| Title: **Making an Order under Section 14 of the Planning Act 2008**<br><br>**IA No:** DEFRA 1360<br>**Lead department or agency:** Defra<br>**Other departments or agencies:** Communities and Local Government | Impact Assessment (IA)<br>**Date:** 19/12/2011<br>**Stage:** Final<br>**Source of intervention:** Domestic<br>**Type of measure:** Secondary legislation<br>**Contact for enquiries**: John Manning, 020 7238 2019 john.manning@defra.gsi.gov.uk |
|---|---|

## Summary: Intervention and Options

**RPC Opinion:** GREEN

| Cost of Preferred (or more likely) Option | | | | |
|---|---|---|---|---|
| **Total Net Present Value** | **Business Net Present Value** | **Net cost to business per year** (EANCB on 2009 prices) | **In scope of One-In, One-Out?** | **Measure qualifies as** |
| £4.8m | £4.8m | £-0.6m | Yes | OUT |

**What is the problem under consideration? Why is government intervention necessary?** (7 lines)

The Planning Act 2008 sets thresholds to establish Nationally Significant Infrastructure Projects (NSIPs) which undergo a streamlined planning process through a single application to the Infrastructure Planning Commission (IPC), or the Planning Inspectorate (PINS) from April 2012, rather than require multiple applications to many local planning authorities. This minimises the risk of lengthy delays in determining applications so helping to prevent "planning blight" for local communities and to minimise costs for project sponsors and investors. Intervention is necessary to include proposed major sewer projects within the existing streamlined NSIP planning process.

**What are the policy objectives and the intended effects?** (7 lines)

The policy objective is to streamline the planning application process for major sewer projects such as the Thames Tunnel, a Top 40 Priority Infrastructure Investment in the National Infrastructure Plan 2011, so that sponsors, investors and local communities have certainty at the outset that such projects undergo the same streamlined process as other NSIPs e.g. major sewage treatment works. Classing major sewer projects as NSIPs would ensure that their planning application process is known to all in advance, avoids lengthy delays, is transparent, is democratically accountable and takes account of national need whilst ensuring local communities fully engage in the decision making process.

**What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)** (10 lines)

1 (baseline)-Secretary of State intervenes under s35 of the Planning Act 2008 after planning application/s are made under the Town & Country Planning Act 1990.
2 (preferred)-Make an Order under s14 of the Planning Act 2008 to establish a 350,000 cubic metres capacity threshold above which a proposed major sewer project is classed as nationally significant. This would enable a project above the threshold to undergo a single application to the IPC/PINS, providing full clarity for all at the outset of the planning process, resulting in less time and cost to deliver a planning decision.
3- Secretary of State intervenes, from April 2012, under s35 of the Planning Act 2008 before any planning application/s are made in relation to the development.

**Will the policy be reviewed?** It will be reviewed. **If applicable, set review date:** 04/2017

| | | | | | |
|---|---|---|---|---|---|
| Does implementation go beyond minimum EU requirements? | | | N/A | | |
| Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base. | **Micro** No | **< 20** No | **Small** No | **Medium** No | **Large** Yes |
| What is the $CO_2$ equivalent change in greenhouse gas emissions? (Million tonnes $CO_2$ equivalent) | | | **Traded:** N/A | **Non-traded:** N/A | |

***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) that the benefits justify the costs.***

Signed by the responsible SELECT SIGNATORY: Richard Benyon Date: 22 June 2012

# Summary: Analysis & Evidence

Policy Option 1

**Description:** (**BASELINE OPTION**) Secretary of State intervenes under section 35 of the Planning Act 2008 after planning application/s are made under the Town & Country Planning Act 1990.

**FULL ECONOMIC ASSESSMENT**

| Price Base Year | PV Base Year | Time Period Years | Net Benefit (Present Value (PV)) (£m) | | |
|---|---|---|---|---|---|
| n/a | n/a | n/a | **Low:** n/a | **High:** n/a | **Best Estimate:** n/a |

| COSTS (£m) | Total Transition (Constant Price) | Years | Average Annual (excl. Transition) (Constant Price) | Total Cost (Present Value) |
|---|---|---|---|---|
| **Low** | n/a | | n/a | **n/a** |
| **High** | n/a | | n/a | **n/a** |
| **Best Estimate** | n/a | | n/a | **n/a** |

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

**(THIS IS THE BASELINE AGAINST WHICH THE OTHER TWO OPTIONS ARE BEING COMPARED – HENCE THERE ARE NO MONETISED COSTS TO THIS OPTION)**

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

Multiple time-consuming, complex & correspondingly expensive applications to many local planning authorities are likely for major sewer projects (14 in the case of the proposed Thames Tunnel). These would not capture the full range of consents such as compulsory purchase orders that can be incorporated into an application for a Development Consent Order made directly to the IPC/PINS at the outset.

| BENEFITS (£m) | Total Transition (Constant Price) | Years | Average Annual (excl. Transition) (Constant Price) | Total Benefit (Present Value) |
|---|---|---|---|---|
| **Low** | n/a | | n/a | **n/a** |
| **High** | n/a | | n/a | **n/a** |
| **Best Estimate** | | | | |

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

**(THIS IS THE BASELINE AGAINST WHICH THE OTHER TWO OPTIONS ARE BEING COMPARED – HENCE THERE ARE NO MONETISED BENEFITS TO THIS OPTION)**

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

It is likely to be time and cost effective for an applicant awaiting a planning decision where a large number of local planning authorities are involved (14 in the case of the proposed Thames Tunnel). The Secretary of State can refer planning applications initially made to LPAs to the IPC/PINS on a case by case basis, with no automatic "by-passing" of LPAs – preventing the risk under Option 2 that projects could be misclassified.

| Key assumptions/sensitivities/risks | Discount rate (%) |
|---|---|
| | |

**BUSINESS ASSESSMENT (Option 1)**

| Direct impact on business (Equivalent Annual) £m: | | | In scope of OIOO? | Measure qualifies as |
|---|---|---|---|---|
| **Costs: n/a** | **Benefits:** n/a | **Net:** n/a | Yes/No | IN/OUT/Zero net cost |

# Summary: Analysis & Evidence

Policy Option 2

**Description:** (preferred) Make an Order under s14 of the Planning Act 2008 to establish a 350,000 cubic metres capacity threshold above which a proposed major sewer project is classed as nationally significant.

**FULL ECONOMIC ASSESSMENT**

| Price Base Year 2009 | PV Base Year 2011 | Time Period Years 10 | Net Benefit (Present Value (PV)) (£m) | | |
|---|---|---|---|---|---|
| | | | **Low:** n/a | **High:** n/a | **Best Estimate:** 4.8 |

| COSTS (£m) | Total Transition (Constant Price) | Years | Average Annual (excl. Transition) (Constant Price) | Total Cost (Present Value) |
|---|---|---|---|---|
| **Low** | n/a | | n/a | **n/a** |
| **High** | n/a | | n/a | **n/a** |
| **Best Estimate** | n/a | | 0.0 | **0.0** |

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

No additional costs expected.

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

There is potentially a small risk of projects being misclassified as Nationally Significant when they should more properly be considered by Local Planning Authorities in the normal way. This risk has been mitigated by looking at projects in the last ten years and likely ones in the next ten years, coupled with public consultation to establish a suitable threshold for classification.

| BENEFITS (£m) | Total Transition (Constant Price) | Years | Average Annual (excl. Transition) (Constant Price) | Total Benefit (Present Value) |
|---|---|---|---|---|
| **Low** | n/a | | n/a | **n/a** |
| **High** | n/a | | n/a | **n/a** |
| **Best Estimate** | n/a | | 0.6 | **4.8** |

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

Estimated benefits of £4.8m for project promoter, who benefits from avoided costs due to reduced time to reach a decision following a planning application. The avoided cost estimates used in this analysis are sourced from Thames Water and have undergone public consultation. These costs represent the staffing and accommodation costs for a team, which includes planners, engineers, designers, modellers and legal and communications staff. Since figures are based upon the actual costs for a specific project (the proposed Thames Tunnel), a more detailed breakdown is not possible due to commercial sensitivity.

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

Option 2 delivers the greatest certainty of the planning application process for project promoters, potential investors and local communities at a project's very outset, compared to Option 3 and the baseline. It delivers minor benefits to society due to the likely reduced time for a major sewer project reaching completion.

**Key assumptions/sensitivities/risks** — **Discount rate (%)** 3.5%

It is assumed that only one project will be affected, in the next ten years.
Benefits depend on assumptions about the time saved. Since the option is certain to result in some time savings, and there are no monetised costs, a net benefit can be expected.
Avoided cost for each month reduction in time to make a decision is assumed to be £5.1m. Source from the project promoter, informed by the Planning Bill IA and tested at consultation.
Changes in the planning application process are assumed to have no effect on the resulting decision.

**BUSINESS ASSESSMENT (Option 2)**

| Direct impact on business (Equivalent Annual) £m: | | | In scope of OIOO? | Measure qualifies as |
|---|---|---|---|---|
| **Costs: 0** | **Benefits:** 0.6 | **Net:** -0.6 | Yes | OUT |

# Summary: Analysis & Evidence

Policy Option 3

**Description:** Secretary of State intervenes, from April 2012, under s35 Planning Act 2008 before any planning application/s are made in relation to the development.

**FULL ECONOMIC ASSESSMENT**

| Price Base Year 2009 | PV Base Year 2011 | Time Period Years 10 | Net Benefit (Present Value (PV)) (£m) | | |
|---|---|---|---|---|---|
| | | | **Low:** n/a | **High:** n/a | **Best Estimate:** 4.8 |

| COSTS (£m) | Total Transition (Constant Price) | Years | Average Annual (excl. Transition) (Constant Price) | Total Cost (Present Value) |
|---|---|---|---|---|
| **Low** | n/a | | n/a | **n/a** |
| **High** | n/a | | n/a | **n/a** |
| **Best Estimate** | n/a | | 0.0 | **0.0** |

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

No additional costs expected.

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

For the developers of the Thames Tunnel the timing of the commencement of this aspect of the Planning Act 2008 as amended by the Localism Act 2011, combined with a likely three month delay while the process of intervention takes place, will delay the ability of the developers to engage fully with the IPC/PINS and risks adding uncertainty and, if it leads to delay, cost.

| BENEFITS (£m) | Total Transition (Constant Price) | Years | Average Annual (excl. Transition) (Constant Price) | Total Benefit (Present Value) |
|---|---|---|---|---|
| **Low** | n/a | | n/a | **n/a** |
| **High** | n/a | | n/a | **n/a** |
| **Best Estimate** | n/a | | 0.6 | **4.8** |

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

Estimated benefits of £4.8m for project promoter, who benefits from avoided costs due to reduced time for a decision following a planning application. The avoided cost estimates used in this analysis are sourced from Thames Water and have undergone public consultation. These costs represent the staffing and accommodation costs for a team, which includes planners, engineers, designers, modellers and legal and communications staff. Since figures are based upon the actual costs for a specific project (the proposed Thames Tunnel), a more detailed breakdown is not possible due to commercial sensitivity.

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

Option 3 delivers earlier certainty of the planning application process for project promoters, potential investors and local communities compared to the baseline, though less early when compared to Option 2. It delivers minor benefits to society due to the likely reduced time for a major sewer project reaching completion.

**Key assumptions/sensitivities/risks** **Discount rate (%)** 3.5%

It is assumed that only one project will be affected, in the next ten years.
Benefits depend on assumptions about the time saved. Since the option is certain to result in some time savings, and there are no monetised costs, a net benefit can be expected.
Avoided cost for each month reduction in time to make a decision is assumed to be £5.1m. Source from the project promoter, informed by the Planning Bill IA and tested at consultation.
Changes in the planning application process are assumed to have no effect on the resulting decision.

**BUSINESS ASSESSMENT (Option 3)**

| Direct impact on business (Equivalent Annual) £m: | | | In scope of OIOO? | Measure qualifies as |
|---|---|---|---|---|
| **Costs: 0** | **Benefits:** 0.6 | **Net:** -0.6 | Yes | OUT |

# Evidence Base (for summary sheets)

## BACKGROUND

Infrastructure investment is vital to the UK economy and jobs. It is the backbone of our economy and its proper maintenance and renewal is critical for growth. The UK Government has made clear its commitment to new infrastructure in the updated National Infrastructure Plan 2011 which sets out the infrastructure investment required to underpin the UK's growth. This includes the proposed Thames Tunnel major sewer project within its Top 40 Priority Infrastructure Investments.

The Planning Act 2008 established a fast-track regime for making decisions on planning applications for major infrastructure projects. This recognised the overly long and complex processes required for such projects before the Act. Thresholds were established for certain types of proposed major infrastructure projects to be classed as Nationally Significant Infrastructure Projects (NSIPs). This streamlines their planning process by enabling a single planning application to the Infrastructure Planning Commission (IPC), rather than a series of applications to separate local planning authorities (LPAs). The IPC is being replaced by a more democratically accountable major infrastructure planning unit within the Planning Inspectorate (PINS) from April 2012. The impact assessment produced at the time of the Planning Act 2008 estimated the annual benefit to business and the economy of a more timely planning application process for major infrastructure projects to be £300m.

NSIP planning applications are considered by the IPC/PINS which has expertise in large major infrastructure projects. If an application is made directly to IPC/PINS at the outset, before application/s are made to local planning authorities (LPAs), then a resulting Development Consent Order can incorporate Compulsory Purchase elements, further simplifying and shortening the planning application process for major infrastructure projects.

Whilst a threshold was established in the Planning Act 2008 for major waste water (sewage and rainwater) treatment plants, no threshold was established for major sewers that deliver waste water to these treatment plants. The House of Commons Environment, Food & Rural Affairs (EFRA) Committee said in its April 2011 report on the draft Waste Water National Policy Statement:

"**We recommend that the Government urgently brings forward proposals to amend the Planning Act 2008 to bring large-scale sewage collection and transfer schemes such as the Thames Tunnel within the planning regime for Nationally Significant Infrastructure Projects."**

This final Impact Assessment (IA) considers the impact of current planning application procedures on proposed major sewers and provides an analysis of policy options to address the problems identified.

The initial IA underwent a 12-week public consultation from July to October 2011 which consisted of four options:

- 0 (do nothing) - Application/s made to local planning authorities under Town & Country Planning Act 1990.
- 1 (do minimum) - Secretary of State intervenes under s35 of the Planning Act 2008 after application/s are made under the Town & Country Planning Act 1990.
- 2 (preferred) - Make an Order under s14 of the Planning Act 2008 which defines an unambiguous threshold above which a waste water transportation project is classed as nationally significant.
  - (i) Define a threshold based on the number of local planning authorities (LPAs) covered: where 4 or more are LPAs are covered, the project would be designated an NSIP.
  - (ii) Define a volumetric threshold: where the maximum storage capacity of the infrastructure is 350,000 cubic metres ($m^3$) or more the project would be designated an NSIP. (Preferred)
- 3 - Amend s35 of the Planning Act 2008 to allow Secretary of State for Communities & Local Government to direct that a project is of national significance requiring application to IPC/MIPU, before any application/s are made in relation to the development.

Since public consultation, Option 0 has been removed and this final IA now consists of the three remaining options:

- 1 (baseline)-Secretary of State intervenes under s35 of the Planning Act 2008 after application/s are made under the Town & Country Planning Act 1990.

- 2 (preferred)-Make an Order under s14 of the Planning Act 2008 to establish a 350,000 cubic metres ($m^3$) capacity threshold above which a proposed major sewer project is classed as nationally significant. This would enable a project above the threshold to undergo a single application to the IPC/PINS, providing full clarity for all at the outset of the planning process, resulting in less time and cost to deliver a planning decision.
- 3- Secretary of State intervenes, from April 2012, under s35 of the Planning Act 2008 before any planning application/s are made in relation to the development.

Option 1 is now the baseline option against which Options 2 and 3 are compared. This is because Option 1 would use an existing legislative power for the Secretary of State to intervene, which is assumed to be more likely for any proposed major sewer projects of national significance than relying on the previous "no-intervention" option 0.

Option 2 in this final IA establishes a capacity threshold of 350,000$m^3$ above which a proposed major sewer project would be classed as a nationally significant infrastructure project (NSIP) undergoing the existing streamlined NSIP planning application process. During public consultation the vast majority of responses concerning the proposed threshold were supportive of the 350,000$m^3$ capacity threshold. Just two respondents out of 44 in total suggested completely alternative thresholds to the two proposals of either a project covering 4-LPAs or having a 350,000$m^3$ capacity (preferred). One suggestion was for a lower 100,000$m^3$ capacity threshold coupled with a higher 6-LPA threshold so that more proposals would automatically undergo the NSIP planning application process. However this would likely include many more proposed projects and be contrary to Government policy that only large important projects covering a large geographical area should automatically undergo the streamlined NSIP process. Another suggestion was for a "drainage catchment area" threshold without defining an appropriate size of such a catchment. It could be expected that this would most likely have the opposite effect to the previous suggestions i.e. potentially exclude large important projects covering large geographical areas, such as the proposed Thames Tunnel, in contrast to Government policy which wishes such proposals to undergo the streamlined planning application process. These suggested alternatives to the two original proposals are not therefore considered to meet Government policy sufficiently or provide enough clarity to all at the very outset of a project that only major projects above a clear and easily identifiable threshold would automatically be classed as an NSIP and undergo the streamlined NSIP planning application process. Coupled with the support expressed during consultation, the 350,000$m^3$ capacity threshold is considered the most appropriate threshold above which a proposed major sewer project would be classed as an NSIP.

Finally, since public consultation, the timings of Option 3 are also revised in this final IA: the amendment of s35 of the Planning Act 2008 is now scheduled to take effect in April 2012, rather than the previously assumed date of December 2012.

## PROBLEM UNDER CONSIDERATION

Climate change and population growth are anticipated to increase the stress on the UK's water and sewerage infrastructure. Changing rainfall patterns are expected to result in wetter winters which is likely to lead to an increased capacity requirement for surface water drainage because heavy rainfall events are likely to become more frequent.

In London these events will further strain an already overtaxed sewerage system, leading to more discharges of untreated waste water containing raw sewage into the River Thames. Currently around 39 million cubic metres of waste water enter the Thames every year from London's combined sewer overflows (CSOs) when storm water capacity is exceeded. These discharges occur, on average, once a week and have a significant environmental impact on the river. They increase the likelihood of fish kills, create a higher health hazard for users of the river and damage the aesthetic appeal of the Thames.

The proposed Thames Tunnel is an example of a nationally strategic major sewer project and is one of the Top 40 Priority Infrastructure Investments within the National Infrastructure Plan 2011. It would see the construction of a tunnel to intercept storm sewage overflows and would ensure that the River Thames meets water quality objectives established by the 2006 Thames Tideway Strategic Study. These improvement works would also ensure the UK continued to meet its obligations under the Urban Waste Water Treatment Directive. The urgency of the works is increased by the infraction proceedings being pursued against the UK by the European Commission for an alleged breach of the Directive. Thames Water Utilities Ltd, as project sponsor, undertook an initial public consultation on the route for the proposed Thames Tunnel and associated sites from September 2010 to January 2011; it is undertaking a further public consultation from November 2011 to February 2012.

At present, making planning applications to many local planning authorities for a proposed major sewer project can be very time consuming. This can subsequently lead to a lengthy delay in determining an application, resulting in "planning blight" for the local communities concerned whilst also making it more difficult than necessary to progress nationally important schemes and resolve environmental problems such as those occurring in the Thames.

The Planning Bill 2007 IA recognised that the planning process for nationally important infrastructure projects was "overly long, complex and lacks a clear national strategy for each infrastructure type". It was noted that this inhibited economic growth, prosperity and efforts to deal with climate change.

The specific problems identified in the Planning Bill IA, which are still relevant for proposed major sewer projects, include:

• An overly long and complex system which delays completion of projects that are in the national interest;

• A lack of consistency in the time taken to gain planning permissions, often with the national need for a project only being established late;

• National need for infrastructure is often debated in the context of individual projects, rather than nationally;

• Preparatory analysis on the impacts of a project may not be carried out in a timely manner, which causes delays;

• Inadequate local consultation limits the opportunity for local communities to influence proposed developments and can potentially exclude certain groups who are not made aware of a proposal;

• An individual project may require a number of approvals, often from different decision-makers. This can be time consuming and the complexity makes the system less accessible and understandable for the public or organisations; and,

• Inquiries can be expensive and their length difficult to estimate, in part because evidence is usually presented through oral cross examination of witnesses by counsel. It can be intimidating and difficult for members of the public to engage in the process effectively.

The Planning Bill IA also identified that one key effect of these problems was the negative effect on our quality of life in terms of services such as reliable water supplies, efficient transport, clean and affordable energy and effective disposal of waste. This was part of the rationale for classifying Nationally Significant Infrastructure Projects in these areas, though major sewers were at that stage not included.

In terms of proposed major sewers, an unnecessarily long planning application process leads to a delay in the construction of infrastructure which makes our environment clean and healthy; such delays have corresponding adverse consequences for our tourism and leisure industries.

## RATIONALE FOR INTERVENTION

The delivery of major infrastructure for the collection of waste water requires a rapid, predictable and democratic planning system to ensure such infrastructure is effective, timely and provides good value for money. Improving the planning regime ensures that much needed new infrastructure such as the proposed Thames Tunnel can be put in place.

Intervening via secondary legislation to establish a threshold for proposed major sewers, such as the Thames Tunnel project, is deemed necessary so that such projects would automatically be classed as NSIPs in the same way as other major infrastructure projects are, such as proposed major sewage treatment works. This would enable project sponsors of proposed major sewers to know at the outset that they would undergo the existing streamlined NSIP planning process, via an application to the IPC/PINS, rather than multiple applications to many LPAs.

Without legislative intervention, the planning application process for proposed major sewers is likely to be more complex and time consuming, benefitting neither the project sponsors, investors nor local communities. One other non-legislative intervention option would be for the Secretary of State to request LPAs to consider swiftly an application/s for a nationally strategic waste water transportation infrastructure. This is considered to be an ineffective option as it is unlikely to be consistently adopted: it has therefore been discounted.

## POLICY OBJECTIVE

The policy objective is to streamline the planning application process for proposed major sewer projects so that project sponsors, investors and local communities have certainty at the outset that such projects undergo the same streamlined process as other NSIPs such as proposed major sewage treatment works.

The effect of the policy would be to ensure that the planning application process for proposed major sewers:

- is known to all in advance,
- avoids lengthy delays,
- is transparent,
- is democratically accountable,
- takes account of national need whilst ensuring local communities fully engage in the decision making process.

## OPTIONS CONSIDERED

These policy options have been considered in this Impact Assessment:

1. (Baseline) Secretary of State intervenes under section 35 of the existing Planning Act 2008 after application/s are made to local planning authorities (LPAs) under the Town & Country Planning Act 1990. This Option requires no new legislative intervention: it is the 'do nothing' option

2. (Preferred) Make an Order under section 14 of the Planning Act 2008 to establish a 350,000 cubic metres ($m^3$) capacity threshold above which a proposed major sewer project is classed as nationally significant.

3. Secretary of State intervenes, from April 2012, under s35 of the Planning Act before any application/s are made in relation to the development.

## QUALITATIVE DISCUSSION OF THE OPTIONS

This section assesses the key advantages and disadvantages of each of the options in turn. These are also captured in analysis contained in the following section, on the costs and benefits of the options.

**OPTION 1 (baseline)** Secretary of State intervenes under section 35 of the Planning Act 2008 after application/s are made to LPAs under the Town & Country Planning Act 1990.

The **advantages** of this existing available option are that:

1) The Secretary of State can refer planning applications initially submitted to LPAs to the IPC/PINS on a case by case basis, with no automatic "by-passing" of LPAs. This addresses the risk under Option 2 that projects could be misclassified.

2) It is likely to be time and cost effective for an applicant awaiting a planning decision where a large number of LPAs are involved, for example 14 in the case of the proposed Thames Tunnel.

The **disadvantages** of this existing available option are that:

1) It does not capture the full range of consents such as compulsory purchase orders that can be incorporated into an application for a Development Consent Order made directly to the IPC/PINS at the outset. This potentially makes Option 1 complex and costly for the applicant and complex for third parties.

(A project sponsor applying to LPAs for planning permission/s may also need to make separate application/s for any corresponding compulsory purchase orders, either at the same time as the planning application/s or on receipt of planning permission/s: these are separate but linked processes. A direct application for a Development Consent Order to the IPC/PINS at the outset can incorporate compulsory purchase elements as well as development consent elements within a single order, so further simplifying and shortening the whole planning process for major infrastructure projects.)

2) Multiple applications are still necessary to many LPAs, for example 14 in the case of the proposed Thames Tunnel, which are potentially time consuming and complex for a large project so correspondingly expensive to produce.

3) Project promoters and investors are uncertain if an application will undergo the more timely NSIP planning process until intervention by the Secretary of State once planning application/s are submitted to LPAs,. The corresponding uncertainty on the receipt of a planning decision for a proposed project can potentially make it harder to seek initial interest or investment in a project and can adversely affect the total timescale of the project so making it more costly than necessary.

**OPTION 2 (Preferred)** Make an Order under section 14 of the Planning Act 2008 to establish a 350,000$m^3$ capacity threshold above which a proposed major sewer project is classed as nationally significant.

The **advantages** of this option are that:

1) It provides maximum clarity for all in advance that a proposed major sewer project will undergo the streamlined NSIP planning application process, without requiring intervention by the Secretary of State that is necessary with Options 1 and 3.

2) Project sponsors, investors and local communities know in advance that there will be one planning application for a Development Consent Order that can include corresponding compulsory purchase elements.

3) It provides at the project's outset more time and corresponding cost certainty of the application process for project promoters than Options 1 and 3, so helping raise investor confidence.

4) It is likely to be more time and cost effective for an applicant than Option 1 as it removes the need for multiple applications where a large number of LPAs are involved, for example 14 in the case of the proposed Thames Tunnel project. Option 3 also offers this advantage.

5) It automatically enables any public consultations carried out under NSIP consultation procedures before a project is classed as Nationally Significant to be considered as part of the NSIP planning application process. For the developers of the Thames Tunnel the ability to have an Order in place by April 2012 will enable them to engage fully with the IPC/PINS at an earlier date than the other options and given the stage of the project will reduce uncertainty and risk of delay leading to added cost.

Its **disadvantages** are that it:

1) Might classify too many/not enough proposed major sewer projects as “nationally significant”.

Views were sought at public consultation about what type of threshold would make a proposed major sewer project of national, rather than local, significance and something that needs to be determined in line with national needs. There is a careful and delicate balance to be struck between enabling LPAs to make decisions on proposed infrastructure within their own areas and enabling a more strategic central body such as the IPC/PINS to make recommendations for large important projects covering a large area that are truly nationally significant in nature. A threshold set at an inappropriately low level could capture projects that should continue to be most effectively dealt with by a few LPAs, offering no benefits for project sponsors in terms of reducing the time and corresponding cost of making multiple applications or offering no benefits for local communities in terms of minimising planning blight. Correspondingly, a threshold set too high might not define projects as NSIPs which should benefit from the more timely and streamlined process offered by an initial single direct application to the IPC/PINS incorporating both development consent and compulsory purchase elements.

Two threshold variants of Option 2 were therefore selected as most appropriate for consultation:

**2(i) Where four or more LPAs are covered.**

As there are relatively few places where the boundaries of four LPAs come close to meeting, an LPA-based threshold was considered whereby a proposed major sewer project covering four or more LPAs would automatically be classed as a Nationally Significant Infrastructure Project (NSIP).

**2(ii) Where the maximum storage capacity of the infrastructure is 350,000 cubic metres ($m^3$) or more.**

A volume-based threshold was considered, where the volume of 350,000 $m^3$ (the proposed sewer’s maximum storage capacity before spill) was informed by experience of large projects within the past ten years. For example, the Lee Waste Water Tunnel project has a capacity of 370,000$m^3$. Looking ahead to projects expected within the next ten years, the proposed Thames Tunnel has an estimated 1,580,000$m^3$ capacity.

At public consultation, Option 2(ii) was considered the most appropriate of the two variants. The LPA threshold in Option 2(i) could result in some local proposed sewers being classed as NSIPs when they are not of national significance and should instead be considered as local, with applications made to the LPAs affected. This is a greater risk in metropolitan areas where LPAs are geographically small. One example of the type of schemes that could inadvertently be caught by an LPA threshold is the Counters Creek flood alleviation scheme in London which, whilst it may involve works in up to 7 London Boroughs, would not be considered by most people to be an NSIP. This is because such schemes are not particularly significant in terms of their size, rather they lie at the boundaries of many geographically small metropolitan LPAs and so such schemes subsequently encompass a relatively large number of LPAs in relation to the schemes’ actual size.

The volume threshold in Option 2(ii) would avoid this risk and, based upon past and future proposed projects, is felt to be at a level that would only capture projects considered to be of national significance.

Option 2(ii) would automatically classify proposed major sewer projects with storage capacity greater than 350,000$m^3$ as NSIPs. Because this would create an unambiguous certainty and greater efficiency to the planning system without capturing infrastructure that should continue to be considered by LPAs, it is the preferred option.

The public consultation specifically sought views on whether the preferred 350,000$m^3$ threshold within a draft Order was set at the right level to capture proposed major sewer projects that are truly nationally significant and which would benefit from the existing streamlined planning process for NSIPs via direct applications to the IPC/PINS.

Just two respondents out of 44 in total suggested completely alternative thresholds to the two original proposals of either a project covering 4-LPAs or it having a capacity greater than 350,000$m^3$ (preferred). One suggestion was for a lower 100,000$m^3$ capacity threshold coupled with a higher 6-LPA threshold and another for a different “drainage catchment area” threshold. As discussed in the Background section earlier in this IA, these suggested alternatives to the two original proposals are not considered to meet Government policy sufficiently or provide enough clarity to all at the very outset of a project that only *major* projects above a clear and easily identifiable threshold would automatically be classed as an NSIP and undergo the existing streamlined NSIP planning application process.

Coupled with the support expressed during consultation, the 350,000$m^3$ capacity threshold is considered the most appropriate threshold above which a proposed major sewer project would be classed as an NSIP.

**OPTION 3** Secretary of State intervenes, from April 2012, under s35 of the Planning Act 2008 before any application/s are made in relation to the development.

This Option will be delivered when section 132 of the Localism Act 2011 amends section 35 of the Planning Act 2008, scheduled to come into effect from April 2012.

The **advantages** of this option are:

1) It streamlines the planning process for proposed major sewer projects at an early stage, before applications are made to LPAs e.g. one application to the IPC/PINS for a Development Consent Order that can include corresponding compulsory purchase elements.

2) The Secretary of State can direct applications at an early stage to the IPC/PINS on a case by case basis, with no automatic "by-passing" of LPAs (as a result of Option 2) and before applications are made to LPAs (in contrast to Option 1).

3) It provides at a reasonably early stage in the planning application process more time and cost certainty for project promoters than Option 1, though less than Option 2, so helping raise investor confidence in the project.

4) It is likely to be more time and cost effective for an applicant than Option 1 as it removes the need for multiple applications where a large number of LPAs are involved, for example 14 in the case of the proposed Thames Tunnel. Option 2 also offers this advantage.

Its **disadvantages** are that:

1) Project promoters are dependent on intervention by the Secretary of State at the pre-application stage to enable a project to undergo the streamlined NSIP planning application process, so potentially adversely affecting investors' initial confidence in the project due to uncertainty on its planning application process. For the developers of the Thames Tunnel the timing of the commencement of this element of the Localism Act (April 2012) and the probably three month process for any intervention by the Secretary of State will add uncertainty, delay in engaging fully with the IPC/PINS, and cost if that leads to delay in the project.

## COSTS AND BENEFITS OF THE OPTIONS

Three types of impact have been identified:

1. Net benefits to society from reducing delays in delivery of proposed major sewer projects;
2. Changes in structures of accountability as relating to these types of projects; and,
3. Changes in administrative costs.

It is important to note that the costs and benefits assessed here relate only to the effects of altering the process by which a planning decision is reached. It is assumed that the planning decision would not differ under any of the Options, compared to the baseline.

Only one project is expected to be affected by the proposed measures in the next ten years: the proposed Thames Tunnel. The analysis presented here is therefore based upon the assumption that this is the only project. This has been informed by the Environment Agency's National Environment Programme (NEP), a list of environmental improvement schemes that ensure that water companies meet European and national targets related to water quality. The NEP is produced after consultation with the water industry; water companies incorporate these requirements into their proposed business plans, which inform decisions on prices regulated by the water services regulation authority Ofwat.

### 1. Net benefits to society from reducing delays in delivery of nationally significant wastewater transportation infrastructure.

A faster planning application process is expected, if successful, to lead to earlier completion of a major infrastructure project. There will be a benefit to society when projects that are in the national interest are completed earlier than they would otherwise have been. The reduction in time required to deliver a planning decision will also reduce potential planning 'blight' for local communities.

All the options being considered in this final Impact Assessment will result in a faster planning application process than would occur if there were no intervention and planning applications were dealt with by multiple LPAs – the original baseline "Option 0" in the consultation Impact Assessment. This original baseline estimated that a decision on planning applications dealt with by multiple LPAs would take 33 months (in the case of the proposed Thames Tunnel). The revised baseline Option 1 in this final Impact Assessment is estimated to take 16 months for a planning decision, 1 month longer than the 15 months estimated under both Options 2 and 3, .

These figures represent the Thames Tunnel project sponsor's best estimates of when a planning application would likely be made. Option 2 assumes a Section 14 Order classing the Thames Tunnel as an NSIP would take effect in April 2012; Option 1 is informed by Option 2 and assumes that intervention by the Secretary of State for a project to undergo the NSIP planning process would take place within one month of applications being made to local planning authorities; Option 3 assumes that the primary legislation necessary to enable the Secretary of State to intervene before applications are made to local planning authorities would take effect in April 2012 followed by swift intervention by the Secretary of State lasting approximately three months - just about in time for summer 2012 with the NSIP requirement to publicise an expected Thames Tunnel planning application being made in autumn 2012). Timings for passage of planning applications through the IPC/PINS have been informed by comparison to projects currently undergoing its consideration.

These time savings should, if applications are successful, result in major sewer projects being completed earlier relative to the baseline. Society will benefit from projects that are in the national interest being completed sooner. The current Strategic and Economic Case for the proposed Thames Tunnel includes an estimate for the monetary benefit of that proposal of between £3bn and £5bn, which illustrates the potential benefits to society of an earlier completion date for proposed major sewers. Note we have not attempted in this IA to derive a monetary estimate of the wider social benefit from faster completion, given the uncertainty in the wider Thames Tunnel benefit estimates and the fact that any estimate is not actually material to the assessment of options (simply magnifying the estimated administrative cost savings – see below), and the fact that such an estimate would not impact on the Equivalent Annual Net Impact to Business calculations for OIOO purposes.

### 2. Changes in structures of accountability (non-monetised)

*Accountability of national policy decisions:* There would be national consultation and debate on the country's infrastructure needs. Currently, national policy is often in practice decided on an ad hoc basis through local decisions on individual projects. The proposed Thames Tunnel is an individual project but one which affects a very large population, spanning multiple local authority areas. National decision-making, rather than local decision-making, would ensure that the wider needs and interests of the large area as a whole are considered, in addition to the needs and interests of individual local areas across which the project spans.

The House of Commons Environment, Food and Rural Affairs Committee has recommended in its 5 April 2011 report on the draft National Policy Statement for waste water that 'the Government urgently brings forward proposals to amend the Planning Act 2008 to bring large-scale sewage collection and transfer schemes such as the Thames Tunnel within the planning regime for Nationally Significant Infrastructure Projects'.

*Involvement of local communities:* Public consultation would be required at the project development stage. Written representations and direct questioning would help to make the process more accessible. Members of the public would be more able to engage on a more equal footing with professional advocates.

*Significant decisions would be taken nationally:* Strategic decisions on the national need for infrastructure facilities are decided nationally under the options being considered.

Option 2 would provide the greatest certainty about the planning process, from a project's outset. The unambiguous threshold above which a project would automatically be designated an NSIP, coupled with the single application that could also include compulsory purchase orders, streamlines the planning application process to the greatest extent. Option 1 streamlines the process the least, since the range of

consents (including compulsory purchase elements) cannot be incorporated into a single application once multiple applications for planning permission are made to LPAs and a subsequent intervention by the Secretary of State refers those applications to IPC/PINS. Option 3 does incorporate the range of consents into a single option but would require intervention by the Secretary of State before an application could undergo the streamlined NSIP planning application process, rather than being known to all at the start of a proposed project.

Consequently Option 2 is expected to provide the greatest certainty of process for project sponsors, investors and local communities from the outset of a project's development. Options 1 and 3 would mean that enabling a project to undergo the NSIP planning process would be considered on a case-by-case basis, which would remove the risk of misclassification associated with Option 2's threshold – but at the cost of a lower reduction in planning process uncertainty for all at a project's outset, compared to Option 2.

The greater certainty of the planning process provided by all the Options should help raise investor confidence in the project. Option 2, by providing the greatest certainty of the planning process at a project's outset, would do so to the greatest extent.

## 3. Changes in administrative costs

Changes in administrative costs will affect a number of groups:

- Promoters
- Central government
- Local authorities
- Infrastructure Planning Commission (IPC)/Planning Inspectorate (PINS)

*Changes in costs for promoters*

Costs are incurred by the project promoter whilst its application(s) are being considered. These relate to costs of staff time and accommodation costs. Therefore, the longer that it takes to reach a decision once applications are submitted, the more costly the process is for promoters. Since all options result in a faster process, the promoter avoids costs under Options 2 and 3 compared to the baseline Option 1. It is estimated that for each one month reduction in the time taken to reach consent, the promoter has cost savings of £5m (undiscounted). Total cost savings are presented in Table 2 below, and further explanation is provided in Annex 1.

Table 2 Discounted administrative cost savings, £m (2009 price base, 2011 PV base)

| | Option 2 | Option 3 |
|---|---|---|
| Central estimate | 4.75 | 4.75 |

*Changes in central government costs*

The changes to central government costs are judged to be negligible. Option 1 is expected to place the greatest burden on central government due to the intervention required by the Secretary of State to each LPA for which a planning application is made, which would require some cross-departmental coordination and administration; this would be a negligible increased cost for central government.

*Changes in costs for local authorities*

These are also assumed to be negligible. This is in accordance with assumptions from the Planning Bill Impact Assessment:

- Any loss in fee income to local authorities is offset by the reduced administrative burden associated with the transfer of the decision making process from LPAs to IPC/PINS.
- The decision-making responsibility transferred from local authorities to the IPC will involve a small reduction in the administrative burden for local government.

- The requirement for scheme promoters to seek the views of the relevant local authority will also be a negligible new administrative burden for local government.

*Changes in costs for the IPC/PINS*

Options 1-3 all generate additional costs for the IPC/PINS, for considering the additional applications that are directed to them. It is estimated that the cost associated with one additional project is £0.09m (undiscounted; based upon information in the Localism Bill and Planning Bill IAs). The cost is not expected to vary between options so, compared to the baseline Option 1, Options 2 and 3 do not create additional costs.

**Summary of costs and benefits**

Costs

- No additional costs.

Benefits

- Project promoter benefits from avoided costs due to reduced time to reach a decision on a planning application (totals as in Table 2).
- Benefits to society due to reduced time for nationally significant sewer project to reach completion (non-monetised).

Negligible impacts

- Impact on local authorities is assumed negligible overall.
- Impact on central government is assumed negligible overall.

Table 3 Total discounted costs and benefits, best estimate, £m (2009 price base, 2011 PV base)

| £m | Option 2 | Option 3 |
|---|---|---|
| Total costs | 0.0 | 0.0 |
| Total benefits | 4.8 | 4.8 |
| *Net benefit* | 4.8 | 4.8 |

**RISKS AND ASSUMPTIONS**

With regard to the preferred option (Option 2), the threshold has been set at a level which should ensure that planning applications for proposed local sewer projects will continue to be dealt with by the LPAs concerned.

The only nationally strategic waste water transportation infrastructure project which is planned in the next 10 years, based on the best available evidence, is the Thames Tunnel project. This has been informed by the Environment Agency's National Environment Programme (NEP), a list of environmental improvement schemes that ensure that water companies meet European and national targets related to water quality. The NEP is produced after consultation with the water industry; water companies incorporate these requirements into their proposed business plans, which inform decisions on prices regulated by the water services regulation authority Ofwat.

**DIRECT COSTS AND BENEFITS TO BUSINESS CALCULATIONS (FOLLOWING OIOO METHODOLOGY);**

None of the policy options impose an additional cost on business. They all deliver cost savings to business – in this instance, the project promoter of any nationally significant sewer. The IA has assumed that in the next ten years, only one such project will submit a planning application: the Thames Tunnel.

The cost savings to business arise from the reduction in time and associated cost of obtaining a planning application decision, with Options 2 and 3 generating the greatest estimated cost savings. Due to the anticipated reduction in time and cost of obtaining a decision, the options are viewed as deregulatory and are therefore ‘OUT’s.

The net direct impact on business has been calculated for all options, following the OIOO methodology – i.e. calculating the equivalent annual direct impact. A ten-year appraisal period has been used, along with a 3.5% discount rate. Relevant calculations are set out in Table 5 below.

Table 5 Direct impact on business calculations

| £m (2009 price base) | Option 2 | Option 3 |
|---|---|---|
| Direct cost to business (PV) | 0.0 | 0.0 |
| Direct benefit to business (PV) | 4.8 | 4.8 |
| Equivalent annual direct cost to business | 0.0 | 0.0 |
| Equivalent annual direct benefit to business | 0.6 | 0.6 |
| Net direct cost to business (equivalent annual) | -0.6 | -0.6 |

## SPECIFIC IMPACTS

### STATUTORY EQUALITY DUTIES

We do not anticipate the policy having any adverse impacts. The main affected group are water and sewerage companies which promote proposed major sewer projects.

### ECONOMIC IMPACTS

Competition - We do not anticipate that any of the options will have any adverse impacts upon competition.

Small firms - We do not anticipate any adverse impacts upon small firms, under any of the options. Projects that are of national significance are expected to be undertaken by large developers rather than small firms. Consequently no effect on small firms is expected.

### ENVIRONMENTAL IMPACTS

We do not anticipate that the measures will have any adverse environmental impacts, since the impact of projects themselves are not being considered – only the path by which their applications for planning consent are considered.

### SOCIAL IMPACTS

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

Human rights - We do not anticipate the options having any adverse impacts on human rights.

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

Rural proofing - We do not anticipate the options having any adverse impacts on rural areas.

### SUSTAINABLE DEVELOPMENT

We do not anticipate the policy of including proposed major sewer projects within the existing streamlined NSIP planning process to have any adverse impacts on sustainable development.

## SUMMARY

The policy objective is to streamline the planning process for proposed major sewer projects so that the decision making process:

- takes as long as necessary, whilst avoiding lengthy delays,
- is transparent and provides more certainty to all at an early stage,
- takes account of national need, and
- ensures local communities are fully engaged and involved throughout.

The proposed Thames Tunnel, based on the best available evidence, is expected to be the sole proposed major sewer project likely to undergo a planning application in the near future. This project is one of the Top 40 Priority Infrastructure Investments contained in the Government's National Infrastructure Plan 2011.

The preferred policy (Option 2) is to make an Order under section 14 of the Planning Act 2008. This would establish a 350,000 $m^3$ capacity threshold above which a proposed major sewer project would automatically be classed as a Nationally Significant Infrastructure Project (NSIP), without intervention by the Secretary of State. It would enable everyone to know at the outset that a project above the threshold would require a single planning application to the IPC/PINS, so maximising certainty of the planning process to all (project investors, promoters and local communities) and minimising the risk and associated dis-benefits of lengthy and correspondingly expensive delays in arriving at a planning decision.

One of the policy objectives is to include proposed major sewer projects within the existing streamlined planning process for NSIPs; Options 2 and 3 both achieve this, delivering equal monetised benefits. Another element of the policy objective is to have a decision making process that provides certainty and transparency for all at a project's very earliest stage, which is achieved better by Option 2 than Option 3

Option 2 enables project sponsors and investors to know at a project's outset that a single application for Development Consent is required. This is judged to provide the greatest certainty and transparency compared to Option 3, which requires intervention by the Secretary of State at a later stage in a proposed project's life cycle. Project promoters and investors are very likely to consider a reliance on intervention to enable a single planning application to the IPC/PINS as making the project's application process less certain, hence reducing promoters' confidence in a project at its outset.

All options would maintain local community engagement and involvement because the NSIP planning application process requires extensive and wide consultation with local communities affected by a proposal. Option 2 provides the greatest certainty of process at a project's inception for project promoters and financers, so helping to raise investor confidence in the project at its start and subsequently help to attract private investment. The more timely planning decision under all options would also help reduce "planning blight" for local communities affected, although this will be negligible when the time saving is one month.

It is recognised that Option 1 captures many of the monetised benefits also captured by Options 2 and 3, but without requiring any new legislation. However it is felt that this option does not capture the non-monetised benefits as successfully and consequently does not achieve the policy objectives as fully as Option 2. For instance, while Option 1 has a time saving that is just one month less than that of Option 2 and Option 3, only Option 2 provides both a much simpler streamlined planning process and eradicates all the uncertainty for project promoters surrounding the planning application process at a project's outset, when compared to Options 1 and 3 which both rely on Secretary of State intervention at some point in the planning application process.

Option 2 is therefore preferred as it offers the greatest expected net benefit coupled with maximum certainty of the planning application process to all at the earliest stage of a proposed project so helping to encourage potential investors.

For the proposed £4.1bn Thames Tunnel project, a Top 40 Priority Infrastructure Investment in the National Infrastructure Plan 2011, the early certainty of its planning application process offered by Option 2 would provide potential investors with additional reassurance well in advance of the expected planning application in autumn 2012 and by enabling earlier full engagement with the IPC/PINS reduce the risk of delay and added cost.

Option 2 also most fully meets the House of Commons' Environment, Food & Rural Affairs (EFRA) Committee's view in April 2011:

“**We recommend that the Government urgently brings forward proposals to amend the Planning Act 2008 to bring large-scale sewage collection and transfer schemes such as the Thames Tunnel within the planning regime for Nationally Significant Infrastructure Projects.”**

In conclusion, Option 2 is anticipated to achieve all of the policy objectives most successfully.

# Annex 1: Assumptions underpinning assessment of costs and benefits

All source cost figures provided by Thames Water were originally in 2008 prices, in keeping with Thames Tunnel accounting procedures. However, all costs and benefits presented in this IA are in 2009 prices to be fully consistent with the *One In One Out* methodology. Updating from 2008 to 2009 prices has been achieved using the GDP deflator series published by HM Treasury in December 2011. The PV base year is 2011/12.

Only impacts arising from alterations to the planning application and decision—making process have been considered. It is assumed that the decision reached under each option (including the baseline) would be the same – i.e. that changing the process would not result in a different outcome.

### Costs to promoters

This Impact Assessment assumes that only one project will be affected by the proposed measures during the next ten years: the Thames Tunnel. This has been informed by the Environment Agency’s National Environment Programme (NEP), a list of environmental improvement schemes that ensure that water companies meet European and national targets related to water quality. The NEP is produced after consultation with the water industry; water companies incorporate these requirements into their proposed business plans, which inform decisions on prices made by the water services regulation authority Ofwat.

The cost estimates used in this analysis are sourced from the Thames Tunnel project promoter, Thames Water, and have undergone public consultation with Ofwat included as consultees. They capture the costs of preparing the necessary planning applications, their submission and examination. Figures exclude risk, design and price contingencies. Only costs from the 2011/12 financial year onwards are included – some elements of the scheme development have already occurred but since the measures considered in this IA will not affect them they have not been considered.

*Changes since the Consultation stage IA*

A number of changes have been made to the analysis since the Consultation stage IA:

- The baseline has been changed.

Originally the baseline assumed that developers would make applications to LPAs under the Town & Country Planning Act 1990 without intervention by the Secretary of State. This was presented as Option 0 and as a literal ‘do nothing’. Option 1 (the same as the current Option 1) was considered a ‘do minimum’, requiring a Secretary of State intervention but no new legislation. Option 1 is now treated as the baseline since it was shown in the Consultation IA to deliver a net benefit and so it is reasonable to assume that in the absence of further intervention the Secretary of State would use the existing available powers under section 35 of the Planning Act 2008.

- Some time assumptions have changed.

In the Consultation stage IA it was assumed that Option 3 would take 9 months longer than Option 2, once the (then) Localism Bill took effect in April 2012 and further secondary legislation undertaken. The Localism Act 2011 is now scheduled to amend section 35 of the Planning Act 2008 from April 2012. This means that Option 3 is now assumed to result in no time delay consequence to the first expected major sewer planning application (the proposed Thames Tunnel) taking place in autumn 2012, when compared to Option 2.

It was originally assumed that planning applications would be made in June 2012. The project promoter’s most recent published plans would suggest that it is now more appropriate to assume that this happens in October 2012.

Table A1.1 Time and cost of application assumptions

| | Option 1 (baseline) | Option 2 | Option 3 |
|---|---|---|---|
| **TIME** | | | |
| Time taken to reach decision (months after application) | 16 | 15 | 15 |
| Time saving (against baseline, months) | - | 1 | 1 |
| **COSTS: undiscounted, £m (2009 price base)** | | | |
| Cost of application: preparation & examination (undiscounted, £m) | 84.2 | 79.1 | 79.1 |
| Cost saving (against baseline, undiscounted, £m) | - | 5.1 | 5.1 |
| **COSTS: discounted, £m (2009 price base, 2011 PV base)** | | | |
| Cost of application: preparation & examination (discounted, £m) | 82.0 | 77.3 | 77.3 |
| Cost saving (against baseline, discounted, £m) | - | 4.8 | 4.8 |

The table above sets out the time and costs of making applications that have been assumed under each option. The cost estimates are sourced from Thames Water and capture the preparation of planning applications, their submission and time taken for subsequent examination. Figures exclude risk, design and price contingencies. Since figures are based on actual costs for a specific project (the proposed Thames Tunnel) a more detailed cost breakdown is not possible due to commercial sensitivity.

*Cost savings*

It can be seen that for each month's reduction in the time taken for an application decision, the project promoter saves £5.1m. Thus Options 2 and 3 have a cost saving of £5.1m (undiscounted).

Whilst a project's application(s) are being examined, the project continues to incur costs. The £5.1m/ month figure for these costs represent the staffing and accommodation costs for the team, which includes planners, engineers, designers, modellers and legal and communications staff. Since this figure is based upon the actual costs for a specific project, a more detailed cost breakdown is not possible due to commercial sensitivity. The cost saving per month is assumed to be constant across the options considered, since all result in applications being referred to the IPC/PINS.

These estimates have been compared to those presented in the Planning Bill IA. The costs here are somewhat greater than in the Planning Bill IA, where the greatest cost savings are in the aviation sector, for which savings of £1m per month are assumed. However the planning requirements for the proposed Thames Tunnel are understood to be significantly more challenging and complex, so the £5.1m/month figure is considered to be accurate and not overstate costs. The IA has also undergone public consultation to help validate costs. The Thames Tunnel proposal includes 22 construction sites spanning 14 planning authorities in the centre of London and it is this complexity which drives the high monthly costs.

*Time savings*

The assumptions about the time taken for decisions to be reached for each option are set out in Table A1.1. These were developed with Thames Water, the promoter of the proposed Thames Tunnel project. The options all assume planning applications are submitted in autumn 2012. They are informed by the speed at which current applications are passing through the current IPC, to be replaced by PINS from April 2012. Option 1 takes one month longer than Option 2 to allow time for the Secretary of State to intervene once planning applications are made to LPAs, to direct them to IPC/PINS for consideration. The planning application process under Option 3 is assumed to take as long as Option 2, as intervention by the Secretary of State is assumed to occur before the first expected planning applications are submitted in autumn 2012.

**Costs to central government and local authorities**

Both of these impacts are judged to be negligible.

Central government

- None of the options are expected to lead to more than a negligible change in the number of staff dealing with major sewer planning consents. It is considered that the difference in work required between options would be marginal.
- There is therefore no change expected in costs of funding these staff or their accommodation.

Local authorities

- Local authorities have no decision-making responsibility under the baseline Option 1 or Options 2 and 3. Their views will continue to be actively sought and taken into consideration during the consultation and application examination processes. The administrative costs they incur undertaking these activities are typically covered by the project promoter; overall a small increase in costs is possible but this is judged to be negligible. Options 2 and 3 do not result in additional costs for local authorities compared to the baseline Option 1.

**Costs to the IPC/PINS**

The costs incurred under Options 2 and 3 are expected to be the same as the costs under the baseline Option 1, thus no additional costs to the IPC/PINS are anticipated.