood plans. In the initial years, there will be some financial support from Central Government. The average costs are estimated at £17,000 to £63,000 per plan. The cost to community groups of bringing forward a Community Right to Build scheme is estimated at approximately £40,000. A greater proportion of neighbourhoods adopting a Community Right to Build would increase the likelihood of the lower cost estimate (see evidence base for calculation).

There are also costs of reviewing the plan – estimated at an average 70 per cent of the original costs of the plan – every 10 years, included above as transitional costs.

Developers will pay a fee upon completion of development given permission under a neighbourhood development fee, yet this will be lower than the current planning application fee and thus represents benefits to developers (see non-monetised benefits).

Other key non-monetised costs by ‘main affected groups’

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low		£123m	£1,067m
High		£180m	£1,556m
Best Estimate		£151m	£1,311m

Description and scale of key monetised benefits by ‘main affected groups’

Economy: additional development (housing, for example) has an associated economic benefit that can be valued by the land-value uplift of those additional units. Average annual benefits: £56m - £113m.

Local authorities: Savings from no longer having to process planning applications (nets out the above revenue from fee income).

Developers: Savings from no longer having to complete the planning application process: £52m.

Local authorities, the Planning Inspectorate and developers: savings from appeals against planning applications: £15m.

Other key non-monetised benefits by 'main affected groups'

Community: Development that occurs will be more in line with the wishes of the local community and the community will gain from planning incentives as a result of promoting development in neighbourhood plans. Development will often be of a better quality and provide greater civic amenity because of civic engagement.

Developers: the fee required under a neighbourhood plan will be lower than that of a current planning application reflecting the lower costs to local authorities. There could also be greater certainty for developers as communities will be involved from the start and so there could be a reduction in late objections.

Key assumptions/sensitivities/risks

Discount rate (%) 3.5%

- It is assumed that neighbourhood plans that are adopted will be sufficiently detailed and robust.
- Take-up assumptions range from 5 per cent in year 1 to 55 per cent overall coverage after 11 years. Sensitivity analysis presents take-up scenarios of 2 per cent p.a. and 8 per cent p.a. (on page 16).

Impact on admin burden (AB) (£m):			Impact on policy cost savings (£m):		In scope
New AB: £0m	AB savings: £52m	Net: £-52m	Policy cost savings: £0m		Yes/No

Enforcement, Implementation and Wider Impacts

What is the geographic coverage of the policy/option?	England				
From what date will the policy be implemented?	Autumn 2011				
Which organisation(s) will enforce the policy?	Local authorities, Secretary of State				
What is the annual change in enforcement cost (£m)?					
Does enforcement comply with Hampton principles?	Yes				
Does implementation go beyond minimum EU requirements?	n/a				
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)	Traded:		Non-traded:		
Does the proposal have an impact on competition?	No				
What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?	Costs:		Benefits:		
Annual cost (£m) per organisation (excl. Transition) (Constant Price)	Micro	< 20	Small	Medium	Large
Are any of these organisations exempt?	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No

Specific Impact Tests (SITs): Checklist

Set out in the table below where information on any SITs undertaken as part of the analysis of the policy options can be found in the evidence base. For guidance on how to complete each test, double-click on the link for the guidance provided by the relevant department.

Please note this checklist is not intended to list each and every statutory consideration that departments should take into account when deciding which policy option to follow. It is the responsibility of departments to make sure that their duties are complied with.

Does your policy option/proposal have an impact on...?	Impact	Page ref within IA
Statutory equality duties ¹ Statutory Equality Duties Impact Test guidance	YES	19
Economic impacts		
Competition Competition Assessment Impact Test guidance	NO	20
Small firms Small Firms Impact Test guidance	NO	20
Environmental impacts		
Greenhouse gas assessment	YES	20
Wider environmental issues	YES	20
Social impacts		
Health and well-being Health and Well-being Impact Test guidance	NO	20
Human rights Human Rights Impact Test guidance	NO	20
Justice system Justice Impact Test guidance	NO	20
Rural proofing Rural Proofing Impact Test guidance	NO	20
Sustainable development Sustainable Development Impact Test guidance	YES	20

¹ Public bodies including Whitehall departments are required to consider the impact of their policies and measures on race, disability and gender. It is intended to extend this consideration requirement under the Equality Act 2010 to cover age, sexual orientation, religion or belief and gender reassignment from April 2011 (to Great Britain only). The Toolkit provides advice on statutory equality duties for public authorities with a remit in Northern Ireland.

Evidence Base (for summary sheets) – Notes

Use this space to set out the relevant references, evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Please fill in **References** section.

References

Include the links to relevant legislation and publications, such as public impact assessment of earlier stages (e.g. Consultation, Final, Enactment).

No	Legislation or publication
1	Arup: <i>Benchmarking the costs to applicants of submitting a planning application</i> (2009) http://www.communities.gov.uk/documents/planningandbuilding/pdf/benchmarkingcostsappliation.pdf
2	Live Tables: Planning Applications statistics http://www.communities.gov.uk/documents/planningandbuilding/xls/864698.xls
3	Office of Public Sector Information, <i>The Town and Country Planning (Fees for Applications) Regulations 2008</i> http://www.opsi.gov.uk/si/si2008/draft/ukdsi_9780110809892_en_1
4	<i>Public Attitudes to Housing</i> , NHPAU, 2010. http://www.communities.gov.uk/documents/507390/nhpau/pdf/16127041.pdf
5	Pre-Budget Forecast, June 2010. Office for Budget Responsibility. http://budgetresponsibility.independent.gov.uk/d/pre_budget_forecast_140610.pdf
6	National Statistics, Number of Electoral wards/ districts in the UK, as at 31/12/2009. http://www.statistics.gov.uk/geography/faq_numbers.asp

Evidence Base (Option 3)

Ensure that the information in this section provides clear evidence of the information provided in the summary pages of this form (recommended maximum of 30 pages). Complete the **Annual profile of monetised costs and benefits** (transition and recurring) below over the life of the preferred policy (use the spreadsheet attached if the period is longer than 10 years).

The spreadsheet also contains an emission changes table that you will need to fill in if your measure has an impact on greenhouse gas emissions.

Annual profile of monetised costs and benefits* - (£m) constant prices

	Y ₀	Y ₁	Y ₂	Y ₃	Y ₄	Y ₅	Y ₆	Y ₇	Y ₈	Y ₉	Y ₁₀
Transition/ set-up costs	15	15	15	15	15	15	15	15	15	15	26
Annual recurring cost	0	0	0	0	0	0	0	0	0	0	0
Total annual costs	15	15	15	15	15	15	15	15	15	15	26
Transition/ set-up benefits											
Annual recurring benefits	0	32	65	98	133	168	205	242	280	318	358
Total annual benefits	0	32	65	98	133	168	205	242	280	318	358

* For non-monetised benefits please see summary pages and main evidence base section

Evidence Base (for summary sheets)

Problem under consideration/Rationale for intervention

Resistance from local communities to proposals for housing and economic development within their neighbourhoods is often a consequence of the neighbourhood communities' lack of opportunity to influence the nature of that development. A recent study by MORI indicated that design was a significant factor in gaining public support for new housing development: 73 per cent said they would support more homes if they were well designed and in keeping with the local area².

Communities can feel unable to ensure that development meets local needs and takes satisfactory account of the tensions between development and conservation, environmental quality and pressure on services. These concerns often manifest in objections to planning applications or may be reflected in the policy of the local planning authority. The current system can sometimes lead to development taking place against the wishes of the community, being delayed by objections (which could be at expense to both business and the local planning authority) or blocked altogether compromising housing and economic growth.

Policy objective

Reforms to the planning system will provide a toolbox of options for bringing forward development proposals depending on what best suits their own needs. Take up of neighbourhood plans will be at the discretion of neighbourhoods and communities.

- Neighbourhood planning aims to give people greater ownership of plans and policies that affect their local area; and
- Where a community wants to bring forward specific development, the Community Right to Build provides them with a mechanism for promoting it themselves through a streamlined neighbourhood development order approach – a Community Right to Build Order – if they meet certain criteria and can demonstrate the support of more than 50 per cent of the community in a referendum (see Annex 2 for more detail).

Under the current system there is a lack of opportunity for neighbourhood communities to influence the nature of local development, which may have arisen from top-down control and from the absence of any formal powers for those communities to directly shape the plan-making process. This can result in local resistance to the notion of development irrespective of its potential benefits.

Localism is intended to enable communities to find their own ways of overcoming the tensions between development and conservation, environmental quality and pressure on services. Communities and local authorities are likely to then become the proponents – rather than the opponents - of appropriate growth. Alongside fiscal incentives such as the New Homes Bonus and Community Infrastructure Levy and appropriate policy on neighbourhood planning in the national planning policy framework, it is anticipated that greater involvement of the community will lead to an overall increase in development compared with the *status quo*, and an increase in development that is in-line with local needs.

Neighbourhood plans

A neighbourhood plan would be established within the context of a local planning authority's development plan and within parameters defined in national planning policy. In this document,

² *Public Attitudes to Housing*, NHPAU, 2010.
<http://www.communities.gov.uk/documents/507390/nhpau/pdf/16127041.pdf>

the use of the term “neighbourhood plan” includes neighbourhood development plan and neighbourhood development order unless otherwise indicated.

One of the principal objectives of neighbourhood planning is to increase the rate of growth of housing and economic development in England. Coupled with a system of powerful financial incentives (see below), neighbourhood planning will achieve this by enabling neighbourhood communities to exercise real power in respect of the design and precise location of the development that takes place in the neighbourhood area. Moreover, in order to guarantee that neighbourhood planning cannot lead to a lower rate of growth, a neighbourhood plan will only be able to advocate an equal or greater quantity of growth in housing or economic development than is established in the development plan. The Localism Bill will therefore require that neighbourhood plans are in "general conformity" with the strategic elements of the development plan. The "strategic elements" will be defined through the National Planning Policy Framework and we expect that definition to include the scale (and broad location) of housing and economic development growth within the local plan area. Nevertheless, if a local planning authority adopts a neighbourhood plan that proposes less development than identified within the development plan, it may be revoked by the Secretary of State.

A neighbourhood plan can set out clearly the nature of the development that is and is not anticipated and, where a development proposal is shown to be in general conformity with that neighbourhood development order, planning permission is automatically granted without the need for a planning application. With specific regard to housing, a neighbourhood plan would be able to identify the specific site or broad location, specify the form, size, type and design of new housing.

Neighbourhood plans will be able to specify the nature of the development anticipated. The existence of the neighbourhood plan should therefore increase certainty for developers. Indeed, developers will be able to approach neighbourhood communities with an offer of financial support to promote a neighbourhood plan which explicitly identifies a specific development proposal of the kind that the developer would wish to take forward. In this way, where popular support for such a proposal is demonstrated and confirmed in the referendum, the degree of certainty is increased.

There will be new duties on local authorities to:

- Confirm the status of a proposed neighbourhood forum
- Confirm the geographical area of the proposed neighbourhood plan
- Provide expertise and advice to neighbourhood forums or parish councils
- Hold referendums
- Adopt neighbourhood plans where all requirements have been met

The administrative burden on local authorities will, however, be reduced inasmuch as, where a neighbourhood plan exists, the local authority will have fewer planning applications to determine. Furthermore, where applications come forward, they will be easier to determine.

The Duty to Support: Where the promoters of a neighbourhood plan are able to demonstrate adequate local support for the proposed plan, the local planning authority will have a duty to provide advice or assistance on, for example, good practice in plan making, and conformity and consistency with national policy, EU law and local plans. They will also have a duty to provide practical support - e.g. facilitating community engagement, and helping with consultation with public bodies and landowners. There will be no duty on the local planning authority to provide financial assistance but it may do so if it so chooses.

Scope of a neighbourhood plan: Certain categories of development are more appropriately planned at a higher spatial scale than a neighbourhood and would therefore be excluded from a Neighbourhood Plan; for example:

- development which would breach thresholds for EU Directives
- nationally significant infrastructure projects
- minerals and most waste development
- large scale housing and economic development

The independent examination: There will be a light touch examination of the plan undertaken by a qualified person. Where the examination shows that the plan is not aligned with:

- the strategic elements of the local development framework
- legal requirements or
- national policy

The local planning authority will not be obliged to carry out a referendum or adopt the plan. The plan will therefore have no statutory status or form part of the area's development plan or grant planning permission for any development envisaged within it. Where the examination shows that the plan is in conformity, the local authority has to legally adopt the plan.

Incentives: The new incentives scheme will be an important factor in encouraging neighbourhood communities to instigate a neighbourhood plan which can deliver housing and economic growth. As currently envisaged, the incentives package includes the following elements, which will be received by the local planning authority:

- the New Homes Bonus
- the Community Infrastructure Levy

In addition, the retention of business rates is being reviewed.

A meaningful proportion of the Community Infrastructure Levy revenue will have to be spent in the neighbourhood where the development arose. The incentives schemes (New Homes Bonus and Community Infrastructure Levy) would tend to encourage behaviour change within neighbourhood communities and local planning authority in encouraging growth. Government intervention is necessary to empower local communities – below the local authority level – to take responsibility (with appropriate support from the local authority) for the development of detailed planning policy for their neighbourhoods.

Private sector: There are no new regulatory burdens on the private sector. Indeed, the requirements for prospective developers will be reduced by the elimination of the need to apply for planning permission where there is a neighbourhood development order.

Community Right to Build: Community Right to Build schemes will be able to be brought forward by community groups established as a corporate body by members of the local community. This will ensure that proposals are community-led and that there are arrangements to manage the benefit from development for the community.

We envisage that the type of community-led developments brought forward through Community Right to Build will be small-scale (e.g. 5-10 homes) – schemes eligible to use the streamlined neighbourhood planning process will not be able to exceed 10 per cent of existing development over a 10 year period. The Right to Build will require the support of more than 50 per cent of voters in a local referendum. Permission will be given by means of a streamlined neighbourhood development order – a Community Right to Build Order. The benefits for the community arising from the any additional development could be considerable; although not

limited to housing (See Annex 2 for more detail of how such benefits have been monetised in this Impact Assessment).

Description of options considered (including do nothing)

The options that have been considered are as follows:

OPTION 1

Do nothing: Under this option there would be a continuation of the problems outlined above, i.e. development proposals arising against the wishes of local communities, uncertainty for developers, and some development prevented altogether. The current public antipathy towards the planning system (even when Regional Strategies are abolished) would be maintained along with no change to the level of local opposition to development.

OPTION 2

Neighbourhood plans and neighbourhood development orders instigated solely by neighbourhood groups and taking precedence over local development frameworks in all respects: Such a system would be unworkable in that such plans would be likely to undermine important strategic infrastructure. Without the broad parameters of the local development plans there would be a significant risk that the UK would fail to fulfil the duties imposed on it from various EU Directives, namely Environmental Impact Assessment/Strategic Environmental Assessment/Water Framework Directive/Habitats Directive. This could lead the UK being at risk of infraction proceedings and raise critical issues around compliance with legislation.

This option could lead to an infinite number of potential outcomes due to the lack of constraints placed on neighbourhood actions. For this reason the costs and benefits of this option have not been considered in any further detail.

OPTION 3 (THE PREFERRED OPTION)

Binding neighbourhood plans and neighbourhood development orders instigated by neighbourhood groups: in partnership with local planning authorities, set within the context of a strategic plan and partially resourced initially by Central Government.

The costs and benefits of this preferred option are set out in detail below.

Costs and benefits of the preferred option

EVIDENCE AND ASSUMPTIONS

Plans are likely to vary in costs depending on the complexity and size of the proposal. Based on the cost components below an individual plan could cost as little as £17,000 or as much as £200,000. The latter is an extreme example. In reality a neighbourhood plan can consist of various components from the 'menu' set out below, above and beyond the minimum £17,000 (£5,000 consultation cost, £5,000 examination costs and £7,000 referendum). Furthermore, with developers likely to contribute to the cost of neighbourhood plans and some of the non-essential components (of plans) already contained within the planning process undertaken by a developer, the extent to which costs are additional may be reduced.

- Masterplan type documents: £50,000/1yr consultants' fees
- Environmental Impact Assessment: £50,000 min, typically £75,000
- Strategic Environmental Assessment (SEA/ SA):£10,000-£30,000 (mid-point £20,000)

- Habitats Regulations Assessment (statutory – where required) typically £15,000
- Others:
 - Retail Impact assessment
 - Equalities Impact assessment
 - Community safety assessment
 - £5,000 each (non-statutory)
- Consultation costs: *Planning for Real* type event £5,000-£10,000
- Examination costs: £5,000- £8,000
- Costs of running a local referendum: £1.50/head (£7,000/ward) inc. volunteers
 Source: *Fees and charges for counting officers in the regional and local referendums*. ODPM 2004

As a result we expect – on average – more neighbourhood plans to be small (i.e. towards the lower range) than large (i.e. towards the upper extreme). To this extent, in the lower estimate, we assume that all plans cost an average £17,000. For the upper estimate we estimate that the majority (75 per cent) of plans are at the lower end of the range with the remainder at the upper end (costing £200,000). This gives an estimate of the average plan cost for modelling purposes as £17,000 to £63,000.

These costs relate to the preparation of neighbourhood plans, these are incurred up-front (first year of take-up), whilst it is estimated the benefits are accrued from year two, due to the normal timing associated with housing delivery. As discussed, the policy is to be kick-started by central government funding by paying some of these costs for the first plans. There will also be an ongoing cost involved with reviewing the plan, anticipated every 10 years. These costs will vary considerably but are estimated here at approximately 70 per cent of the original plan costs and will be incurred by the local authority and proponents of the plan. Once more these are likely to vary depending on the complexity of plan implemented and/or desire to change it. Evidence from higher spatial level plans suggests a significant proportion of the costs of those plans are incurred when reviewing the plans, as much as 90 per cent of the original plan costs. It is likely that – in some cases - a lower proportion of costs will be incurred at review than for higher spatial level plans, perhaps around 50 per cent. We therefore estimate that review costs could vary from 50 per cent to 90 per cent and take the mid-point as an illustration for modelling purposes (70 per cent). The review costs are however very uncertain and likely to range significantly between plans.

We have no robust evidence of what the take-up of neighbourhood planning will be. However, as stated in the Post Implementation Review, this will be monitored. For the purpose of this illustration – that used in the summary sheet (page 3) - it is assumed that 5 per cent of neighbourhoods will take up plans in the first and second year (when some financial support is available from Central Government). Subsequently, take-up is assumed as below. In theory it is possible that a neighbourhood may adopt a plan but then decide against renewing it. If a neighbourhood decides against renewing a neighbourhood plan, then the plan simply remains in place. However, for the purposes of this Impact Assessment, this is assumed to be unlikely. This is because (a) the referendum will ensure there is widespread local support for its adoption and (b) neighbourhood plans are most likely to be adopted in established communities such that the composition of the population is unlikely to substantially change over a 10 year period. Both assumptions are open to challenge but for these reasons for modelling purposes we assume that all neighbourhoods that adopt a plan within the appraisal period also maintain it throughout this period.

Table 1: Estimated proportion of take-up by neighbourhood

Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Proportion of n'hoods that take up plans	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Estimated number of neighbourhood plans	380	380	380	380	380	380	380	380	380	380	380
Cumulative take-up rates	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%	55%
Cumulative number of n'hood plans	380	760	1,140	1,520	1,910	2,290	2,670	3,050	3,430	3,810	4,190

This leads to a total take-up rate of 55 per cent after 11 years. Differential take-up rates will increase or reduce the costs on a *pro-rata* basis (see sensitivity analysis on page 16).

For illustrative purposes, the number of neighbourhoods in England is approximated at 7,618³(i.e. the number of electoral wards in England as at 31/12/2009). This is based on the assumption that “neighbourhoods” will be, on average, the size of electoral wards – in practice they will vary. The number of planning applications per neighbourhood is derived from the national number of planning applications divided by the number of neighbourhoods. Growth in the number of planning applications is estimated in line with the Office for Budget Responsibility’s economic growth projections.⁴ These estimated scenarios of planning application numbers range from 472,000 in 2010-11 to 605,000 in 2020-21.

Appeals: given that there is no longer a requirement to submit planning applications for development covered by a neighbourhood development order; this eliminates the process of appeals against rejected planning applications. It is estimated that approximately 4 per cent of all planning applications are appealed, based on the number of appeals received as a proportion of total number of planning applications in 2009 and 2010.⁵ Further assumptions include:

- There are no fees for submitting planning appeals.
- Most appeals would have been determined by written representation from appellants. This costs the Planning Inspectorate an estimated £1,000 per case, the local planning authority around £800 and the applicant £2,000.
- By putting relevant policies in place locally, the number of appeals can be limited even where there is no local development framework in place.

COSTS

The average annual costs are shown below, based on a proportion of the estimated number of neighbourhoods that take up plans multiplied by the expected cost of a plan. As discussed

³ http://www.statistics.gov.uk/geography/faq_numbers.asp

⁴ Pre-Budget Forecast, June 2010. Office for Budget Responsibility.

http://budgetresponsibility.independent.gov.uk/d/pre_budget_forecast_140610.pdf

⁵ <http://www.communities.gov.uk/documents/planningandbuilding/xls/864698.xls>

above, an individual neighbourhood plan is likely to cost on average between £17,000 and £200,000 (see page 10). The review cost of each plan, assumed to be incurred every 10 years after implementation, is based on 70 per cent of the initial costs (see page 10). The costs of reviewing plans adopted in year 1 will be incurred in year 11 (presented in the summary sheets as transitional costs).

In year 11 both preparation costs (for year 11) and reviews costs (for those adopted in year 1) are accrued (as will be the case in future years), yet such costs are still outweighed by the benefits arising from additional development, reduced planning processes and appeals. The net benefit in this single year is an average of £235m (present value).

Table 2: Annual costs of neighbourhood plans (£m)

Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Preparation costs (low)	£6.5 m	£6.5m	£6.5m	£6.5m	£6.5m	£6.5m	£6.5m	£6.5m	£6.5m	£6.5m	£6.5 m
Preparation costs (high)	£24 m	£24m	£24m	£24m	£24m	£24m	£24m	£24m	£24m	£24m	£24m
Review costs (low)	-	-	-	-	-	-	-	-	-	-	£4.5 m
Review costs (high)	-	-	-	-	-	-	-	-	-	-	£17m

The average annual costs of preparation and review range from £7m – £26m (or £64m to £235m over 11 years in present value terms).

The costs are borne by Central Government/local authorities and promoters of the neighbourhood plan. The on-going costs of reviewing the plans approximately every 10 years will be paid for by the neighbourhood with support from the local planning authority. This finance will be sourced solely or via a combination of private supporters of the neighbourhood plans (e.g. developers, individuals) or Local Government. The neighbourhood development fee paid by developers to the local planning authority recoups some of the costs associated with the process of neighbourhood development orders (see page 14). The actual cost to Central Government/ local authorities is both dependent on take-up (which is unknown in advance) and any potential external finance provided.

Previously, developers paid a planning application fee. They no longer incur this fee but pay a neighbourhood development fee which will be lower and hence represents a net benefit (see benefits page 13).

We do not anticipate that neighbourhood planning is likely to lead to significantly higher or lower costs being incurred by developers as a result of a neighbourhood plan directing development to more or less favourable sites. The business model used by developers means that changes to the gross costs of construction are normally reflected in the residual land value paid by the developers (i.e. additional costs or benefits are passed on to the landowner). This approach ensures constancy in the profit margin secured. In addition, neighbourhood plans could equally make sites available that are more cost-effective for development, producing a benefit. Therefore there may be cost shifts in *both* directions across different areas and therefore, overall, the costs are unlikely to change substantially.

It is difficult to quantify, for example, the benefits derived from communities influencing development; and the costs to developers if, for example, they are required to change location or adhere to certain criteria set out by the neighbourhood, such as providing higher quality developments. It is difficult to determine the frequency and magnitude to which these factors could occur. Furthermore a neighbourhoods influence on the type and location of development,

among other factors, could be in either direction (i.e. a neighbourhood could have a preference for a lower value brownfield site, or given agreement on design could allow development on a more profitable greenfield site), thus it is assumed that these variations that may potentially arise from neighbourhood planning net out.

BENEFITS

Community involvement

The empowerment of neighbourhood communities will lead to community ownership of plans and plans that better reflect the wishes of local communities. It is hoped that this will lead to behavioural change in such a way as to make local communities more predisposed to accept development. As a result, it is anticipated that greater community engagement, coupled with financial incentives, could lead to an increase in development. Research by the National Housing Policy Advice Unit reported that 73 per cent of people support more homes if they were well designed and in keeping with the local area⁶. Therefore, it is expected that the greater involvement of the community could lead to an overall increase in development compared with the *status quo*, and an increase in development that is in-line with local needs.

There are several unquantifiable benefits to this policy. Greater community involvement should lead to development that is more in line with local community wishes. For the community, this increased role should lead to development that fits better with local wishes. There will also be a reduction in the level of antagonism with the planning system. For developers, greater and early engagement is likely to lead to any objections being raised earlier and thus providing greater certainty over what needs to be done to make the project acceptable to the community, easing the granting of planning permission.

Neighbourhood plans bring a potential for positive behavioural change. For example, in some communities, particularly those in need of physical regeneration or lacking certain social infrastructure, local people may use the neighbourhood plan process to push for a greater level of economic and housing growth than sought in a local plan in order to benefit from the regenerative effects of development and incentives, such as new homes, new infrastructure and jobs creation.

Quantified benefits

A number of benefits can be quantified. However, there is uncertainty over take-up rates (see Table 1 for estimates of take-up). The following benefits relate to the units that would not have been delivered without government intervention introducing neighbourhood plans. In other words, it considers development over and above that which might be expected without this policy intervention. The benefits of neighbourhood plans relate to the cost savings from no longer requiring formal planning permissions. There are further benefits relating to additional units that are supplied as a result of neighbourhood planning, outlined on pages 15 and 16. **It is assumed that the benefits are not realised until year 2 of the policy, when neighbourhood plans are in place.**

Removing the planning application process: savings to developers

Under neighbourhood development orders, planning permissions are removed from the system. There are therefore subsequent administrative savings to applicants in respect of the administrative savings of no longer submitting planning applications and fee savings for planning applications. The analysis represents the cost savings from no longer submitting a planning application for the number of housing planning applications taken out of the system. 12 per cent of all planning applications relate to dwellings (minor developments)⁷, equivalent to approximately 7 housing planning applications per neighbourhood rising to 10 in year 11 (totalling 2,900 in year 2 rising to 36,000 in year 11 across the cumulative take up of

⁶ *Public Attitudes to Housing*, NHPAU, 2010.

⁷ <http://www.communities.gov.uk/documents/planningandbuilding/xls/864698.xls>

neighbourhood plans). This is based on the average of Q1 2007 and 2008 planning applications for minor dwelling developments as a proportion of all planning applications. Arup (2009) state the cost of submitting a planning application range from £315 to £5,755 for a smaller housing development (10-15 dwellings)⁸. Given that the costs of compliance are unknown, for modelling purposes we take the mid-point for our analysis of approximately £3,000. **Average annual savings to developers are estimated at £52m.**

This is an illustration based on minor housing developments. The costs could be higher or lower than our outlined example given that the costs of submitting an application vary for other types of development, such as major dwelling developments or retail developments. The Arup report presents the costs for a 'major development' for approximately 100 dwellings as ranging between £13,570 to £20,690. It also gives estimates for other, non-housing, developments. Given the heterogeneity of developments, this impact assessment quantifies only the savings arising from minor housing developments.

As a result of the lower resource requirement for local planning authorities the neighbourhood development fee will be lower than the current planning application fee. Developers will therefore benefit from paying a lower fee under a neighbourhood plan. This has not been monetised within the impact assessment.

Cost savings from appeals relating to planning applications

There may also be additional savings relating to appeals against rejected planning applications. The analysis is based on the assumptions outlined above (page 11/12). It is estimated that approximately 4 per cent of all planning applications are appealed. The estimated cost savings are based on the total number of planning applications estimated to be removed from the system, as stated above.

However, there could be proposals submitted that are not compliant with the neighbourhood development order and thus appeals could be made against this and proposals may need to be revised. Those who previously incurred costs of appealing may also face the costs of appeals against the plan. Thus, the estimate of cost savings for removing all appeals is in fact reduced. It is assumed to reduce by a quarter for illustration, equivalent to c. 700 in year 2 to 8,700 in year 11 planning appeals removed across the cumulative take up of neighbourhood plans. Given that there is community involvement, it is less likely that there will be unexpected objections to development from the neighbourhood. The cost savings for appeals are calculated based on: the number of planning applications that are appealed, the cost of appeal and the number of neighbourhoods that take up plans. **Average annual cost savings to developers is estimated at £8m; to the local planning authority £3m; and to the Planning Inspectorate £4m.**

Estimates of average annual benefits are based on the cumulative proportion of neighbourhoods that take up plans, outlined in Table 1. It is assumed that the benefits are not realised until year 2 of the policy, when neighbourhood plans are in place.

Table 3: Average annual benefits

<i>Agent</i>	<i>Benefits</i>	<i>Assumptions</i>	<i>Average annual benefits</i>
Local planning authority	No longer processing planning applications	No longer receive the fees for planning applications. However, no longer process the applications.	There is full cost recovery for local planning authorities, therefore, fees and administration net out.
Local planning authority	No longer processing appeals of planning permission	Estimated 3% of planning applications give rise to appeals	£3m

⁸ Arup (2009) *Benchmarking the costs to applicants of submitting a planning application*. <http://www.communities.gov.uk/documents/planningandbuilding/pdf/benchmarkingcostsapplication.pdf>

		Cost per appeal: £800	
Applicant	No longer submitting a planning application	There are administrative savings from not submitting a planning application, estimated at £3k per application.	£52m
Applicant	Saving from paying a reduced fee under a neighbourhood plan	Neighbourhood development fees to be lower than current planning application fees under the rationale that they require less resource from the planning authority	Non-monetised
Applicant	No longer appealing planning permissions	Cost per appeal: £2,000	£8m
The Planning Inspectorate	No longer processing appeals of planning permission	Cost per appeal: £1,000	£4m

There are benefits further to removing the planning process for units that would have been delivered without government intervention. These benefits relate to the additional units that are supplied as a result of neighbourhood planning.

Potential impact on development

We cannot reliably predict the impact that the policy will have on the scale of development. However, neighbourhood plans cannot propose a lower rate of growth in housing or economic development than established in the local plan. Through the National Planning Policy Framework, housing numbers are to be deemed as a "strategic" policy in the local development framework and the neighbourhood plan is required to be in general conformity with all "strategic" policies. Therefore, if the local planning authority feels that the neighbourhood plan undermines that policy, it is not required to adopt the neighbourhood plan. Neighbourhood plans can influence the location and type of development and other characteristics such as design and density.

As noted, given proper consultation with local people inducing a change of behaviour of communities, it is anticipated that the number of planning applications and appeals rejected will decrease and thus development will increase. For every additional housing unit (or development of equivalent value) we count this as a benefit. Should development reduce, this would represent a cost. Additional development will create economic value, although it is extremely difficult to quantify this value given the uncertainty and variability of what will be built. As an illustration we use the land value uplift from housing units, which can be viewed as a measure of the increase in welfare that arises from the more efficient use of land (in this case for housing rather than a previous (non-housing) use).

In short, this approach uses land value changes following the approval of new housing developments as a measure of the 'private' value of additional housing and then nets off any external impact (which may be positive or negative). It can be summarised as follows:

1. Net private value of new housing = residential land value – existing land use value;
2. Net social value of new housing = net private value of new housing + net external impact of housing development

Based on January 2010 land values, densities and Greenfield/Brownfield splits we can estimate the weighted average uplift per dwelling. It is assumed that there will be one to two additional units per year for neighbourhoods that have adopted plans. This is based on the estimate in Open Source Planning of five to ten additional units per Community Right to Build which over

five years results in one to two additional units per annum (representing the low and high scenarios below respectively). **Average annual benefits of additional housing units are estimated to range from £56m to £113m.** Table 4 presents the cumulative take-up rates of neighbourhood plans, leading to 55 per cent after 11 years, based on 7,618 neighbourhoods in England. This highlights that there will an estimated average of 31,000 additional units over 11 years.

Table 4: Total additional housing units per neighbourhood plan per annum

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Cumulative take-up rates	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%	55%
Cumulative number of n'hood plans	380	760	1,140	1,520	1,910	2,290	2,670	3,050	3,430	3,810	4,190
Low scenario (additional units)		380	760	1,140	1,520	1,910	2,290	2,670	3,050	3,430	3,810
High scenario (additional units)		760	1,520	2,290	3,050	3,810	4,570	5,330	6,090	6,860	7,620

Further benefits (not quantified)

Additional housing units will create jobs across the housing supply chain: we estimate the number as follows. The average number of additional units over 11 years is estimated at 2,900 (ranging from 1,900 to 3,800).

The average new build property is sold for £216,015 (DCLG, England, Q2, 2010). For the purposes of illustration we assume that around a third of this value represents the cost of construction (£72,000 per unit). Multiplying this up by the average number of additional units of 2,900 per annum and applying a coefficient of 21 gross direct jobs per £1m of construction output provides a mid-point estimate of 4,300 gross direct jobs per annum. To this estimate we then increase to reflect the like supply-chain multiplier (of 1.59, source: Scottish Government) and finally, to account for additionality and displacement, we assume that 1/3 of these jobs are additional. This gives us a final estimate of 2,300 net direct and indirect additional jobs per annum resulting from this policy.

For Community Right to Build, non-monetised benefits may relate to the benefit that Community Right to Build brings through community empowerment and producing greater certainty at local level. Increased citizen engagement in bringing forward projects through Community Right to Build will be a direct benefit along with wider benefits, including improved services and efficiency gains. If implementation is successful, Community Right to Build can complement and strengthen community cohesion, representative democracy and effective government by encouraging greater participation in the process of local decision making. Potential benefits associated with community participation and co-production includes enhanced well-being, stronger community ties, democratic renewal, and, community integration and cohesion. However, local development schemes can of course also be controversial and locally divisive.

Sensitivity around take-up

As with any policy which is voluntary we cannot clearly predict the level of take-up. In the above analysis we have used a central illustration as shown in table 5. This leads to overall coverage of 55 per cent by year 11. The detailed analysis above estimates a net benefit of £1,345m (ranging from £1,125m to £1,564m).

Table 5: Differential cumulative take-up rates

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Central	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%	55%
High	8%	16%	24%	32%	40%	48%	56%	64%	72%	80%	88%
Low	2%	4%	6%	8%	10%	12%	14%	16%	18%	20%	22%

Table 5 also outlines two alternative scenarios: (i) low where take-up reaches 22% over the period; and (ii) high where take-up reaches 88%. This has implications for the cost and benefits associated with the policy:

- Under the low scenario of take-up for illustration, the average net benefit falls to £538m, ranging from £450m to £626m.
- Under the higher scenario of take-up for illustration, the average net benefit increases to £2,152m, ranging from £1,800m to £2,503m.

Risks

The risks associated with the preferred option are as follows:

- The promoters of the neighbourhood plan may seek to use the plan to prevent development taking place that is envisaged in the development plan. This possibility is mitigated by the requirement that neighbourhood plans have regard to the strategic policies in the local plan (which includes housing numbers). Moreover, where communities have a greater degree of involvement with the development of planning policy, they will be more willing to advocate and support growth.
- Insufficient resource or expertise is made available to enable sufficient neighbourhood plans to be produced to have an adequate impact on the scale of development that takes place.
- Neighbourhood plans are not sufficiently detailed or robust to prevent low-quality development taking place, with the result that environmental quality and economic growth are undermined.
- Local planning authorities do not co-operate effectively with the development of neighbourhood plans (either by choice or because of insufficient resources) with the result that they fail the test required for making their adoption by the local planning authority mandatory.
- Where neighbourhood plans have directed development to less favourable sites but the developer's incentive nevertheless remains high, the normal business model operated by developers may not apply, leading to narrower profit margins.

These risks associated with neighbourhood plans and the removal of planning applications are not anticipated to be significant given that the plans will be open to independent assessment of compliance. Furthermore, there will be expertise from the local planning authority involved in order to ensure the plans are detailed and robust.

One-in-one-out

The administrative burden and policy cost savings to business (i.e. developers) are based on estimates of the administrative process of neighbourhood plans. In areas that take up neighbourhood plans, it is estimated that the average annual cost savings to developers from no longer submitting planning applications are £52m (average, per year, constant prices) or £445m over 11 years (present value). It is assumed that the cost savings of planning application fees net out the costs associated with a neighbourhood development fee. Cost savings to

business/developers in terms of appeals are estimated at £8m (average, per year, constant prices) or £70m over 11 years (present value). Savings will also be made as a result of the neighbourhood development fee being lower than that of a 'standard' planning application fee – these savings have not been monetised. Total monetised cost savings to business/developers in terms of appeals are estimated at £8m (average per year, constant prices) or £70m over 11 years (present value).

As discussed earlier, it is possible that a developer may contribute to the preparation or update of a neighbourhood plan. Although this would result in a cost (dependent on both take-up and the contribution made) business would only do so if the benefits of this action outweigh the costs.

New burdens

Neighbourhood planning introduces a number of new costs and new savings on local authorities, some of which we have quantified and others which remain to be quantified:

Quantified costs per plan

Officer time requirements in respect of:

- | | |
|---------------------------------------|---------|
| • Conducting independent examinations | £10,000 |
| • Holding a referendum | £7,000 |

(Total quantified costs per plan £17,000)

Unquantified costs per plan

- Officer time requirements in respect of geographically defining neighbourhoods in their area and providing expertise and advice to neighbourhood planning groups

Loss of income from planning application fees for development covered by a neighbourhood development order

Unquantified savings per plan

Officer time requirements in respect of:

- No longer processing planning applications in areas covered by a neighbourhood development order
- Easier processing of applications where a neighbourhood plan is in place
- All work currently being undertaken on neighbourhood planning (i.e. prior to the new provisions being enacted)

Quantified savings per plan

- No longer processing appeals against rejected planning applications £1,500 p.a

Income

DCLG Grant *per plan*: £40,000¹ (see note 1, below)

¹ Assuming 380 plans per year 2012/13 – 2014/15 and a total grant availability of £45m over that period (£39,473 per plan). From 2013/14, this will be paid through Formula Grant

Of the **quantified benefits and costs** listed it is important to note that the DCLG grant and cost of implementation (£17,000) are both one-off in the year of implementation. By contrast the income and savings from appeals (£1,500) occur in each year following implementation. As these benefits occur over the period we present them as present value for fair comparison: this figure is £102,000. Overall, this means the benefits of neighbourhood plan are £40,000 (DCLG grant) plus £102,000 (total annual benefits over the period) less the £17,000 cost of

implementation. This gives a **net benefit of £125,000 per plan** over the first 11 years of implementation.

The **net unquantified costs/benefits per plan** depend on the balance between unquantified costs per plan and unquantified savings per plan. However, two of these net out against each other: “*Loss of income from planning application fees for development covered by a neighbourhood development order*” nets out against the savings from “*No longer processing planning applications in areas covered by a neighbourhood development order*”. The net unquantified cost/saving therefore depends only on the balance between the following:

Unquantified costs:

- Officer time requirements in respect of geographically defining neighbourhoods in their area and providing expertise and advice to neighbourhood planning groups.

Unquantified savings:

- Easier processing of applications where a neighbourhood plan is in place and all work currently being undertaken on neighbourhood planning.

If the balance of officer time requirements is positive, then it would be off-set by the net income of £125,000. The Vanguard project will give us further insight into the likely magnitude of the unquantified costs.

Specific impact tests

STATUTORY EQUALITY DUTIES

An equalities impact assessment has been prepared alongside this document and identifies the following potential equalities impacts (in respect of which mitigation measures are in place):

- Where a specified group within the community is, by virtue of its unique characteristics, less able to instigate or engage with the development of a neighbourhood plan, there is a risk that the plan will lead to unwelcome development being directed (either deliberately or inadvertently) towards areas predominantly inhabited by members of those groups.
- Also, development taken forward by the community in general may be of a kind which doesn't meet the special needs of a minority group. Housing typologies, for example, may be relevant here.

People from black and minority ethnic communities: These groups are disproportionately located in low income areas and are therefore less likely to be sufficiently well resourced to pay for a neighbourhood plan. Also, where English is not a first language, difficulties may be encountered in engaging effectively with the neighbourhood plan process.

People with disabilities: Disabilities may undermine the ability to attend consultation events or take part in consultation exercises.

Safeguards are in place to minimise the adverse equalities impacts. These include the independent examination (which will assess compliance with legal requirements), the need for plans to be in conformity with strategic elements of local plans, and the requirement for popular support to be demonstrated through a referendum.

ECONOMIC IMPACTS

Competition – We do not anticipate the policy having any adverse impacts upon competition.
Small firms – We do not anticipate the policy having any adverse impacts upon small firms.

ENVIRONMENTAL IMPACTS

The environmental impacts of the policy will be those resulting from the increased amount of development that takes place as a result of the policy. The scale of these impacts will be directly related to the extent to which the policy is successful in promoting housing and economic growth. But in practice, such impacts will still be the subject of national guidance which seeks to minimise their scale, such as Environmental Impact Assessments and Strategic Environmental Assessments.

SOCIAL IMPACTS

Health and well-being – We do not anticipate the policy having any adverse impacts on health and well-being.

Human rights – We do not anticipate the policy having any adverse impacts on human rights.

Justice system - We do not anticipate the policy having any adverse impacts on the justice system.

Rural proofing – Local authorities will be available to advise on how proposed neighbourhood plans may affect rural policy objectives. Local authorities will also be required to provide advice on the compatibility of neighbourhood plans with strategic policies for rural areas. The risks of negative impacts on rural objectives are therefore mitigated. Furthermore, the likelihood that neighbourhood planning will lead to greater scrutiny of the potential impacts of neighbourhood plans on rural policy objectives is substantially increased by the fact that the policy is being developed by the rural community in question. We do not therefore anticipate the policy having significant adverse impacts on rural areas.

SUSTAINABLE DEVELOPMENT

As “Environmental impacts” identified above.

Summary and preferred option with description of implementation plan

Neighbourhood groups will be empowered to instigate plans for their areas and, where sufficient local support is demonstrated, the plans will be developed in partnership with the local planning authority. Where the plan invokes a requirement for an environmental impact assessment under the Environment Impact Assessment Directive, the involvement of the local planning authority will be much greater (sufficient for the local planning authority to meet its obligations as the competent authority under the Environment Impact Assessment Directive). Similarly, this applies for a strategic environmental assessment under the Strategic Environmental Assessment Directive.

The plan will be set within the context of a strategic plan (local development framework) and resourced by central Government. It would be able to go beyond local authority plan on key issues like the amount and type of development but would need to take into account the impact on neighbouring communities and infrastructure provision. The plan will be subject to an independent examination and the subsequent report will be non-binding. Where the plan is compliant with legal requirements, the local planning authority will be under a duty to adopt it as part of the local development framework.

The plan will comprise a policy element and a development order element. The latter would be binding on certain issues and, for other kinds of development, this element of the plan could require conditions before building could begin. Therefore, where a development proposal is certified as being compliant with the neighbourhood plan, no planning application will be required.

Implementation plan

The required legislative changes would be enacted through the Localism Bill and the national Planning Policy Framework.

Annexes

Annex 1 should be used to set out the Post Implementation Review Plan as detailed below. Further annexes may be added where the Specific Impact Tests yield information relevant to an overall understanding of policy options.

Annex 1: Post Implementation Review (PIR) Plan

A PIR should be undertaken, usually three to five years after implementation of the policy, but exceptionally a longer period may be more appropriate. A PIR should examine the extent to which the implemented regulations have achieved their objectives, assess their costs and benefits and identify whether they are having any unintended consequences. Please set out the PIR Plan as detailed below. If there is no plan to do a PIR please provide reasons below.

Basis of the review:

There is a commitment to review and understand the impacts, outputs and value for money of neighbourhood plans and Community Right to Build. We are proposing that this policy is reviewed to monitor if and how it is being implemented at the local level. The policy will be reviewed in a proportionate way to map the associated impacts arising, for those falling within the policy's remit. This is required for public and parliamentary accountability purposes. We are proposing that the review is undertaken between three and five years after Royal Assent has been awarded.

Review objective:

- To check at which spatial scale neighbourhood planning is being taken up across local authority areas.
- To consider the impact of this policy for increasing local support for planning decisions and streamlining the planning process.
- To check that neighbourhood plans contain proposals for housing growth (in terms of the number of housing units) and economic development growth (in terms of new floorspace) at a greater scale than contained in the local development framework.
- To monitor that the proposals for housing growth contained in neighbourhood plans over and above those contained in the local development framework have been implemented.
- To understand the wider impacts of implementing this policy for local accountability and local participation in local planning decisions.
- To capture evidence to demonstrate the value for money of this policy option, over the status quo.

Review approach and rationale:

Analysis of all – or a representative sample of – neighbourhood plans that have been adopted by local planning authorities. Analysis of the housing and economic development growth envisaged in the respective local development frameworks.

This will be carried out via engaging with key partners, such as developers, local residents, local authorities and proponents of plans by asking questions, for example, to developers regarding the extent to which neighbourhood plans ease development, being straightforward or more complicated and provide certainty. Analysis of DCLG statistics will also be carried out.

Over the coming months, further details of any proposed research and analysis will be considered by a Localism Bill review steering group, to ensure that the methods are appropriate, proportionate, and cross-cutting where possible, so that we collect only essential information/data at both the baseline and follow-up review stages.

Baseline:

The baseline position will be the level of housing growth and economic development growth contained in local development frameworks at the introduction of the policy and in the following period. The baseline position has therefore not yet been established. DCLG will be responsible for analysing the data.

Success criteria:

- The increase in housing supply in areas that take-up neighbourhood plans and Community Right to Build.
- The increase in community engagement and involvement in planning and development.
- Other measures of success include the extent to which opposition to new development is reduced. Surveys currently show that over half of homeowners oppose new housing developments.

Monitoring information arrangements

We shall instigate a survey of all – or a representative sample of – neighbourhood plans and local development frameworks by approaching a variety of sources including local planning authorities and the Planning Inspectorate. This exercise will capture a range of geographical areas for comparative purposes. We shall also maintain an informal ongoing record of all plans. We will consider how we may be able to instigate a mechanism to allow systematic collection of monitoring information for the review. The wider impacts on local participation and perceptions of local accountability will be picked up from the overarching PIR for planning.

Reasons for not planning a PIR: N/A

Annex 2: Community Right to Build

Background

The planning system can frustrate the ability of communities, particularly rural ones, to see the development that they want brought forward. Reforms to the planning system will provide a toolbox of options for bringing forward development proposals depending on what best suits their own needs: the conventional planning application route; neighbourhood planning, which will give people greater ownership of plans and policies that affect their local area; and the Community Right to Build where communities want to bring forward specific small scale development where the benefit of development will be retained by the community, for the community, through a streamlined, light-touch neighbourhood planning process.

Recognising that Community Right to Build schemes are likely to be small scale development, and that proposals will be for specific development proposals, where the community wants to maintain the benefit of the development for the community, proposals will follow a streamlined neighbourhood planning process (a Community Right to Build Order). The key differences will be that schemes will be subject to lighter consultation requirements; will not be subject to the same level of examination; and there will be less of a role for local planning authorities to approve schemes. Community groups therefore can use this new tool to take forward small scale developments that have local backing (more than 50 per cent of the community in a referendum), even where the local authority is opposed. Community Right to Build will apply to all areas, urban and rural, but is most likely to be relevant in rural areas, where communities seek additional affordable housing or shops or facilities to support rural life.

Community Right to Build schemes will be able to be brought forward by community groups established as a corporate body by members of the local community. (The definition of communities will follow the approach to neighbourhood areas in neighbourhood planning.) This will ensure that proposals are community-led and that there are arrangements to manage the benefit from development for the community. We envisage that the type of community led developments brought forward through Community Right to Build will be small-scale (e.g. 5-10 homes). Schemes eligible to use the streamlined neighbourhood planning process will be limited in size and should not be able to exceed 10 per cent of existing development over a 10 year period.

The type, quantity and design of development to be built will be for the community group to decide. It will be for the community to identify suitable land, finance and development options, including any long term management and maintenance arrangements. Community groups taking up the Right to Build may also want to make use of the proposed Right to Buy and Right to Challenge as part of their proposals (e.g. acquiring land or buildings or running community services). Schemes which require an Environmental Impact Assessment are likely to have a significant impact in terms of Habitats Regulations will not be eligible for Community Right to Build.

On receipt of a Community Right to Build Order, applications local planning authorities will need to confirm that the application is valid, including that it is from a community group, it does not cover excluded development (e.g. which would require an Environmental Impact Assessment) and is within acceptable development thresholds (i.e. not exceeding 10 per cent over 10 years). Valid Community Right to Build Order applications will then be assessed by an independent examiner, nominated by the community organisation promoting the proposal in agreement with the local planning authority, and appointed by the authority. The independent examiner will assess:

- the proposal against national policy
- whether the proposal is in general conformity with strategic policies in the development plan for the area
- whether making an order would breach or is otherwise compatible with EU obligations,
- the proposal is consistent with convention rights for human rights and
- the geographical extent of the referendum

The independent examiner's report will be binding for the local planning authority with the exception that the local planning authority is able to consider modifications in order to ensure EU obligations are not breached, that it is compatible with convention rights, and the extent of the referendum.

If the independent examiner recommends that a referendum is held, the council must hold a referendum. Where more than 50 per cent of those who vote in the referendum vote in favour the local planning authority will have a duty to approve a Community Right to Build Order giving planning approval for the proposed scheme. The Community Right to Build Order gives approval to build, but in the same way as all other planning approvals, community groups will still need to acquire land to be able to take forward development as well as meeting any other consent regimes (e.g. building regulations).

Support arrangements will be put in place to help community groups that wish to bring forward Community Right to Build schemes, potentially including seed-corn revenue funding for community groups to help them develop proposals, as well as a range of practical advice and signposting community groups to existing centres of expertise.

Costs

It will be for community groups to fund the working up of their proposals (but potentially with Government seed-corn funding available to them) as well as the build out costs (but with the ability to partner housebuilders or housing associations, etc where they choose to). The cost of bringing forward a Community Right to Build scheme can typically be expected to be broken down as follows:

Start up costs	Approx £1,000
Project Development	Approx £35,000
Referendum	Approx £3.5,000
Total	Approx £39,500

Local authorities will be able to recover costs relating to handling Community Right to Build schemes, including referendum costs, from community groups bringing forward Community Right to Build schemes (with the Secretary of State able to prescribe cost levels of this neighbourhood development fee through regulation). We have assumed referendum costs will be split 50-50 between the community group bringing forward the Community Right to Build scheme and the local authority. Referendum costs are estimated at £7,000 for a ward (based on £1.50 per vote), which would mean that the local authorities referendum costs are likely to be £3,500 per Community Right to Build scheme. On the basis of the Community Right to Build programme we might expect to see over the Comprehensive Spending Review period - and assuming each of these reached referendum (which we would not expect them all to do) - this would mean a total estimated cost for local authorities of around £1.75m over the Comprehensive Spending Review period. We will review this new burden cost for local authorities in relation to referendum costs in light of the regulations for the neighbourhood development fee. Funding to provide for this would be found from within the funding earmarked for Community Right to Build support through the Comprehensive Spending Review (subject to

business case approval) and we would expect funding to be put into the Revenue Support Grant to fund this.

Benefits

The net value to society of additional housing units delivered under Community Right to Build is captured by the land value uplift. This is a measure of the increase in welfare that arise from the more efficient use of land – on this case housing development compared to some previous use (adjusted for any negative externalities). Community Right to Build schemes can be used to bring-forward other forms of development where the net value to society may be estimated in the same way, but where due to the more heterogeneous nature of such development it is not possible to estimate accurately in the way it is for housing.

The monetised benefits presented in the impact assessment of additional housing units are based on one to two additional units delivered per neighbourhood plan and/or Community Right to Build scheme each year. Where the existence of Community Right to Build schemes result in additional housing supply there will be further benefits, on top of the land value uplift, in that the associated construction activity will also provide a boost to national output and employment. Indeed, there are reasons to expect that this impact will be relatively large for a given level of investment in housing compared to many other investments because: a) it is relatively labour intensive; and, b) the bulk of the materials used are domestically sourced. These benefits relating to neighbourhood plans and Community Right to Build are outlined earlier on in this impact assessment.