



Localism Bill: compulsory pre-application  
consultations between prospective developers and  
local communities  
**Impact assessment**



Localism Bill: compulsory pre-applications for  
consultations between prospective developers  
and local communities

**Impact assessment**

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## Impact assessment: Compulsory pre-application consultations between prospective developers and local communities

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 aims to rebalance power from central government to local authorities and local people, combined with new freedoms and financial incentives.

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 Department for Communities and Local Government paper: *A new approach to housing supply*.

<b>Title:</b> Localism Bill: compulsory pre-application consultation between prospective developers and local communities  <b>Lead department or agency:</b> Department for Communities and Local Government  <b>Other departments or agencies:</b> n/a	<b>Impact Assessment (IA)</b>
	<b>IA No:</b> DCLG 0059
	<b>Date:</b> January 2011
	<b>Stage:</b> Final
	<b>Source of intervention:</b> Domestic
	<b>Type of measure:</b> Primary legislation
<b>Contact for enquiries:</b> Tammy Adams / Neil Holdsworth	

## Summary: Intervention and Options

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

Planning applications are often heavily contested, resulting in lengthier application processes and costs for developers, councils and communities. One of the causes of this situation is that communities are often not consulted closely enough before planning applications are submitted by developers to the local authority, leading to opposition to developments, lengthy enquiries and planning by appeal. This leads to frustration, with communities feeling ignored and unable to influence the course of future developments within their area.

We believe the best way to fix this situation is to empower local people by ensuring that developers involve them whilst assembling large scale planning proposals. Giving communities a greater say in shaping their neighbourhoods is likely to increase levels of development and reduce the number of proposals refused planning permission. Alongside neighbourhood planning proposals, a new requirement for compulsory community engagement at the pre-application stage is one way through which this can be achieved, particularly for larger applications which are likely to fall outside the neighbourhood planning process. By giving local people a stronger say in the planning process, and making developers aware of issues of importance to the community that will need to be resolved through the design process, we expect that issues will be raised (and resolved) sooner, and planning permission granted more swiftly and in more cases.

### What are the policy objectives and the intended effects?

The policy objectives are to (i) increase community engagement in the planning system and allow communities the opportunity to shape their neighbourhoods (ii) reduce the costs of the planning process and speed up the system, and (iii) increase the number of high quality, major applications agreed.

Pre-application consultation provides an opportunity to achieve early consensus on controversial issues before proposals are finalised. This should encourage greater community engagement in the process, and result in better quality applications submitted to local authorities, which are more in line with community aspirations, and much less controversial. Such an approach is considered to be inclusive and transparent, with development outcomes more in line with what the community desires.

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

- 1) Do nothing.
- 2) Encourage prospective developers to undertake pre-application consultation by introducing a new policy requirement that makes an account of pre-application discussion an information requirement for certain categories of development.
- 3) New statutory requirement for pre-application consultation for all very large scale major development becomes mandatory, with matters of detail left for developers to determine with the local community.

**Option 3 is considered to be the most effective and proportionate route to achieving the policy objectives, and is the option to be taken forward.**

**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 five years of coming into effect

**Are there arrangements in place that will allow a systematic collection of monitoring information for future policy review?**

No The review will be based on evidence to be gathered from practitioners with experience of this provision.

**Ministerial 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 2

**Description: New policy to encourage prospective developers to undertake a compulsory pre-application consultation (all major planning applications)**

Price Base Year 2010	PV Base Year 2010	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: £0m	High: £0.2m	Best Estimate: £0.1m

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional	£0m	£0m
High	Optional	£2.0m	£17.4m
Best Estimate		£1.0m	£8.7m

**Description and scale of key monetised costs by 'main affected groups'**

- Cost to applicant in consultant fees and administrative cost of completing pre-application discussions, in accordance with policy.
- It is assumed this policy would result in a 0% to 10% increase in the number of pre-application consultations, as developers become aware of the policy requirement.
- All costs are borne by the developer, yet given there is no legislative impetus to undertake the consultation it is assumed only those that consider they will gain from the procedures will undertake it. This will occur when the benefits for the developer at least off-set the costs. As a result the net cost to developers is assumed to be zero (see benefits below).

**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	Optional	£0m	£0m
High	Optional	£2.1m	£17.6m
Best Estimate		£1.0m	£8.8m

**Description and scale of key monetised benefits by 'main affected groups'**

- Given there is no legislative impetus to complete the compulsory pre-application consultations, the likelihood is that the policy will lead to them being undertaken by only those that will benefit from doing so.
- As a result the benefits for the developer are assumed to off-set the costs. These may be attained via savings from reduced appeals and the fact that the development is likely to occur earlier.
- In addition, a potential increase in the proportion of successful developers is assumed to result in a reduction in the number of appeals. Further to savings for developers this also leads to savings for Planning Inspectorate and the local planning authority. This is the reason why the benefits are marginally greater than the costs.

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

Greater involvement of the local community is also likely to increase the acceptance rates of major developments.

<b>Key assumptions/sensitivities/risks</b>	<b>Discount rate (%)</b>	3.5%
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- As a result of the pre-application consultations there is a 10-15% fall in the number of appeals, hearings and enquiries relating to the additional major planning applications that undertake a pre-application consultation.
- 80-90% of large major planning applications and 10-80% of small are assumed to already undertake a pre-application consultation.
- The number of planning permissions is assumed to rise over the appraisal period – the assumed growth rate is in line with the latest Office for Budget Responsibility forecast of economic growth.

<b>Impact on admin burden (AB) (£m):</b>		<b>Impact on policy cost savings (£m):</b>		<b>In scope</b>
<b>New AB:</b>	<b>AB savings:</b>	<b>Net:</b>	<b>Policy cost savings:</b>	<b>Yes/No</b>

## Summary: Analysis and Evidence

Policy Option 3

**Description: New statutory requirement for compulsory community pre-application discussions applied to large-scale major planning applications**

Price Base Year 2010	PV Base Year 2010	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: £87.9m	High: £142.5m	Best Estimate: £115.2m

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional	£2.1m	<b>£18.0m</b>
High	Optional	£8.5m	<b>£71.9m</b>
Best Estimate		£5.3m	<b>£44.9m</b>

### Description and scale of key monetised costs by 'main affected groups'

- Cost to applicant in consultant fees and administrative cost of completing pre-application consultations. Note that architecture costs are not included here as these will be incurred in any case as the result of engagement in the planning process.
- Offset by those currently undertaking some form of pre-application: estimated at 80 to 90% of large-scale major applications
- All of these costs are borne by the developer.

### Other key non-monetised costs by 'main affected groups'

Those who currently do not undertake a community pre-application consultation and whose application is granted within 13 weeks, could take a longer overall period to be granted permission.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional	£12.3m	<b>£105.9m</b>
High	Optional	£24.9m	<b>£214.4m</b>
Best Estimate		£18.6m	<b>£160.2m</b>

### Description and scale of key monetised benefits by 'main affected groups'

- Greater community involvement is expected to increase acceptance rates of proposals, resulting in more development (£12m-£24m), as collaboration will expose unanticipated issues that can subsequently be addressed.
- Predicted reduction in administrative costs associated with the processing and determination of planning appeals (£0.3m – £0.9 m per annum). Benefits divided between applicants, local authorities and the Planning Inspectorate.

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

- Greater community involvement will benefit society by providing a positive and constructive role for local people in the planning process. The resultant increase in local support for new developments should lead to more, better quality housing (and other development) being delivered.
- Applicants whose applications currently fall in to abeyance and are granted permission after the statutory period for determination has expired (13 or 16 weeks) are likely to have permission granted earlier, as a direct result of having undertaken community pre application consultation and avoiding controversy at the application stage
- Local communities have a greater say in developments that are likely to affect them.



<b>Key assumptions/sensitivities/risks</b>	<b>Discount rate (%)</b>	3.5%
<ul style="list-style-type: none"> <li>- Many of the 10-20% of developers who do not currently consult do so not because there are no benefits of consulting, but because they (unlike their industry colleagues) have not caught on to the benefits.</li> <li>- As a result of the pre-application consultations there is a 10-15% fall in the number of appeals, hearings and enquiries relating to large – scale major planning applications.</li> <li>- A cautious illustration of an increase of 2- 4 major residential sites (or development of equivalent value) are developed per year (at 200 units each). These are monetised and included above (see evidence base for further details).</li> <li>- The number of planning permissions is assumed to rise over the appraisal period – the assumed growth rate is in line with the latest Office for Budget Responsibility forecast of economic growth.</li> </ul>		

<b>Impact on admin burden (AB) (£m):</b>		<b>Impact on policy cost savings (£m):</b>		<b>In scope</b>
<b>New AB:</b>	<b>AB savings:</b>	<b>Net:</b>	<b>Policy cost savings:</b>	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?	2011				
Which organisation(s) will enforce the policy?					
What is the annual change in enforcement cost (£m)?					
Does enforcement comply with Hampton principles?	Yes/No				
Does implementation go beyond minimum EU requirements?	Yes/No				
What is the CO <sub>2</sub> equivalent change in greenhouse gas emissions? (Million tonnes CO <sub>2</sub> equivalent)	<b>Traded:</b>		<b>Non-traded:</b>		
Does the proposal have an impact on competition?	Yes/No				
What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?	<b>Costs:</b>		<b>Benefits:</b>		
Annual cost (£m) per organisation (excl. Transition) (Constant Price)	<b>Micro</b>	<b>&lt; 20</b>	<b>Small</b>	<b>Medium</b>	<b>Large</b>
Are any of these organisations exempt?	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No

## Specific Impact Tests: Checklist

Set out in the table below where information on any specific impact tests 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
<b>Statutory equality duties<sup>1</sup></b> <a href="#">Statutory Equality Duties Impact Test guidance</a>	No	18
<b>Economic impacts</b>		
Competition <a href="#">Competition Assessment Impact Test guidance</a>	No	18
Small firms <a href="#">Small Firms Impact Test guidance</a>	Yes	18
<b>Environmental impacts</b>		
Greenhouse gas assessment	No	18
Wider environmental issues	No	18
<b>Social impacts</b>		
Health and well-being <a href="#">Health and Well-being Impact Test guidance</a>	No	18
Human rights <a href="#">Human Rights Impact Test guidance</a>	No	18
Justice system <a href="#">Justice Impact Test guidance</a>	No	18
Rural proofing <a href="#">Rural Proofing Impact Test guidance</a>	No	18
<b>Sustainable development</b> <a href="#">Sustainable Development Impact Test guidance</a>	No	18

<sup>1</sup> 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	National Housing and Planning Advice Unit: <i>Public Attitudes to Housing 2010</i> ( <a href="http://www.communities.gov.uk/documents/507390/nhpau/pdf/16127041.pdf">http://www.communities.gov.uk/documents/507390/nhpau/pdf/16127041.pdf</a> )
2	Department for Communities and Local Government: Development Control Statistics ( <a href="http://www.communities.gov.uk/planningandbuilding/planningbuilding/planningstatistics/developmentcontrolstatistics/">http://www.communities.gov.uk/planningandbuilding/planningbuilding/planningstatistics/developmentcontrolstatistics/</a> )
3	
4	

+ Add another row

### Evidence Base (option 4)

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 <sub>0</sub>	Y <sub>1</sub>	Y <sub>2</sub>	Y <sub>3</sub>	Y <sub>4</sub>	Y <sub>5</sub>	Y <sub>6</sub>	Y <sub>7</sub>	Y <sub>8</sub>	Y <sub>9</sub>
<b>Transition costs</b>										
<b>Annual recurring cost</b>										
<b>Total annual costs</b>	4.7	4.8	4.9	5.0	5.2	5.3	5.5	5.6	5.8	5.9
<b>Transition benefits</b>										
<b>Annual recurring benefits</b>										
<b>Total annual benefits</b>	18.6	18.6	18.6	18.6	18.6	18.6	18.6	18.7	18.7	18.7

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



Microsoft Office  
Excel Worksheet

# Evidence Base

## Problem under consideration

A key principle of the government's localism agenda is to give power back to local people, and a new requirement for compulsory community engagement at the pre-application stage is one way through which this will be achieved. Where this is missing, communities feel ignored and unable to influence the course of future developments within their area. This situation as it currently stands is unhelpful to developers and local authorities, where community objections are often vociferously raised only at the formal planning application stage, resulting in a greater degree of conflict in the formal decision making stage, which can in turn lead to delays, withdrawn applications and refusals.

Under the current legislative arrangements, communities and other interested parties are able to comment on proposed developments as part of the formal application process and local authorities are required to take all representations into account in the determination process. However, there is no requirement for developers to consult communities prior to the submission of a planning application, when developers are working up potential designs and at the point in the development process where communities could have the most productive impact on major applications. The way to fix this is to ensure communities are engaged in the formulation of development plans in their area.

## Rationale for intervention

The Coalition agreement (May 2010) set out the intention of the coalition government to reform the planning system with a commitment **to legislate to ensure that developers involve the local community in the design of large scale planning applications**. This change complements proposals on neighbourhood planning and will help ensure positive approaches to development in communities as they are able to shape and influence it.

One of the key challenges faced by the government in improving housing supply is to develop conditions where growth and development are supported by communities. One of the way this can be achieved is through giving communities greater influence over what form the future built environment might take. The evidence suggests that communities are not against development per se but that specific aspects cause concern. A recent YouGov Poll for the National Housing and Planning Advice Unit, undertaken between 23 and 25 March 2010, demonstrated that 21% of respondents opposed new housing supply in their area, this number fell to 8% if homes are well-designed and in keeping with the local area, a statistic that is backed up by research reports in to this issue<sup>2</sup>. Therefore, higher rates of community involvement in the planning and development process, in this case for large major applications, could lead to greater acceptance rates for new development.

There are already very positive examples of this type of engagement working in practice. The Enquiry by Design methodology, piloted by the Princes Trust, brings communities together to generate a collaborative vision for a new or revived community and has been applied at various stages of the plan making process. In addition to this, there are other examples, such as design charrettes, that are also used by developers and local authorities to help communities express their views about proposed developments in a positive, constructive way, and the government is keen to encourage such activities.

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<sup>2</sup> National Housing and Planning Advice Unit: *Public Attitudes to Housing 2010* (<http://www.communities.gov.uk/documents/507390/nhpau/pdf/16127041.pdf>)

The introduction of legislation to ensure that pre-application community involvement takes place on all relevant developments is considered to have benefits for all parties concerned. Communities will benefit through having a greater say on planning applications that affect them. Developers will also benefit from the measure, through the identification of issues at an early stage which can be resolved prior to the formal submission of an application. It is expected that a compulsory pre-application phase will also allow issues to be resolved informally between interested parties and this will have the impact of speeding up the formal planning application process, reducing instances of applications being amended and re-consulted upon, or withdrawn and then resubmitted. This will lead to benefits for local authorities and assist them in making timely decisions. Overall, the policy is likely to result in an increase in development overall, and this is considered to bring significant benefits to the economy as a whole, delivering new jobs, housing and growth in the economy.

The change will also have tangible benefits that are more difficult to quantify. Greater engagement of the community is likely to result in more people being aware of development and planning issues and allows communities to have a more productive input to the planning process. This is also likely to lead to developments that are more sensitive to their surrounding area, and of the type local communities actively desire, which is likely to enhance their overall quality. The change is likely to reduce instances of the perception that negotiations on development proposals take place 'behind closed doors', where communities only learn about developments when work begins on site. A greater level of community engagement in the planning process is likely to also encourage communities to become more active in other areas of local decision making, potentially leading to a more vibrant, engaged public realm.

### **Policy objective**

The new requirement for developers to undertake compulsory community engagement prior to the submission of planning applications will help deliver the principles of localism and increase the amount of high quality planning permissions delivered through the planning system by:

- Promoting the involvement of local communities in the development of significant proposals that will affect them.
- Reduce the number of objections to major planning applications after they have been submitted.
- Promote better quality planning applications.
- Provide an opportunity for parties to achieve early consensus on controversial issues before proposals are finalised.
- Provide an inclusive and transparent approach to the consideration of planning applications.
- Complementing other planning reforms aimed at empowering communities, particularly neighbourhood planning.

### **Description of options considered**

As part of the development of this policy, the department have considered three options for intervention.

1) Do nothing

2) Encourage prospective developers to undertake pre-application consultation by introducing a new policy requirement that makes an account of pre-application discussion an information requirement for certain categories of development.

3) New statutory requirement for pre-application consultation for all very large scale major development becomes mandatory, with matters of detail left for developers to determine with the local community.

### **Detailed consideration of each option**

**Option 1** is considered to have the least costs, however, it would maintain the current position where not all local people have the opportunity to be involved in the design of development proposals that will affect them. This is a matter that the government are keen to address and failing to do so is considered to be a significant disbenefit of doing nothing.

**Option 2** would introduce a new policy that encourages prospective developers to undertake pre-application discussions with communities prior to the submission of a planning application.

Under such a circumstance, all the costs of undertaking the consultation would be borne by the developer. The key costs are monetised as consultancy fees and administrative costs incurred in completing pre application discussions (circa £2000 - £10,000 per application). Whilst many developers already undertake such consultation and would not be affected by the change in policy, a further tranche of developers who currently do not may begin to do so. This would result in a minor (estimated 0-5% increase) in the total number of community pre-application discussions being undertaken on major applications. However, with no legislative impetus to complete the compulsory pre-application consultations, coverage is not likely to be universal.

Given that there is no legislative impetus to complete the compulsory pre-application community consultations, the likelihood is that the introduction of the policy will lead to pre-application discussions only occurring where there is a benefit to the developer of doing so, or where local authorities are particularly proactive in promoting the policy. This is likely to take place in instances where there is less precedent of informing the community. However, it would be unlikely to capture those developments that developers have little interest in consulting the community on, and one of the key objectives of the policy is to ensure pre-application community consultation takes place in such instances. The benefits, therefore, which are considered to be quicker planning approvals and reduction in the likelihood of going to appeal, are considered to apply only to those developers who choose to take advantage of the procedure and have done so in response to the introduction of the policy. There would also be marginal benefits to planning authorities and the Planning Inspectorate, through a potential reduction in the amount of appeals. Overall, the costs to the developer of completing the compulsory pre-application discussions are considered to net out with what benefits will occur as a result of the slight increase in pre-application discussions taking place as a result of the policy. However, those applicants who choose not to engage in community pre application discussions will continue to experience delays and additional costs as the result of not consulting people, and this, together with the continuing disillusionment of the communities affected by such developments, is considered to be a significant disbenefit of taking Option 2 forward and not legislating.

Overall, it is considered that Option 2 does not go far enough to incentivise pre-application discussions. Whilst it is a light touch option, it does not ensure that meaningful consultation takes place on all large scale developments and would therefore fail to address the issues the policy aims to resolve. This option would not provide a *requirement* for all large scale developments to have community involvement at an early stage. Hence, even though costs incurred on the part of undertaking the consultation are estimated as lower than the selected option this is not deemed not to be the preferred option as is unlikely to achieve any significant increase in pre application discussions, meaning that it is harder to quantify benefits such as community engagement and unlikely to achieve any overall significant benefit in terms of completion rates of development.

**Option 3 is the preferred option.** It would set out a requirement in legislation that some form of community pre-application consultation takes place on all large scale developments, to be reflected in a duty upon applicants to consult the community prior to the submission of a planning application and prepare a statement of community consultation to be submitted as part of the planning application. Such a legislative requirement for pre application community consultation already exists on applications for major infrastructure projects submitted under the 2008 Planning Act, and this would introduce a similar requirement for large scale residential and commercial projects. The legislative compulsion distinguishes it from Option 2. The precise form of consultation would be determined by the developer, in consultation if necessary with communities and local authorities. The costs would vary between applications and proportionate to the application type and nature of its impact.

The legislation would apply only to very large scale major applications. These are applications covering more than 200 residential units or 10,000 sqm of floor-space, and defined further on page 15. Therefore, only the most strategic applications would be covered by the measure. The change will impose a cost to business of complying with the requirement to consult. However, our indications from the sector demonstrate that in 80 – 90% of such developments applicants undertake consultation already. The provision would, therefore, impact only on those proposers of large scale major planning applications who do not at present undertake any consultation.

### **Why don't developers of large scale major schemes consult communities already?**

Many developers already consult communities, and there is anecdotal evidence this has been increasing in recent years, particularly amongst those promoting high-value, large-scale schemes. Current activities range from door to door discussions, public events and surveys, to large scale exhibitions and event programmes. A further indicator of the growing awareness of the benefits of community consultation is the increase over recent years in the availability of specialist public relations advice for the design and planning stages of major and controversial developments. The introduction of legislation to ensure that pre application discussions on large scale schemes always takes place will ensure that all communities and large scale developers are able to share in the benefits.

However, some developers of large-scale schemes continue to submit applications without having first consulted communities. This is often based on concerns that consultation might stir public opposition and put a scheme at risk of refusal, or concerns that it would not prove cost effective. In most cases, this is because developers are simply unaware of the benefits of consulting the community. In other cases, however, this will be part of a deliberate decision to sideline the views of local people. Such views will be vociferously expressed, in any case, in consultation at the formal application stage, so it is difficult to see the advantages of this course of action, but it is sometimes seen by developers as a viable commercial strategy.

The following scenario, based on a real-life example, illustrates how consultation with communities, even on a scheme which a developer considers to be straightforward, can benefit the developer:

- A developer experiences delays in securing a decision on what they considered to be a very straightforward planning application.
- The developer had an existing permission for a mixed use redevelopment of an office site in central London but wanted to vary the scheme to put in additional floorspace, in line with the policy of the local authority to maximise the potential of urban sites.
- The revised scheme involved the felling of three trees to the front of the building, but the developer did not anticipate this to be a major problem.
- The developer did not consult the local community.

- After the application was submitted, an article appeared in the local newspaper, criticising the proposal to fell trees which, it turned out, had historic importance for the local community and were protected by virtue of the site's location in a conservation area. Local people were outraged and successfully made representations to the Council to use its powers to protect the trees, by refusing the application and putting Tree Preservation Orders on the trees.

We expect the policy will deliver benefits which will be widely felt, through an overall increase in the amount of development as a result of a greater approval and completion rates for developments, leading to more housing, jobs and growth in the economy. This is likely to occur as a consequence of developers bringing the community onside and finding solutions to problems, which would previously have led to the refusal of planning applications and lengthy planning appeals.

Option 3 would lead to a fundamental change for the better in the way in which communities are engaged in the planning application process for large scale major developments. Instead of being consulted reactively, after an application has been submitted, communities will have the real opportunity of shaping the course of development in their area through public consultation taking place prior to any application being submitted. Whilst many developers accept this is good practice and undertake such consultation voluntarily, the proposal will make such consultation a legislative requirement and will ensure that the results of such consultation carry significant weight in the determination process. It will also ensure that those who currently avoid such consultation are brought to the table at an early stage, engaging with those who are likely to be affected by their proposals. The key benefit of the option, which is not quantifiable, is this greater community involvement in planning issues which could lead to better quality developments, which accord with community aspirations. There are other minor monetised benefits, explained in more detail below, in the reduction of appeals and associated administration and legal costs, as well as a predicted increase in development levels overall, which impact positively on communities, local authorities, and developers.

### **Administrative burden and policy savings calculations for option 3**

Option 3 introduces a new legislative requirement for developers to consult the community at the pre application stage. This is introduced through a new duty to consult established in primary legislation and a requirement for developers to undertake such consultation prior to applications being submitted, taking in to account the views of interested parties in working up proposals in greater depth.

The impact of option three on developers, local authorities and communities has been considered and is outlined below.

### **Communities**

Improving the position of communities in the planning system is the key driver for the policy, and of the three options considered, Option 3 will deliver the greatest benefit for communities. Allowing communities the opportunity to have a greater input in planning proposals as they are being developed will assert and enhance the importance of creative, community involvement in both the planning system in specific and local democracy in general, enhancing the public realm and leading to better quality developments as a direct result of the policy.

The introduction of the new measure will make involvement proactive rather than reactive, with engagement taken forward at an early stage in collaboration between developers, rather than in reaction to proposals after they have been brought to the table. Whilst these factors cannot be monetised they are considered to be of fundamental importance, as they will benefit on a wide range of communities and individuals, and are in line with the Government's overarching



objectives of empowering and incentivising communities through providing powerful opportunities for them to become engaged in the planning and development processes.

Communities will also benefit from the uplift in land values generated by additional development as a result of the policy, as set out on page 16. This benefit could be felt through an increase in economic activity, for instance in the provision of additional jobs and services generated by new development.

### **Impact on affected groups: developers**

Although certain developers will be required to fund and undertake community consultation, developers are also expected to benefit from the policy, through the predicted increase in the completion rates of developments as a result of the introduction of the policy.

The provision as currently proposed would apply to around 3,000 applications per year. Of these, our evidence suggests that 80-90% of applicants already undertake pre application consultation. The provision will apply, therefore, in the 10-20% of cases (approximately 300-600 per year) where developers do not currently consult the community.

Those developers who undertake pre-application discussions where previously they did not will benefit from a reduced likelihood of appeal, with the associated savings in administrative costs and consultancy fees. A detailed breakdown of the predicted monetary savings through the reduction in appeals is set out on page 16.

A key feature of this set of proposals is that arrangements for consultation are not heavily prescribed. They are to be determined at a local level by developers themselves, and for this reason there is no single type of consultation that could be used to model costs. However, we have tried to model what costs would be borne by a developer through looking at the steps a prospective applicant might undertake when undertaking pre-application consultation in accordance with a light touch requirement, as currently envisaged.

Developers may incur costs in the following areas, which would all be relative to the development being proposed.

- Contacting relevant parties.
- Preparation of development description and associated explanatory material.
- Communications (including any public events).
- Preparation of Statement of Community Engagement.

The total cost of undertaking the pre application community consultation for large scale major applications is estimated to be £10,000 per application. These costs have been modelled on the processes involved in undertaking consultation itself; they do not include any additional Public Relations exercises undertaken by the developer, nor any design costs incurred in amending proposals in response to views expressed in consultation. Public relations exercises are considered to be a discretionary cost on the part of the developer and can, on very controversial schemes, run in to hundreds of thousands of pounds. Where this is part of a commercial strategy this will take place in any case and any new requirement for compulsory pre application discussions is unlikely to impact on commercial decision making in this way.

Architecture and design costs have been excluded from the calculations on the basis that developers incur and budget for these as a whole, from the initial idea, through design, development and completion. Any work undertaken in response to issues raised at the compulsory pre application stage would impose a cost on the developer in terms of its designs,

but were this not to incur at the pre app stage, it is a reasonable assumption that it would occur at the formal application stage in response to comments raised in public consultation.

It is difficult to predict the net impact on those developers who currently do not undertake pre-application consultations, however it is likely that a large proportion of costs will be offset by the positive impacts on development and hence developers. Whilst those developers who do not currently undertake pre application consultation will incur costs in doing so, the development industry at large will benefit as local consultation increases the chance of developments being more locally supported, proceeding less problematically through the planning system, and being granted without the need for appeal. As a result the point where work can begin on site, and where land values are uplifted, is reached without unnecessary delay and cost.

### **Local planning authorities**

Local planning authorities are not expected to have a significant input in pre-application community engagement, however, they might decide to prepare guidance on this matter. There may also be an increase in queries about the new process (though this is likely to be short-term). As a result there is likely to be some minor administrative work involved in considering additional information as part of the planning application process, namely developers 'statements of community consultation', however, this would be co-opted into existing administrative processes associated with the validation and determination of planning applications, and is something that has not therefore been monetised. There will be an additional cost in reading through the document submitted by developers explaining what consultation has taken place (that otherwise would not have), but could expect less work than at present analysing and responding to formal responses to consultation which can sometimes lead to delays at a later stage, and a reduction in other delays experienced later in the process, as the application is determined.

However, one of the key benefits of the proposal for local authorities is that it will reduce the amount of conflict between parties which sometimes plays itself out at the application stage. Meaningful discussion and negotiations between parties should lead to better quality planning applications, with applicants working through planning issues to a greater level of detail than previously which should help to avoid circumstances where planning applications are invalidated, withdrawn and, in certain circumstances, refused. The fact that conflict has already been resolved at the pre-application stage makes it less likely that applications are held in abeyance for long periods of time. It is considered that the proposal will help authorities achieve the 13 week target for the determination of major planning applications as set out in the Development Management Procedure Order and will result in a reduction in administrative costs for authorities which are often incurred as the result of delays created by the need for applicants to amend planning permissions after they have been submitted.

Overall the administrative cost to local authorities of processing applications is difficult to quantify. As outlined above, any increase in the short term (due to enquiries or increased material to read) will be offset in the long term (by having to deal with fewer problems arising from the application and application withdrawals). It is difficult to accurately measure the magnitude of these two forces and thus for modelling purposes we assume that they roughly net out.

Savings to the local authority that can be quantified are as a result of minor savings at the appeal stage. This is because as the result of greater pre-application discussion, there could be fewer appeals (or in some cases appeals that involve fewer areas of contention), which would result in administrative savings for local planning authorities, as they will not need to produce appeal statements and attend hearings and Public Inquiries. This aspect has been quantified and is considered to result in savings to local planning authorities of between £0.04m and £0.1m.

## Monetisation of costs and benefits

In this section we aim to quantify those costs and benefits outlined above. The estimates are summarised on the 'summary: analysis and evidence' sheets and are based on a number of assumptions listed below. This section considers the costs and benefits relating to policy options 2 and 3.

### MAIN ASSUMPTIONS

- The policy is to be restricted to large major planning applications. Based on recent statistics collated by the department this represents 0.4 to 0.8% of total annual planning applications – this creates the range upon which our estimates are based.
- The number of planning permissions is assumed to grow in-line with economic growth. This means that total planning applications rise from the current 466,000 in 2009-10 to 580,000 in 2018-19. Economic growth estimates are taken from the Office for Budget Responsibility.
- The average cost of preparing a pre-application consultation is estimated at £10,000. It has been assumed that applicants will not incur additional design costs as the result of the pre application process as it is likely that this would have been incurred anyway where third parties raise objections at the formal application stage which are material to the consideration of the application.
- A proportion of applicants – estimated 80 to 90% for large-scale majors - already undertake some form of pre-application consultation procedure. For those that already undertake some form of pre-application consultation it is assumed there is no additional cost.
- Many of the 10-20% of applicants who do not undertake pre application discussions fail to do so either because they are not aware of the potential benefits of consultation, or are pursuing a deliberate strategy to sideline the local community.
- A number of large major applications each year go to appeal, which can come in three forms:
  - Five per cent of large major planning applications go to appeal and are dealt with by written representations. This costs the Planning Inspectorate an estimated £1,000 per case, the local planning authority around £800 and the applicant £2,000.
  - Three per cent of major planning applications go to appeal and are considered at a hearing. This costs the Planning Inspectorate an estimated £3,500 per case, the local planning authority around £1,000 and the applicant £4,000.
  - Four per cent of major planning applications go to appeal and are considered at a public inquiry. This costs the Planning Inspectorate an estimated £11,500 per case, the local planning authority around £3,200 and the applicant £10,500.
- It is assumed that appeals, hearings and enquiries relating to relevant large scale major planning applications will reduce by 10-15% as a result of this policy. This is because controversial issues will have been resolved during the pre application and application stage.
- The assumed land value uplift from housing development per unit based on January 2010 weighted average land values and densities – discussed further on page 13.
- For illustration we consider a major housing development to consist of 200 units (the minimum bound of a large development).

Large scale applications are defined in the department's statistical returns as follows: for dwellings, a large-scale major development is one where the number of residential units to be constructed is 200 or more. Where the number of residential units to be to be constructed is not given in the application a site area of four hectares or more should be used as the definition of a major development. For all other uses a large-scale major development is one where the floor

space to be built is 10,000 square metres or more, or where the site area is two hectares or more.

## Option 2

### COSTS

Under a policy that encourages but does not ensure that developers undertake a pre-application consultation – on all major development applications - the impact is likely to be small. To this extent the lower bound is no impact. However, with fresh impetus and active encouragement some developers may be drawn to change their position – the upper case is therefore a 10 percentage point increase (taking the overall to 90% to 100% of all large major applications and the small major applications to 20% to 90%).

Based on the assumed cost of a pre-application consultation (assumed to be £1,200 for small majors and £10,000 for large majors), along with assumed numbers of large major developments going forward (i.e. an additional 0- 10%) the estimated cost of this increase is between zero and £2m (for the average year). All costs will be borne by the developer.

### BENEFITS

Given there is no mandatory requirement, it is not expected that there will be universal coverage. Greater awareness and promotion of community consultation may lead to some additional pre application discussions taking place, however, this is unlikely to change developers attitudes where they do not see any benefits of undertaking consultation, or are deliberately sidelining views of the local community.

A predicted reduction in appeals brings savings to the local planning authority and Planning Inspectorate (average £16,000 per year). These are in addition to the costs above and thus make this option, overall a small net benefit. The benefits range from zero to £2.1m.

\* Note: the benefits outweigh the costs by only the £16,000 per year accrued by Planning Inspectorate and the local planning authority, despite the overall figures indicating a larger difference – this is simply due to rounding.

## Option 3

### COSTS

Based on the assumptions above, we have estimated the cost of this policy. Table one shows the formulation of this estimate based on our assumed range of 2,000 – 4,000 large major planning applications in a given year (estimate show represent an average year of the appraisal period). As shown, the total cost of compulsory pre-application consultations ranges from £21.2m to £42.5m, however importantly a large proportion (80- 90%) already undertake this process. As a result £19.1m to £34.0m of these costs are already incurred and thus not additional. The net costs (resulting from this policy) are thus estimated at £2.1m to £8.5m. All of these costs are borne by developers that currently do not undertake the process.

**Table 1: Illustration of breakdown of costs for an average year (2,000 – 4,000 large major planning applications)**

to developer...			<i>Lower</i>		<i>Upper</i>
- cost of completing pre-app	small	apps	-	to	-
		cost	-	to	-
	large	apps	2,100	to	4,200
		cost	21,200,000	to	42,500,000
	<b>total</b>			<b>to</b>	

			21,200,000		42,500,000
<b>- less those that already do</b>					
	small	apps	-	to	-
		cost	-	to	-
	large	apps	1,900	to	3,400
		cost	19,100,000	to	34,000,000
	<b>total</b>		19,100,000	<b>to</b>	34,000,000
<b>- total cost of pre-apps</b>			<b>2,100,000</b>	<b>to</b>	<b>8,500,000</b>

## BENEFITS

The benefits of this policy are formed of two types (a) via savings made as a result of a reduction in appeals and (b) through the additional development that arises due to the policy.

First, we deal with the former. Based on the outlined assumptions we estimate the range of large major planning applications that go to each form of appeal. As a result of the predicted reduction in appeals there are now subsequent savings to Planning Inspectorate, the local planning authority and the applicant. As table 2 shows we estimate these savings to be between £310,000 and £900,000 in the average year.

**Table 2: Illustration of breakdown of benefits for an average year (2,000 – 4,000 large major planning applications)**

<b>to local authorities/applicants...</b>							
<b>- fewer appeals etc</b>				<i>Saving</i>			<i>Saving</i>
<b>written reps</b>	apps	110		11	to	210	30
pins admin	cost	106,200		10,620	to	212,400	31,900
<i>LA time</i>	cost	85,000		8,500	to	169,900	25,000
<i>applicant legal fees</i>	cost	212,400		21,240	to	420,000	63,700
<b>hearing</b>	apps	60		6	to	130	20
pins admin	cost	210,000		21,000	to	455,000	68,250
<i>LA time</i>	cost	60,000		6,000	to	130,000	19,500
<i>applicant legal fees</i>	cost	240,000		24,000	to	520,000	78,000
<b>inquiries</b>	apps	80		8	to	170	26
pins admin	cost	920,000		92,000	to	1,955,000	293,250
<i>LA time</i>	cost	256,000		25,600	to	544,000	81,600
<i>applicant legal fees</i>	cost	840,000		84,000	to	1,785,000	267,750
	<b>total</b>	<b>2,929,600</b>		<b>292,960</b>	<b>to</b>	<b>6,191,300</b>	<b>928,950</b>
<b>Total savings</b>				<b>to</b>			

		309,000		900,000		
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The second source of benefits – as outlined – comes from an illustration of the potential increase in development (this is not necessarily because of increased applications but a higher approval rating due to fewer objections caused by more community engagement).

It is extremely difficult to estimate the number of additional large developments that will be provided over the appraisal period. For illustration we therefore make a cautious assumption and quantify using Department for Transport's New Approach to Appraisal approach. This means that our calculations are based on the number of additional housing units – though the value created could result from any other kind of development.

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. Using this as our approach we make a cautious assumption that this policy will result in 2- 4 additional large developments each year (we do not adjust this over time). We feel this represents a conservative estimate as 2-4 additional major sites relative to around a 1% increase in major applications. Given our assumption of 200 units per large major housing development this means 400- 800 additional units giving a value of £12m to £24m per year.

### **One-in-one-out**

The full costs of this policy are borne by developers (£2.1m to £8.5m) in an average year. Of the quantified benefits outlined 44% of the savings relating to reduced appeals are accrued to the developer (£0.12m to £0.36m) in an average year. This means the net quantified cost to business is £2.0m to £8.2m.

However, the policy will lead to associated benefits for business, through economic stimulation generated by the resultant increase in development. These benefits, monetised in the increase in land values, will be shared with local authorities and the wider community.

## **Specific impact tests**

### **Statutory equality**

We have screened and believe there to be no impact on statutory equality.

### **Economic impacts**

#### **Impact on small businesses**

This policy will place additional burden on business in that they are required to do an additional pre-application consultation before submission. Given the policy only applies to major applications it may be thought that small business will not be largely affected by this (as they do not undertake major developments). In terms of the up-front cost of undertaking the pre-application consultation this is likely to be true.

However, although planning permission may not be sought by small businesses much of the work may be outsourced or supplied by small businesses. Therefore they will only incur a negative impact if this policy results in a reduction in developments. We consider this to be unlikely (as discussed in the evidence base)

**Environmental impacts**

We have screened and believe there to be no adverse environmental impacts.

**Social impacts**

We have screened and believe there to be no social impacts.

**Sustainable development**

We have screened and believe there to be no impact on sustainable development.

## 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:** [The basis of the review could be statutory (forming part of the legislation), it could be to review existing policy or there could be a political commitment to review];

The basis of the review will be to test how the new provision is working in practice and whether the policy of requiring pre-application consultation for all large –scale major schemes continues to be appropriate.

**Review objective:** [Is it intended as a proportionate check that regulation is operating as expected to tackle the problem of concern?; or as a wider exploration of the policy approach taken?; or as a link from policy objective to outcome?]

The objectives of the review will be:

(a) to test whether the light-touch provision (applicants can take a proportionate and appropriate approach) is working or whether more national or local regulation, policy or guidance is needed. This will include consideration of whether the estimated costs and benefits outlined in the IA are reflected in practice.

(b) to gather information on the impact on applications, representations and speed of decision making.

(c) to test whether the threshold initially set continues to be appropriate.

**Review approach and rationale:** [e.g. describe here the review approach (in-depth evaluation, scope review of monitoring data, scan of stakeholder views, etc.) and the rationale that made choosing such an approach]

The approach to the review will be to gather practice experience from the main parties involved, including local planning authorities, applicants, and representatives of members of local communities who take an interest in and comment on planning applications.

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 current (baseline) position against which the change introduced by the legislation can be measured]

This is a new provision and there is no statistical evidence to use as a baseline for the review other than the cost and benefit estimates used to calculate the impact assessment, which were informed by information provided by representatives of the planning sector.

**Success criteria:** [Criteria showing achievement of the policy objectives as set out in the final impact assessment; criteria for modifying or replacing the policy if it does not achieve its objectives]

Key indicators of success would be a reduction in the number of planning-related objections made against applications for major schemes, and local communities feeling they were better able to engage in the planning system at an early stage when they have more opportunity to influence proposals. Policy may need to be modified, or more detailed regulation provided, if developers are not consulting sufficiently or take what their consultees tell them into account before submitting their applications, where amendments could reasonably have been made to address concerns.



**Monitoring information arrangements:** [Provide further details of the planned/existing arrangements in place that will allow a systematic collection systematic collection of monitoring information for future policy review]

Data is already collected on the time taken to make decisions on planning applications, including a specific data set on major applications. Providing the threshold for pre-application consultation matches an existing data set we will be able to look statistically at whether decision making on major applications has become quicker since pre-application consultation having been introduced. Other factors influencing local authority performance on speedy decision making will of course need to be taken into account.

No new data collection systems are proposed. Any future policy review will be informed by experience-based information provided by local authorities, applicants and communities.

**Reasons for not planning a PIR:** [If there is no plan to do a PIR please provide reasons here]

N/A

Add annexes here.