

Title: Localism Act – Neighbourhood Plans and Community Right to Build IA No: DCLG 0061 Lead department or agency: Department for Communities and Local Government Other departments or agencies:	Impact Assessment (IA)		
	Date: 20/02/12		
	Stage: Final		
	Source of intervention: Domestic		
	Type of measure: Secondary legislation		
Contact for enquiries: Miranda Pearce Miranda.pearce@communities.gsi.gov.uk			
Summary: Intervention and Options		RPC Opinion: AMBER	

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, Measure qualifies as One-Out?
£690m	£141m	- £14m	Yes Zero Net Cost

What is the problem under consideration? Why is government intervention necessary?
 Challenge from local communities to proposals for housing and economic development within their neighbourhoods is partly related to communities' lack of opportunity to help shape the development. A top-down and target-driven approach has alienated communities and has been a cause of opposition to development. This flaw in the current system can lead to development being delayed by objections (at expense to both business and the local authority) or blocked, compromising housing and economic growth. The Localism Act empowers local communities to take responsibility for the development of planning policy for their neighbourhood through a Neighbourhood Plan and, where communities wish to bring forward small scale development themselves, to give them a Community Right to Build.

What are the policy objectives and the intended effects? The empowerment of neighbourhood communities coupled with a share in the benefits of development through a meaningful share of the Community Infrastructure Levy can encourage community ownership of plans and their deliverability. This will help communities to become proponents of appropriate and necessary housing and economic growth and could lead to:

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

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

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

- 1) Do nothing
- 2) Neighbourhood development plans, neighbourhood development orders and Community Right to Build Orders instigated solely by neighbourhood groups and taking precedence over local development frameworks in all respects. In practice such a system may be unworkable in that such plans would be likely to undermine the delivery of strategic infrastructure proposals.
- 3). Statutory weight is given to neighbourhood development plans that are in general conformity with the strategic policies of the development plan for the local area, and have appropriate regard to national policy. This ensures neighbourhood plans cannot undermine the overall planning and development strategy for the local area set out in the development plan for the local area. This option incorporates an approval process for neighbourhood development orders and some small scale developments under the Community Right to Build. This is the preferred option.

Will the policy be reviewed? It will be reviewed. If applicable, set review date: 5 years					
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 Yes	< 20 Yes	Small Yes	Medium Yes
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)			Traded:		Non-traded:

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 Minister:

Greg Clark

Date: 1st March 2012

Summary: Analysis & Evidence

Policy Option 3

Description: Statutory weight is given to neighbourhood development plans that are in general conformity with the strategic policies of the development plan for the local area, and have appropriate regard to national policy.

FULL ECONOMIC ASSESSMENT

Price Base Year 2011	PV Base Year 2011	Time Period Years 11	Net Benefit (Present Value (PV)) (£m)		
			Low: 580	High: 799	Best Estimate: 690

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	5	9	83
High	23	38	352
Best Estimate	14	24	217

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

Parish councils / neighbourhood forums: Cost of preparing neighbourhood plans will be met by the promoters of the neighbourhood development plans (local planning authorities have a duty to support this process). The average costs are estimated at £20k to £86k per plan. The cost to community groups of bringing forward a Community Right to Build scheme is estimated at approximately £40k. A greater proportion of neighbourhoods adopting a Community Right to Build scheme would increase the likelihood of the lower cost estimate (see evidence base for calculation). Parish councils or neighbourhood forums may subsequently choose to review the plans so that they remain up to date. These costs are estimated at 70% of the original cost of the plan – every 10 years, included above as transitional costs. The total cost of

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

Local Planning authorities: there may be costs of officer time in respect of geographically defining neighbourhoods in their area and providing expertise and advice to neighbourhood planning groups. **Applicants:** there may be a costs to applicants if, for example, they are required to change location (site choice) or comply with certain criteria set out in the neighbourhood development plan that are necessary to achieve high quality outcomes. **Environmental:** costs associated with construction due to more efficient delivery of development, as a result of reduced delays and uncertainty from a more positive framework for development.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0	76	662
High	0	133	1,151
Best Estimate	0	105	907

Description and scale of key monetised benefits by 'main affected groups' Economy: economic benefit of appropriate additional development (e.g. housing) valued by the land-value uplift of additional units. Av. annual benefits: £56m - £113m. **Applicants:** £17m average annual savings from reduced planning application process; **Local Authorities, Planning Inspectorate, Applicants:** £3.1m average annual savings from planning appeals.

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

Community: The community will have participated in shaping where they live through the better planning of development and development will be seen as acceptable and beneficial. Sharing in the financial benefits of development will give local communities the funds to help them provide infrastructure and facilities to accommodate the impact of new development in their area. Development will often be of a better quality and provide greater civic amenity because of civic engagement. **Applicants:** There could be greater certainty for applicants as communities will be involved from the start and so there could be a reduction in late objections. Thus there is likely to be a cost benefit as developers know they will be choosing the line of least resistance with savings in exhibition/consultation costs,

Key assumptions/sensitivities/risks	Discount rate (%)	3.5
<ul style="list-style-type: none"> It is assumed that neighbourhood plans that are adopted will be sufficiently robust. Neighbourhood development plan take-up assumptions range from 5% in year 1 to 55% overall coverage after 11 years. Sensitivity analysis presents take-up scenarios of 2% p.a. and 8% p.a. (on page 20). Neighbourhood development order take up assumed to be 10% of those that take up plans. The assumptions have been reassessed in light of the initial experience of the 126 neighbourhood planning frontrunners (see pages 8, 10 and 16). 		

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:	In scope of OIOO?	Measure qualifies as
Costs: 0	Benefits: 141	Net: 141
	Yes	Zero Net Cost

Evidence Base (for summary sheets)

References

No	Legislation or publication
1	Arup: Benchmarking the costs to applicants of submitting a planning application (2009) http://www.communities.gov.uk/documents/planningandbuilding/pdf/benchmarkingcostsapplication.pdf
2	Live Tables: Planning Applications statistics http://www.communities.gov.uk/documents/planningandbuilding/xls/864698.xls
3	Office of Public Sector Information, The Town and Country Planning (Fees for Applications) Regulations 2008 http://www.opsi.gov.uk/si/si2008/draft/ukdsi_9780110809892_en_1
4	Public Attitudes to Housing, NHPAU, 2010. http://www.communities.gov.uk/documents/507390/nhpau/pdf/16127041.pdf
5	Pre-Budget Forecast, June 2010. Office for Budget Responsibility. http://budgetresponsibility.independent.gov.uk/d/pre_budget_forecast_140610.pdf
6	National Statistics, Number of Electoral wards/ districts in the UK, as at 31/12/2009. http://www.statistics.gov.uk/geography/faq_numbers.asp
7	Localism Act http://www.legislation.gov.uk/ukpga/2011/20/contents/enacted/data.htm

Problem under consideration / Rationale for intervention

Challenge from local communities to proposals for housing and economic development within their neighbourhoods has often been a consequence of the neighbourhood communities' lack of opportunity to influence the shape of that development. A recent study by MORI indicated that design was a significant factor in gaining public support for new housing development: 73% said they would support more homes if they were well designed and in keeping with the local area¹.

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

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

Policy objectives

Localism is intended to enable communities to find their own ways of overcoming the tensions between development and conservation, environmental quality and pressure on services. If communities have both a voice in decisions and a choice about development in their area they are likely to then become the proponents – rather than the opponents - of appropriate growth.

¹ Public Attitudes to Housing, NHPAU, 2010.
<http://www.communities.gov.uk/documents/507390/nhpau/pdf/16127041.pdf>

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

- Neighbourhood planning aims to give people greater ownership of plans and policies that affect their local area.
- A strengthened plan-led system supported by the community is intended to increase certainty for applicants and also residents who otherwise would be worried by the threat of speculative development.
- Neighbourhood planning aims to support the rate of growth of housing and economic development in England.

Coupled with a system which allows communities to share in the benefits of development such as the New Homes Bonus, new business rate retention and Community Infrastructure Levy and appropriate policy on neighbourhood planning in the National Planning Policy Framework, it is anticipated that greater involvement of the community will lead to an overall increase in development compared with the *status quo*, and an increase in development that is in-line with local needs.

Description of options considered (including do nothing)

The options that have been considered are as follows:

Option 1

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

Option 2

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

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

Option 3 (The preferred option)

Neighbourhood development plans (instigated by a neighbourhood forum or town/parish council that is advised and supported by the local planning authority) **that are in general conformity with the strategic policies of the local development plan for the local area (and which together form the local development plan), and have appropriate regard to national policy have statutory weight** and decision-makers will be obliged to make decisions on planning applications for the area that are in line with the neighbourhood development plan, unless material considerations indicate otherwise. Neighbourhood development orders must also be in general conformity with the strategic policies of the local development plan for the local area, and have appropriate regard to national policy alongside other legal tests. When they come into force

orders will extend permitted development rights in a neighbourhood area to development that is specified in the order

The costs and benefits of this preferred option are set out in detail below. For ease of interpretation Neighbourhood Plans and Neighbourhood Development Orders are set out in separate sections.

The Neighbourhood Planning System

The Localism Act

The Localism Act introduces a new right for communities to come together to draw up a neighbourhood development plan or neighbourhood development order or a Community Right to Build Order. There is no legal requirement to prepare plans or orders. Parish and town councils, where they exist, will lead the creation of neighbourhood plans, supported by the local planning authority. In areas without a parish or town council, local people will need to decide which organisation should lead on coordinating the local debate and establish a Neighbourhood Forum. Town and parish councils and community groups will then need to apply to the local planning authority to be designated a 'qualifying body' to produce a neighbourhood development plan or order.

Local people can choose to draw up either a neighbourhood development plan, a neighbourhood development order, or a Community Right to Build order or both a plan and an order.

- With a **neighbourhood development plan**, communities will be able to establish general or appropriately detailed planning policies for the development and use of land in a neighbourhood. They will be able to say, for example, where new homes and offices should be built, and what they should look like. The neighbourhood plan will set a vision for the future. It can be detailed, or general, containing a few or a great many policies depending on what local people want.
- Where a **neighbourhood development order** is in place, and development proposals are within the scope of the order, planning permission is automatically granted without the need for a planning application.
- **Community Right to Build** schemes will be able to be brought forward by community groups established as a corporate body by members of the local community. This will ensure that proposals are community-led and that there are arrangements to manage the benefit from development for the community. We envisage that the type of community-led developments brought forward through Community Right to Build will be small-scale (e.g. 5-10 homes). Permission will be given by means of a streamlined neighbourhood development order – a Community Right to Build Order. (See Annex 2 for more detail of how such benefits have been monetised in this Impact Assessment)

The Localism Act (the Act) sets basic conditions that neighbourhood development plans or orders must meet:

- must have appropriate regard to national policy and advice contained in guidance issued by the Secretary of State
- must contribute to the achievement of sustainable development
- must be in general conformity with the strategic policies contained in the development plan for the area
- must not breach, and be otherwise compatible with, EU and Human Rights obligations

In the case of neighbourhood development orders they must also have special regard to the desirability of preserving any listed building or its setting and to enhancing the character or appearance of a conservation area.

Certain categories of development are more appropriately planned at a higher spatial scale than a neighbourhood and are therefore excluded from a neighbourhood development plan or neighbourhood development order; for example:

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

In order to guarantee that neighbourhood planning cannot lead to a lower rate of growth, a neighbourhood development plan will only be able to advocate an equal or greater quantity of growth in housing or economic development than is established in the strategic policies of the local development plan for the area. If a local planning authority were to bring a neighbourhood development plan into force that proposes less development than identified within the local development plan, it may be revoked by the Secretary of State.

Role of the local planning authority

There are new duties on local authorities to:

- Confirm the status of a proposed neighbourhood forum
- Confirm the geographical area of the proposed neighbourhood plan
- Provide expertise and advice to neighbourhood forums or parish councils
- Check legal conditions have been met
- Appoint an independent examiner with the consent of the Parish council or neighbourhood forum
- Hold referendums
- Make neighbourhood plans where all requirements have been met

The Duty to Support – Where the promoters of a neighbourhood plan are able to demonstrate adequate local support for the proposed plan and the promoters are designated a ‘qualifying body’, the local planning authority has a duty to provide advice or assistance on, for example, good practice in plan making, and whether the proposals are in general conformity with the strategic policies of the local plan and consistent with national policy and EU law. They will also have a duty to provide practical support - e.g. facilitating community engagement, and helping with consultation with public bodies, landowners and, where appropriate, statutory consultees. There will be no duty on the local planning authority to provide financial assistance but it may do so if it so chooses.

The independent examination

There will be an examination of the plan undertaken by a qualified independent person. Where the examination shows that the plan does not meet the basic conditions in that it is not aligned with:

- national policy;
- the strategic elements of the local development plan; or
- legal requirements.

the local planning authority will not be obliged to carry out a referendum or make the plan. The plan will therefore have no statutory status or form part of the area’s development plan or grant planning permission for any development envisaged within it. Where the examination shows that the plan meets the basic conditions, or can meet the basic conditions with modifications, the local authority has legally to hold a referendum and if the plan is supported at referendum, make the plan.

The Neighbourhood Planning (General) Regulations 2012

The Neighbourhood Planning (General) Regulations 2012 set out the procedure for the designation of neighbourhood areas and neighbourhood forums and for the preparation of neighbourhood development plans and neighbourhood development orders (including community right to build orders). A separate instrument will be brought forward in relation to neighbourhood planning referendums.

Consultation on the neighbourhood planning regulations ran for 12 weeks from the 13 October 2011 to 5 January 2012. There were 436 responses to the consultation of which the largest number (46%) were from parish and town councils, 22% of responses were from local authorities / local planning authorities; 13% from community, voluntary or charitable organisations and 6% from business.

The consultation specifically sought views on whether the proposed approach to the regulations (that they should be appropriate but light touch) is workable and proportionate: the majority of those who expressed a view on the specific questions posed in the consultation document either agreed with the approach taken to the regulations or were of a neutral opinion.

Neighbourhood Development Plans

As neighbourhood planning is one of the new community rights introduced in the Localism Act the take-up rate of neighbourhood planning is uncertain. However, the 'Neighbourhood Planning Front Runners' scheme, announced in December 2010, can give some insight into the potential take up of neighbourhood planning. Under the scheme local planning authorities in England, working in partnership with a local community, have been invited to apply for grants to be used to help local planning authorities gain insight into how the provisions for neighbourhood planning are likely to work in practice (ahead of the provision on the Act coming into force).

As at November 2011, 126 frontrunner applications have been approved since the start of the scheme; this includes 6 proposals for business neighbourhoods. A further 117 applications have been submitted under the fifth wave; of which 4 are for business neighbourhoods. These 243 applications received represent 3% of the approximate number of neighbourhoods set out below. This level of support is ahead of the new right coming into force. As a result the illustrative scenario assumes a Neighbourhood Plan take up rate of 5% per annum. The level of interest in the frontrunner programme clearly demonstrates that there is a momentum gathering for neighbourhood planning; applications to the frontrunner programme rose from 17 in the first wave to 117 in the fifth wave. As stated in the Post Implementation Review the take up of neighbourhood planning will be monitored.

For illustrative purposes, the number of neighbourhoods in England is approximated at 7,618² (i.e. the number of electoral wards in England as at 31/12/2010). This is based on the assumption that "neighbourhoods" will be, on average, the size of electoral wards – in practice they will vary.

Table 1: Illustration of proportion of take-up by neighbourhood

Year	1	2	3	4	5	6	7	8	9	10	11
Proportion of n'hoods that take up plans	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Number of n'hood plans	381	381	381	381	381	381	381	381	381	381	381
Cumulative take-up rates	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%	55%
Cumulative number of n'hood plans	381	762	1143	1524	1905	2285	2666	3047	3428	3809	4190

This leads to a total take-up rate of 55% after 11 years. Differential take-up rates will increase or reduce the costs on a *pro-rata* basis (see sensitivity analysis on page 15).

Benefits

Community involvement:

The empowerment of neighbourhood communities will lead to community ownership of plans and plans that better reflect the wishes of local communities. It is hoped that this will lead to behavioural change in such a way as to make local communities more predisposed to accept development. As a result, it is anticipated that greater community engagement, coupled with an appropriate sharing in the benefits (including financial benefits) of development, could lead to an increase in development. Research by the National Housing Policy Advice Unit reported that 73% of people support more homes if they were well

² <http://www.ons.gov.uk/ons/guide-method/geography/frequently-asked-questions/topics-relating-to-our-work/number-of-administrative-areas-in-uk/number-of-wards-in-uk--31-12-2009-.xls>

designed and in keeping with the local area.³ Survey evidence shows that communities are not against development per se, it is specific aspects which cause concern: whilst 21 per cent of respondents opposed new supply in their area, this number fell to 8 per cent if homes were well designed and in keeping with the local area⁴. This evidence highlights the importance of engagement to ensure delivery of development.

Therefore, it is expected that the greater involvement of the community could lead to an overall increase in development compared with the *status quo*, and an increase in development that is in-line with local needs.

There are several unquantifiable benefits to this policy. Greater community involvement should lead to development that is more in line with local community wishes. Neighbourhood development plans, that have the support of the local community, will provide a clear policy framework for investors and development control decisions, so that the benefits of reducing delays and uncertainty may be realised by applicants. A less adversarial process will generate a number of direct benefits (e.g. less time processing applications, reduced administration and legal fees, to applicants and other agents such as statutory consultees). These can be described as 'variable' benefits as they depend on the level of planning activity (applications/appeals etc) and are on-going.

For applicants, greater and early engagement of communities is likely to lead to any objections being raised earlier and thus providing greater certainty over what needs to be done to make the project acceptable to the community, leading to a quicker and less confrontational process at the application stage and easing the granting of planning permission. In this way, where popular support for such a proposal is demonstrated and confirmed in the referendum, the degree of certainty is increased. Thus it is possible to consider scenarios where development takes place more quickly than it otherwise would (so the benefits to society are enjoyed earlier) as a result of neighbourhood plans.

The cost of delays and uncertainty in the development control process are potentially very large indeed. In a report for the Department for Communities and Local Government, Professor Ball of the University of Reading suggested that the transaction costs of development control for major residential development may be up to £3bn a year⁵. In very recent evidence to the DCLG Select Committee Professor Ball advised that the actual costs are likely to be higher than this. The major components of this relate to 'more than £750m annually in consultant and legal fees' and 'financing costs of holding onto land and other assets whilst their projects are being evaluated' (estimated at £1bn per year).

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

A number of benefits can be quantified; however, as the system is new there is uncertainty over take-up rates (see Table 1 for estimates of take-up).

Reducing appeals: savings to applicants, the local planning authority and the Planning Inspectorate

As neighbourhood development plans increase certainty about the types of development welcomed by the community and likely to receive consent, one potential impact of neighbourhood development plans will be to reduce the number of appeals and their associated cost.

³ Public Attitudes to Housing, NHPAU, 2010.

⁴ Ipsos MORI (2010). *Do the public really want to join the government of Britain?*

http://www.ipsos-mori.com/Assets/Docs/News/Do_per_cent20the_per_cent20public_per_cent20want_per_cent20to_per_cent20join_per_cent20government_per_cent20of_per_cent20Britain.PDF

22 Halpern, D. (2009)

⁵ Ball, M (2010) <http://www.communities.gov.uk/documents/507390/pdf/1436960.pdf>

It is estimated that approximately 4% of all planning applications are appealed⁶. The number of planning applications per neighbourhood is derived from the national number of planning applications divided by the number of neighbourhoods. Neighbourhood development plans are a tool for influencing smaller scale developments and the application numbers assumed reflect this⁷. Growth in the number of planning applications is estimated in line with the Office for Budget Responsibility's economic growth projections.⁸ These estimated scenarios of planning application numbers range from 365,000 in 2011/12 to 454,000 in 2020/21.

Some planning applications submitted will still not comply with the neighbourhood development plan and thus appeals are likely to continue to be made against these, and some applicants may choose to make representations on the neighbourhood development plan or challenge the plan with the associated cost of doing so. Thus, the estimate of cost savings for removing all appeals is in fact reduced.

For illustration, it is assumed that the total number of appeals in neighbourhoods with a neighbourhood development plan reduces by 40%⁹. The cost savings for appeals are calculated based on: the number of planning applications that would on average have been appealed in the neighbourhoods that take up plans, the cost of appeal¹⁰ and the number of neighbourhood that take up plans. **Average annual cost savings to applicants is estimated at £0.6m; to the local planning authority £0.6m; and to the Planning Inspectorate £1.9m.**

Costs

Preparing a Plan: Costs to the local authority and proponents of the plan

Consultation

Consultation on the draft Neighbourhood Planning (General) Regulations 2012 raised the issue of the cost to Parish Councils and community groups of producing neighbourhood plans. The frontrunners programme is being used to understand the potential overall cost of producing plans and where these cost lie. However, many of the frontrunners are at the early stages of developing their plans thus ahead of more detailed cost data, the range of plan costs set out below remain appropriate.

Parish and Town Councils and community groups also raised the need for advice and guidance. Funding has been identified through the Comprehensive Spending Review (up to £10.2m over the CSR10) to provide advice and support to communities wishing to exercise their right to produce neighbourhood development plans or neighbourhood development order. To make it easier for communities and others to use the new powers the Department published an easy to understand guide to neighbourhood planning, it is intended that this is supplemented with more detailed guidance and we are considering the appropriate means of providing this.

Neighbourhood planning is a flexible tool designed to enable communities to make their own choices as to what issues they wish to address in their neighbourhood. As a consequence the costs of preparing neighbourhood development plans will vary depending on the complexity and size of the proposal, and the available supporting evidence (see below).

There are common types of costs (core costs) that will apply across all neighbourhood development plans such as: community consultation; publicity; independent examination; and referendum. Set out below are a range of potential costs for these activities, as the costs will vary depending on the area, the size and nature of the communities being consulted and the range of issues being considered. The costs are based on information from the frontrunners programme and from other participatory planning

⁶ Planning Inspectorate (2011) *Appeals 2010-11*:
http://www.planningportal.gov.uk/uploads/pins/statistics_eng/10_11/stats_report_final_2010_2011.pdf

⁷ Applications for minor residential and minor non residential, advertising and change of use

⁸ Office for Budget Responsibility (2011) *Economic and Fiscal Outlook: November 2011*
http://cdn.budgetresponsibility.independent.gov.uk/Autumn2011EFO_web_version138469072346.pdf

⁹ Based on actual reduction in appeals post plan adoption for 28 local planning authorities that adopted plans in 2008/2009.

¹⁰ Assumed as applicant £300, local planning authority £300 and planning inspectorate £1,000 per appeal. Assumes appeals are handled through written representations. PINS data based on current costs, local authority costs assuming resources allocation of 6 hours, at £50 hourly rate, same assumption for applicants.

activity, for example the cost of parish planning process ranged from £5,000 to £15,000 or £1.90 per head of population¹¹).

Table 2: Core costs of plan preparation

Core costs	Range of costs	
	Community consultation	£ 5,000
Publicity and production of plans	£ 1,500	£ 7,000
^Independent examination	£ 5,000	£ 8,000
	£ 11,500	£ 25,000
^Referendum	* £1.80 / head (£8,300 / ward)	
* Source: <i>Fees and charges for counting officers in the regional and local referendums</i> . ODPM 2004 ^ costs that fall to the local authority and for which funds have been identified (see page 14)		

In addition to the 'core costs' set out in Table 2, the organisations producing neighbourhood development plans may need to draw upon or in some circumstances produce a range of evidence or studies. The regulations being introduced do not prescribe the supporting evidence that must accompany a neighbourhood development plan; this is intended to ensure that evidence requirements are proportionate and use appropriate available evidence. Depending on the issues that the plan seeks to address a neighbourhood development plan may exceptionally need to draw from the 'menu' of evidence of the type set out in Table 3 which may increase cost over and above the level set out in Table 2. In many cases, however, this evidence may already exist with the local planning authority and can be provided without additional cost to those developing neighbourhood development plans.

Table 3: Examples of evidence available from local planning authorities to draw upon to support neighbourhood development plans

Typical range of evidence / studies used in local development plan making
Strategic Environmental Assessment / Sustainability Appraisal
Strategic Housing Land Availability Assessments (capacity and deliverability of potential sites)
Strategic Housing Market Assessments (housing need)
Transport modelling and accessibility
Social and community character / infrastructure study
Retail needs study (current and future market trends)
Strategic Flood Risk Assessment

Neighbourhood development plans will need to be in general conformity with the strategic policies in the local development plan, which will have been subject to adequate evidence. The local planning authority has a duty to support neighbourhood forums and parish councils in developing neighbourhood development plans in their area: evidence from the frontrunners programme suggests that this is likely to

¹¹ An Evaluation of Parish Planning in West Berkshire. November 2006. Dr Gavin Parker and Rachael Luck, Centre for Planning Studies, Department of Real Estate and Planning The University of Reading.

include sharing evidence and information. Additional information of help may also be available from upper tier councils such as county councils in two tier areas.

The frontrunners programme provides an early indication of the nature of the plans that could come forward. The majority of frontrunner applications have been led by parish councils in rural areas. Few are considering a neighbourhood development plan with a scale of change currently addressed through complex Area Action Plans or masterplans.

As there is considerable variation in the number of issues that neighbourhood development plans can address it is difficult to estimate the average cost of producing a neighbourhood development plan. At the lower end cost estimates are limited to the core costs set out in Table 2 above.

If for some reason the evidence needed to develop a robust neighbourhood development plan is not available in the local development plan, with other tiers of councils or the available evidence needs supplementing in some way, there would be additional costs associated with providing this. In the absence of data on the cost of plan making, for those neighbourhood development plans that may consider a complexity of issues, have specific evidence requirements and therefore have higher cost, we have used the costs associated with drawing together major applications as a proxy. Major applications often require assessments for housing, environment and market conditions over and above the requirements for minor applications. The highest median estimate for a major application (residential - 100 dwellings) is £86,000¹². Given the similarity between the use of evidence studies for major applications and the need to use some strategic assessments for larger neighbourhood development plans this provides a useful upper estimate for the cost of neighbourhood plans.

We expect – on average – more neighbourhood development plans to be small (i.e. towards the lower range) than large (i.e. towards the upper range). However, given the uncertainty around plan size we use the Arup work to determine upper estimates. **In the lower estimate, we assume that all plans cost an average of around £19,800.** This is consistent with the other evidence we hold for low core costs (Table 2). **For the upper estimate we assume that all plans cost £86,000** – the average for a major housing development. This is consistent with other evidence for high core costs (Table 2) and additional spend on commissioning or adapting existing evidence studies (Table 3).

These costs are incurred up-front (first year of take-up); whilst it is estimated the benefits are accrued from year two, due to the normal timing associated with housing delivery. The policy is to be kick-started by central government funding by paying some of these costs for the first plans. There will also be an ongoing cost involved with reviewing the plan, anticipated every 10 years.

Updating a neighbourhood development plan

In theory it is possible that a neighbourhood may adopt a neighbourhood development plan but then decide against renewing it. If a neighbourhood decides against renewing a neighbourhood plan, then the neighbourhood development plan simply remains in place. However, for the purposes of this Impact Assessment, this is assumed to be unlikely. This is because (a) the referendum will ensure there is widespread local support for its adoption and (b) neighbourhood development plans are most likely to be made in established communities such that the composition of the population is unlikely to substantially change over a 10 year period. Both assumptions are open to challenge but for these reasons for modelling purposes we assume that all neighbourhoods where a neighbourhood development plan is made within the appraisal period also maintain it throughout this period.

The update costs will vary considerably but are estimated at approximately 70% of the original plan costs and will be incurred by the proponents of the plan. As with preparation, these are likely to vary depending on the complexity of plan implemented and/ or desire to change it. Evidence from higher spatial level plans suggests a significant proportion of the costs of those plans are incurred when reviewing the plans, as much as 90% of the original plan costs. It is likely that – in some cases - a lower proportion of costs will be incurred at review than for higher spatial level plans, perhaps around 50%.

¹² Arup (2009) Benchmarking the costs to applicants of submitting a planning application.

<http://www.communities.gov.uk/documents/planningandbuilding/pdf/benchmarkingcostsapplications.pdf>. All figures up-rated to 2011 prices using HM Treasury GDP deflators http://www.hm-treasury.gov.uk/d/gdp_deflators.xls

We therefore use the mid-point (70%) for illustration. The review costs are however very uncertain and likely to range significantly between plans.

Using the illustrative take up rates for neighbourhood plans Table 4 shows the total costs of preparing and updating a neighbourhood development plan each year. These costs are based upon 5% of neighbourhoods preparing plans for the first time in each year (see Table 1 for cumulative take-up rates).

Table 4: Total costs of neighbourhood all neighbourhood development plans (£m)

Year	1	2	3	4	5	6	7	8	9	10	11
Preparation Costs (Low)	8	8	8	8	8	8	8	8	8	8	8
Preparation Costs (High)	33	33	33	33	33	33	33	33	33	33	33
Review Costs (Low)	-	-	-	-	-	-	-	-	-	-	5
Review Costs (High)	-	-	-	-	-	-	-	-	-	-	23

In year 11 both preparation costs (for year 11) and reviews costs (for those adopted in year 1) are accrued (as will be the case in future years), yet it is expected these will be off set by the benefits discussed above.

The average annual costs of preparation and review range from £8m – £35 m.

Cost of business Involvement

Consultation

At Lords Committee stage the Government made amendments to the Localism Bill to give a more explicit role for business in neighbourhood planning. This reflected strong support for strengthening the role of business from business organisations.

As a result the Localism Act ensures that neighbourhood forums can include those who work in a neighbourhood area and it requires forums to be open to those engaged in business in a broad sense. The Localism Act also enables a local planning authority to designate neighbourhood areas which are wholly or predominantly commercial in character as 'business neighbourhoods'. In these neighbourhoods business can choose to take a leading role in producing the neighbourhood development plan or order, subject to bringing the wider community with them. In such neighbourhoods, business (non-domestic rate payers) would also be given the vote (alongside residents)

Of the 436 responses to the consultation on the draft Neighbourhood Planning (General) Regulations 2012, 25 or 6% were from the private sector (in the form of businesses, landowners, developer, individual professionals or organisations that represent the private sector). As with respondents more generally, private sector respondents raised matters that would require provisions in the Localism Act to be repeated in the regulations and general issues not directly relevant to the regulations themselves such as the need for guidance, which we are considering. Of those who commented on the regulations, private sector respondents either supported the approach adopted or were neutral.

Five percent of applications to the neighbourhood planning frontrunner programme have been for business neighbourhoods. Based on this we have assumed that the costs to business when a business chooses to become involved with / or fund a neighbourhood development plan is 5% of the neighbourhood development plan costs or an **average annual transfer of cost to business is £1.1m (ranging between £0.4m and £1.7m)**.

Costs to local planning authorities of supporting neighbourhood planning

Consultation

Respondents to the consultation on the draft Neighbourhood Planning (General) Regulations raised general questions about the basic parameters of neighbourhood planning. Amongst local authorities many of the questions concerned the integration of neighbourhood planning with other elements of the local development plan and how environmental regulations (e.g. environmental impact assessment and strategic environmental assessment) are to be applied to neighbourhood planning. In addition to the guidance referred to above the Government is supporting councils to understand and implement the

changes brought about by the Localism Act (of which neighbourhood planning is a part) through the Local Government Group's Planning Advisory Service (up to £9.9m has been identified over the comprehensive spending review period). The support includes guides, events and briefings for officials and councillors.

Local planning authorities will need to familiarise themselves with the neighbourhood planning system and there are also specific activities that the local planning authority must undertake. The Localism Act places a duty on local planning authorities to assist communities in the preparation of neighbourhood plans and to take the plans through a process of examination and adoption. However, these responsibilities must be set within the context of the existing responsibilities of local planning authorities. They are required to plan for their area and work with and consult the local community as part of this process. We have isolated what can be considered as the distinct additional costs to local planning authorities as a result of neighbourhood planning; these are the cost of independent examination and the cost of holding a referendum. Funding has been identified through the Comprehensive Spending Review (up to £50 million over the comprehensive spending review period) to support those local authorities who incur additional burdens as a result of the Localism Act requirements on neighbourhood plans.

Income

DCLG Grant *per plan*: £40,000k¹³

Introducing Neighbourhood plans: site restriction costs to applicants

It is difficult to quantify, for example, the benefits likely to be derived by communities through influencing development in their area (subject to national planning policy). Equally the costs to applicants if, for example, they are required to change location or adhere to certain criteria set out in the neighbourhood plan, such as providing higher quality developments are also difficult to quantify at an aggregate level. However, in thinking about such potential costs to applicants (against a counterfactual of there being no neighbourhood development plan) it is important to note that neighbourhood development plans developed by the community must accord with the following principles:

- a) the neighbourhood development plan is not used to prevent development, only to shape and promote it in line with the wishes of the local community (and the strategic local and national planning policy); and
- b) any proposals within the neighbourhood development plan, e.g. concerning the location of development sites or the standard of the development on that site, are deliverable, i.e. it is economically viable and physically capable of completing the specified development on the designated site.

It is useful to consider a simple hypothetical example of a neighbourhood that contains two potential development sites that are capable of development as defined above: Site A (previously undeveloped) and Site B (previously developed). The strategic policies of the relevant local development plan will have set the quantum of development required in the local area.

Under the current system, it is possible that the local planning authority, through the local plan, may have identified either site of being equally capable of delivering a contribution to the quantum of development required in the local area or the authority may have allocated a site for development through a site allocation development plan document. An applicant could seek to bring forward an application for either site. As both sites are economically viable an applicant seeking to develop in the area will have factored the differences between the two sites into their considerations. Equally, the applicant may have factored in costs associated with choosing the site which least accorded with local wishes in terms of delay, additional consultation, and additional professional fees.

Under neighbourhood planning it would be for the community to set out in its plan which of the sites should be developed (as noted above this role falls to the local planning authority where no neighbourhood development plan is in place). Let us assume that this is Site B. An application for Site A

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

should be refused as, in the absence of other material considerations; the development of Site A is not in accordance with the Local Development Plan (including the neighbourhood development plan). This may result in the following costs:

- Increase in costs of developing Site B over Site A

There may be a cost to the applicant if Site B is more expensive to develop compared to site A because, for example, site B is previously developed and requires remediation work (unlike site A which is previously undeveloped). However, there will also be a reduction in costs in choosing a site which has already been approved by the local community and which is likely to be progressed quickly and with less opposition.

In addition, the applicant will seek to ensure the value of a development covers its costs and provides an adequate return on investment. The business model used by the development industry means that changes to the gross costs of construction are normally reflected in the residual land value paid by the applicants (i.e. additional costs or benefits are passed on to the landowner). This is not a cost to applicants from neighbourhood development plans.

- Opportunity cost of developing Site B

That Site A will not now be developed will be an opportunity cost to its landowner (as delay or prevention of expected sale or development) and he will seek to include the site in a future iteration of the neighbourhood development plan. There is however, a corresponding gain to the landowner of Site B, from the development of their site proceeding. This is clearly a trade off between land owners.

- Cost of interpreting and understanding neighbourhood plans

Where a neighbourhood development plan does exist, an applicant will need to consider the requirements of this. As the neighbourhood development plan, once adopted, becomes part of the local plan, applicants are still only required to check a single plan and as such are not expected to cause any additional costs to applicants (in meeting the basic conditions that enabling the plan to progress to referendum it will also have been demonstrated that the neighbourhood development had appropriate regard to national planning policy). In any case, where neighbourhood development plans are more detailed, this provides greater certainty to the applicant. Greater certainty means the development should progress through the planning system more speedily than it otherwise might. It is expected that any cost of interpreting the neighbourhood development plan will be broadly equivalent to the benefits of increased certainty to applicants.

- Benefit to the local community

The benefits to the community of the development being on their preferred site are difficult to quantify or monetise but will include a better predisposition to development as a whole, private benefits which may be reflected in higher property prices (e.g. owing to local growth / facilities for current residents, proximity of new development, continuing the style and character of the neighbourhood which make it desirable) and social benefits (increased community engagement, well being from maintaining local character and sense of place). As set out above, the fact that the community's preferred site is being developed should also mean it progresses through the planning process more speedily than it might otherwise, which provides a benefit to applicants (as noted above). Although these are also difficult to quantify, it is reasonable to expect that these benefits are greater than or equal to the costs of plan making in cases where local communities have led the neighbourhood development plan making process.

By ensuring all development is appropriate for the community, there are benefits for the community and a transfer of benefit between landowners of different sites. The distribution of costs and benefits remains important but it is expected that there is little or no cost to applicants and a transfer of costs / benefits between different land owners with little overall change. The benefit to the community is expected to be at least as great as the cost of plan making although has not been monetised.

Neighbourhood Development Orders

A neighbourhood development order or a Community Right to Build Order grants permission for the type of development specified in the order and by doing so removes the need for a planning application to be made. As neighbourhood development orders remove the need to apply for planning permission the potential applicant will be able to progress with greater speed and certainty. Associated costs will also be lower as applicants will not be paying a planning application fee or need to commit the resources associated with the preparation of a planning application.

The scope of a neighbourhood development order will reflect local circumstances. Evidence from a similar planning tool, (the Local Development Order), and from the neighbourhood planning frontrunners programme suggests that neighbourhood development orders are most likely to cover:

- residential areas - household development to permit minor extension developments (not covered by existing permitted development rights) conforming to agreed design parameters.
- business parks or industrial estates - for specified limited lists of minor developments, where impact is contained within the business park/estate, or to provide a degree of flexibility in the uses on the park/estate.
- town centres - to allow changes between town centre use classes, and potentially minor changes to signage and advertising.
- site-specific - to bring forward development on a particular site, including encouraging the provision of housing on a particular site, as in the case of a Community Right to Build order.

Whilst it is possible to quantify the savings from removing the need for a planning application, the estimates below are subject to a degree of uncertainty because they are dependent on take-up of neighborhood development orders by communities. This will be determined at the local level and is not known in advance. It might be the case that as many neighborhoods as adopt neighbourhood development plans (see illustration provided by Table 1) decide to make use of neighborhood development orders. Of the frontrunners testing the neighbourhood planning approach, 4.3% have expressed an interest in producing a local development order or neighbourhood development order; others have yet to make a decision. We have assumed a 10% take up of neighbourhood development orders in the central scenario and 5% and 15% in the low and high. See table 5.

Table 5 shows by year 11, around 400 development orders are expected to be in place (ranging from 200 to 650).

Table 5: Illustration of cumulative take-up of neighbourhood development orders

Period / take-up scenario	1	2	3	4	5	6	7	8	9	10	11
Low	19	38	57	76	95	114	133	152	171	190	209
Central	38	76	114	152	190	229	267	305	343	381	419
High	57	114	171	229	286	343	400	457	514	571	628

Benefits

Removing the planning application process: administration and fee savings to applicants

This analysis illustrates the cost savings from no longer submitting a planning application. It is assumed that those applications no longer requiring a planning application are a proportion of the minor residential and non residential, change of use and advertising applications for the type of development as discussed above¹⁴. The central assumption is that 30% of planning applications are removed as a result of having a neighbourhood development order in place. High and low scenarios test the removal of 10% and 50% of planning applications respectively.

Arup's (2009) benchmarking research provides data on the costs to applicants of submitting a planning application (see also Annex 3). This data has been used to calculate a weighted average for the cost of planning application administration and fee given the proportion of application types.

¹⁴DCLG (2011) *Planning Live Tables*, <http://www.communities.gov.uk/documents/statistics/xls/1929704.xls>

Table 6: Administration and fee costs of planning application process by application type (Arup 2009)¹⁵

Application Type	Planning Applications (England)	Initial Scheme Development	Preparation of Planning App	Submission of Planning App	Total of all costs
Change of Use	25200	£ 900	£ 900	£ 400	£ 2,300
Minor Residential	45100	£ 14,900	£ 14,200	£ 3,300	£ 32,300
Minor non Residential and Adverts	94400	£ 500	£ 1,200	£ 600	£ 2,200
Householder	196600	£ 400	£ 700	£ 500	£ 1,600
	361300			Weighted Average	£ 5,638

Using the assumed take up scenario set out above the **average annual savings to applicants from avoiding the planning application process is £17.4m**. Under low and high take-up of neighbourhood orders these annual saving ranges from £8.7m to £26.1m.

Certificates of Lawful Development: reduction to fee savings to applicants

Whilst neighbourhood development orders and Community Right to Build orders remove the need to apply for planning permission, applicants may wish to have this confirmed by applying for a lawful development certificate as they can under the current planning system. Where this does occur the saving to applicants is reduced. The fee for a lawful development certificate is 50% of the planning application fee. For the types of development likely to be covered by a neighbourhood development order the fees range from £167 per housing unit to £75 for a householder application.

Table 7: Reduced savings where a lawful development certificate is sought

Application Type	Planning Applications (Year to Sep 11)	Planning application Fee	Order Fee
Change of Use	25,200	£335	£167.50
Minor Res	45,100	£335	£167.50
Minor non Res + Ads	94,400	£335	£167.50
Householder	196,600	£150	£75.00
	Weighted Average	£234	£117.17

Based upon the weighted average calculations above, the average fee is £117 (50% of weighted average of fees for these categories). Assuming all applicants choose to request a certificate of consent, the average annual fee paid by applicants is estimated at £0.4m. If applicants do not request a certificate of consent no fee would be applicable and the saving to those undertaking development would increase (and they would save the full amount under administration and fee savings). Under the low and high order take-up scenarios this ranges from £0.2m to £0.6m.

Costs

Preparing a neighbourhood development order

As with neighbourhood development plan preparation, it is not possible to identify a 'standard neighbourhood development order' from which to identify preparation costs. Orders will vary greatly in character and planning context, scale from and use. Neighbourhood development orders will require a similar level of 'core costs' as those for neighbourhood development plans as set out above. Parish councils or neighbourhood forums may well wish to develop a neighbourhood development order at the same time or shortly after a neighbourhood development plan setting the policy context. This may

¹⁵ Arup (2009) Benchmarking the costs to applicants of submitting a planning application. <http://www.communities.gov.uk/documents/planningandbuilding/pdf/benchmarkingcostsapplications.pdf>. All figures up-rated to 2011 prices using HM Treasury GDP deflators http://www.hm-treasury.gov.uk/d/gdp_deflators.xls

enable consultation cost reductions. However, there is no requirement for a neighbourhood development order to be produced at the same time.

As with neighbourhood development plans, Parish Councils and neighbourhood forums may need to draw from a 'menu' of information or studies when developing an order in addition to the core costs. However, neighbourhood development orders are most likely to be used to manage small-scale changes and minor developments in all or part of a neighbourhood area and the information requirements are likely to reflect this. Common costs (subject to the type of order) may include: preparation of urban design guide, village design statement or design code (in some instances these may have already been prepared by the local planning authority as a supplementary planning document); technical surveys similar to those produced for a planning application such as ecological surveys, heritage or archaeological surveys; retail impact survey; there may also be a need for detailed maps, drawings or plans. The appropriate studies will need to be considered in light of local circumstances.

Due to the likely variation in neighbourhood development orders and the difficulty in generalising about costs, we have used the Arup (2009) data on benchmarking the cost of planning applications as a proxy. We have used the cost for smaller scale housing developments as such development is of a scale to require a variety of supporting information and drawings. Arup put the lower cost at £5,000 and the upper cost at £53,000. These costs are in addition to the range of core costs presented in Table 2 (£19,800 to £33,300).

Assuming costs therefore range between £24,800 and £86,300, **the average annual cost of neighbourhood development orders is £2.1m ranging from £0.9m to £3.3m.**

Cost of business Involvement

As discussed on page 12, five percent of applications to the neighbourhood planning frontrunner programme have been for business neighbourhoods. Based on this we have assumed that the costs to business when a business chooses to become involved with / or fund a neighbourhood development order is 5% of the neighbourhood development order costs or an **average annual transfer of cost from proponents of the plan to business is £0.1m**. This ranges from £0.05m to £0.2m based on the range of order costs.

Removing the planning application process: costs to local planning authorities

As with neighbourhood plans, it is not possible to monetise the costs of local planning authority officer time in respect of geographically defining neighbourhoods in their area and providing expertise and advice to neighbourhood planning groups wishing to introduce a neighbourhood development order or Community Right to Build order. There will be a reduction in planning application fee income, equivalent to the fee saving to applicants above. However, as planning application fees are set to recover local planning authority costs the reduction in fees will directly correspond with the reduction in administration and the net cost is therefore zero.

Potential impact on development resulting from Neighbourhood Development Plans and Orders

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

As noted, given proper consultation with local people inducing a change of behaviour of communities, it is anticipated that the number of planning applications rejected or and decisions appealed will decrease and thus development will increase. Additional development will create economic value, although it is extremely difficult to quantify this value given the uncertainty and variability of what will be built. As an illustration we use the land value uplift from housing units in accordance with the Department for

Transport's WebTAG guidance¹⁶ as explained in Annex 4. This uplift is a measure of the increase in welfare that arises from the more efficient use of land (in this case for housing rather than a previous (non-housing) use).

In short, this approach uses land value changes following the approval of new housing developments as a measure of the 'private' value of additional housing and then nets off the existing land values as follows:

Net private value of new housing = residential land value – existing land use value.

Based on January 2010 land values¹⁷, densities and previously undeveloped / brownfield splits we can estimate the weighted average uplift per dwelling as £30,000. It is assumed that there will be one to two additional units per year for neighbourhoods that have neighbourhood development plans. This is based on the estimate of five to ten additional units per Community Right to Build which over five years results in one to two additional units per annum (representing the low and high scenarios below respectively). To calculate an estimate of the benefits this uplift is applied to each of the 1 to 2 dwellings per neighbourhood development plan. **Average annual benefits of additional housing units are estimated to range from £56m to £113m.**

Table 8 presents the cumulative take-up rates of neighbourhood plans, leading to 55% after 11 years, based on 7,618 neighbourhoods in England. This highlights that there will an estimated average of 31,000 additional units over 11 years.

Table 8: Total illustrative additional housing units per neighbourhood development plan per annum

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

Further benefits (not quantified)

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

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

For Community Right to Build, non-monetised benefits may relate to the benefit that Community Right to Build brings through community empowerment and producing greater certainty at local level. Increased citizen engagement in bringing forward projects through Community Right to Build will be a direct benefit along with wider benefits, including improved services and efficiency gains. If implementation is successful, Community Right to Build can complement and strengthen community cohesion, representative democracy and effective government by encouraging greater participation in the process

¹⁶ DfT (2010) Appraisal in the Context of Housing Development: <http://www.dft.gov.uk/webtag/documents/expert/unit3.16d.php>

¹⁷ http://webarchive.nationalarchives.gov.uk/20110320170052/http://www.voa.gov.uk/publications/property_market_report/pmr-jan-2010/jan-2010-pmr-sections/jan-2010-pmr-sct-2.pdf

of local decision making. Potential benefits associated with community participation and co-production includes enhanced well-being, stronger community ties, democratic renewal, and, community integration and cohesion.

Environmental impacts

Quantifying the environmental impacts and outcomes of neighbourhood planning at a national level is difficult due to the highly localised nature of ecosystems services and the difficulty in predicting environmental impacts of location specific issues at a national level, highlighting the importance of locally based assessments.

Promoting ambitious neighbourhood plans that reflect community interests could result in beneficial environmental impacts, since by doing this the plans could put all *baseline* development on a more sustainable footing. Even minor improvements to the design and location of all dwellings expected to be built in the absence of the plan or order, could have positive environmental impacts that easily outweigh the impact of a modest increase in development. These are not quantified because they depend on exactly how local communities respond to the inducement to plan more positively for their own needs.

This environmental gain can be achieved by guiding development to the best locations, encouraging greener design and enabling development to enhance natural networks for the benefit of both local communities and the environment.

There may be environmental costs associated with construction due to more efficient delivery of development, as a result of reduced delays and uncertainty from a more positive framework for development that has the support of the local community. These will depend on how plans and orders produced under the Localism Act deliver development that reflects the vision and aspirations of local communities. The environmental impacts of additional development are often context specific, meaning that they are best considered at a local level.

Sensitivity Analysis

The detailed analysis above estimates the overall net benefit to be £690m (ranging from £580m to £799m).

As with any policy which is voluntary it is impossible to predict the actual level of take-up. In the above analysis we used a central illustration for take-up of neighbourhood plans, as shown in table 1. This leads to overall neighbourhood plan coverage of 55% by year 11.

Table 9: Illustrative cumulative take-up rates for neighbourhood development plans

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

Tables 9 outlines two alternative scenarios for take-up of neighbourhood development plans: (i) low where take-up of plans reaches 22% over the period; and (ii) high where take-up of plans reaches 88%. This has implications for the cost and benefits associated with the policy:

- Under the low scenario of take-up for illustration, the net benefit falls to £276m, ranging from £232m to £321m; and
- Under the higher scenario of take-up for illustration, the net benefit increases to £1,106m, ranging from £927m to £1,284m

Risks

It is considered that the following risks may be associated with the preferred option:

- The promoters of the neighbourhood development plan may seek to use the plan to prevent development taking place that is envisaged in the local development plan. This possibility is

- Insufficient resource or expertise is made available to enable sufficient neighbourhood plans to be produced to have an adequate impact on the scale of development that takes place.
- Neighbourhood development plans are not sufficiently detailed or robust to prevent low-quality development taking place, with the result that environmental quality and economic growth are undermined.
- Local planning authorities do not co-operate effectively with the development of neighbourhood plans (either by choice or because of insufficient resources) with the result that they fail the test required for making their adoption by the local planning authority mandatory.
- Where neighbourhood plans have directed development to less favourable sites but the developer's incentive nevertheless remains high, the normal business model operated by developers may not apply, leading to narrower profit margins.

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

One-in-one-out

The Statutory Instrument that the Government is introducing addresses the designation of neighbourhood areas and neighbourhood forums and the procedural requirements for preparing neighbourhood development plans, neighbourhood development orders and community right to build orders.

The regulations will apply to Parish Councils and prospective neighbourhood forums and community organisations that voluntarily wish to produce neighbourhood development plans, neighbourhood development orders or Community Right to Build orders. The regulations also set out the procedural requirements that local planning authorities must follow.

Once a neighbourhood development plan is brought into force after a referendum it becomes part of the statutory development plan for the local area. As is currently the case, decisions on planning applications submitted by businesses, civil society organisations or others will be taken in line with the policies in the development plan, (which will include the policies set out in the neighbourhood development plan), unless material considerations indicate otherwise.

The Statutory Instrument introduces no new or additional burdens on those applying for planning permission, whilst the introduction of neighbourhood development orders and Community Right to Build Orders reduces the regulatory requirements for prospective applicants where the proposed development is within the scope of the order.

The administrative burden and policy cost savings to business are based on estimates of the administrative process of neighbourhood development plans. Under neighbourhood development plan introduction it is estimated the reduction in appeal costs for applicants is £0.6m. In areas that take up neighbourhood development orders, it is estimated that the average annual cost savings to applicants from no longer submitting planning applications are £17.4m (average annual; central estimate). It is assumed that the neighbourhood development order fee is equivalent to or less than the current lawful development certificate. In the illustrative scenario this reduces the above savings by £0.4m (average annual; central estimate).

As discussed on pages 12 it is the intention that neighbourhood forums responsible for plan and order making will include a broad range of community members, including, in some cases, businesses. The

estimated annual cost to business of development plan and development order making is £1.1m and £0.1m respectively.

Based on the above the equivalent annual net cost to business is: minus £14m (equivalent annual net cost to business).

Summary and preferred option with description of implementation plan.

Neighbourhood groups will be empowered to instigate neighbourhood development plans, neighbourhood development orders or Community Right to Build orders for their areas and, where sufficient local support is demonstrated, the plans will be developed in partnership with the local planning authority.

Where the neighbourhood development order invokes a requirement for an Environmental Impact Assessment under the Environmental Impact Assessment Directive, the involvement of the local planning authority will be much greater (sufficient for the local planning authority to meet its obligations as the competent authority under the Environmental Impact Assessment Directive). Similarly, this applies to neighbourhood development plans where a Strategic Environmental Assessment under the Strategic Environmental Assessment Directive may be required.

The neighbourhood development plan will be set within the context of national planning policy and the strategic policies of the local development plan. Resources from central Government will contribute towards some of the costs.

It will be possible for a neighbourhood development plan or order to go beyond the local authority plan on key issues like the amount and type of development but the plan would need to take into account any impact this would have on neighbouring communities and infrastructure provision. The plan will be subject to an independent examination and the subsequent report will be non-binding. Where the plan is compliant with legal requirements and it is supported at a referendum, the local planning authority will be under a duty to make the plan as part of the local development plan.

A community can produce a neighbourhood development plan and a neighbourhood development order or a Community Right to Build Order. The latter would grant planning permission for development that falls within the scope of the order. Therefore, where a development is consistent with the order no planning application will be required.

Implementation plan

The required primary legislative changes have been brought in through the Localism Act. The Neighbourhood Planning (General) Regulations 2012 set out the procedure for the designation of neighbourhood areas and neighbourhood forums and for the preparation of neighbourhood development plans and neighbourhood development orders (including community right to build orders). A separate instrument will be brought forward in relation to neighbourhood planning referendums

Annex 1: Post Implementation Review (PIR) Plan

Basis of the review:

There is a commitment to review and understand the impacts, outputs and value for money of neighbourhood development plans, neighbourhood development orders and Community Right to Build. We are proposing that this policy is reviewed to monitor if and how it is being implemented at the local level. The policy will be reviewed in a proportionate way to map the associated impacts arising from the policy's remit. This is required for public and parliamentary accountability purposes. We are proposing that the review is undertaken between 3 and 5 years after Royal Assent has been awarded.

Review objective:

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

Review approach and rationale:

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

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

Baseline:

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

Success criteria:

- The increase in housing supply in areas that take-up neighbourhood development plans, neighbourhood development orders and Community Right to Build.
- The increase in community engagement and involvement in planning and development.
- Other measures of success include the extent to which opposition to new development is reduced.

Monitoring information arrangements

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

Reasons for not planning a PIR: N/A

Annex 2: Community Right to Build

Background

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

Recognising that Community Right to Build schemes are likely to be small scale development, and that proposals will be for specific development proposals, where the community wants to maintain the benefit of the development for the community, proposals will follow a streamlined neighbourhood planning process (a Community Right to Build Order). The key differences will be that schemes that require an Environmental Impact Assessment cannot be taken forward; the benefits of the development must stay within the community; and the local planning authorities will have less discretion as to whether to approve schemes. Community groups therefore can use this new tool to take forward small scale developments that have local backing (more than 50% of the community in a referendum), even where the local authority is opposed. Community Right to Build will apply to all areas, urban and rural, but is most likely to be relevant in rural areas, where communities seek additional affordable housing or shops or facilities to support rural life.

Community Right to Build schemes will be able to be brought forward by community groups established as a corporate body by members of the local community. This will ensure that proposals are community-led and that there are arrangements to manage the benefit from development for the community. We envisage that the type of community led developments brought forward through Community Right to Build will be small-scale (e.g. 5-10 homes)..

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

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

- the proposal against national policy
- whether the proposal is in general conformity with strategic policies in the development plan for the area
- whether making an order would breach or is otherwise compatible with EU obligations,
- the proposal is consistent with convention rights for human rights and
- whether the proposal has special regard to the desirability of preserving any listed building or its setting and to enhancing the character or appearance of a conservation area.
- the geographical extent of the referendum

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

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

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

Costs

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

Start up costs	Approx £1k
Project Development	Approx £35k
Referendum	Approx £3.5k
Total	Approx £39.5k

The costs outlined earlier in this Impact Assessment relating to neighbourhood development orders incorporate the costs for Community Right to Build orders.

Benefits

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

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

Annex 3 Benchmarking the costs to applicants of submitting a planning application

In 2009 Arup published research¹⁸ that provided a ‘benchmark’ for the typical financial costs associated with the submission of a planning application. In order to develop benchmarks for the cost related to submitting a planning application, the study sought to provide a breakdown of the proportionate spend on particular elements associated with the submission of a planning application. The costs identified were those that were specific or additional relating to the requirement for planning permission, as distinct from those other costs associated with, for example, producing and implementing a design scheme. The five stages for which costs were identified were:

- initial scheme development
- preparation of the planning application
- submission of the planning application
- post submission work, including determination
- post determination.

A key finding from the research was that it is difficult to generalise about the cost of submitting a planning application – either within a single planning application category, or across different planning application categories. Rather, the principal message is one of variety and complexity, where the unique circumstances and requirements of each application are likely to have a great effect on the overall cost of the application.

The research identified key variants in determining the application cost within any given application category as including:

- site policy history (for example development plan allocations)
- whether or not a previous application had been submitted for a similar development on the same site (i.e. any site precedent)
- whether or not the proposed development under consideration was part of a wider scheme
- location of a development within a Conservation Area or other special designation
- level of opposition to the proposed scheme from local residents or statutory consultees
- presence of physical site characteristics or constraints such as contamination or flood risk
- type of application (e.g. whether the consent sought was outline, full or reserved matters)
- whether or not conditions needed to be discharged on the application
- the scale of the proposed development relative to other applications in the sample category.

Summary of costs by application type taken from Arup 2009 research (2008 prices)

Application type	Sample size	Initial scheme development	Preparation of planning application	Submission of planning application	Post submission work	Post determination	Range of total costs	Average costs	M
Householder development	6	£0-£825	£0-£1,375	£150 - £700	£0	£0-£125	£150 - £2,900	£1,190	£1
Major development for approx. 100 dwellings	6	£4,000-£66,287	£10,740 - £39,006	£13,570 - £20,690	£2,700 - £61,713	£0 - £18,717	£59,990 - £152,310	£97,350	£7
Major development for retail development of approx. 2,500 sq m	5	£500- £4,600	£1,781 - £21,500	£2,465 - £12,130	£500 - £2,768	£500 - £1,500	£7,010 - £37,380	£20,070	£1
Smaller housing development (10-15)	6	£2,000 - £25,715	£1,135 - £25,300	£315 - £5,755	£0 - £1,500	£750 - £750	£4,450 - £49,070	£25,100	£2

¹⁸ Arup (2009) Benchmarking the costs to applicants of submitting a planning application.
<http://www.communities.gov.uk/documents/planningandbuilding/pdf/benchmarkingcostsapplications.pdf>

dwelling)									
Change of use	6	£0 - £771	£0 - £1,772	£0 0 £825	£0	£0	£290 - £3,370	£1,250	£1
Application by SMEs concerning the establishment or premises	6	£100 - £750	£420 - £1,750	£170 - £895	£150 - £450	£100 - £785	£970 - £3,340	£1,990	£1

Annex 4: quantifying the benefits of additional sustainable development

To place a monetary value on the economic benefit of additional residential units we use the Department for Transport's New Approach to Appraisal (NATA) approach¹⁹. This measure is based on the change from the existing land value to its new use (in this case residential development) arising from the granting of planning permission; the extent of this change provides a proxy for the increase/decrease in welfare arising from the different uses of land. This is sometimes referred to as the 'uplift' reflecting the fact that land values usually rise (often significantly) when planning permission for housing is granted.

The change in land value following the approval of new housing developments is a measure of the 'private' value of additional housing. The calculation can be summarised as follows:

(1) Net private value of new housing = residential land value – existing land use value;

There are also external impacts (positive or negative) that can result from a change of land use to residential development. These are considered separately in the environmental impact section, so the illustrative figures presented are net (rather than gross) benefits of additional housing units.

Data on land values for various uses is collected by the Valuation Office Agency (at local authority level). These data relate to January 2010 land values for mixed agricultural (assumed to be existing land value for Greenfield), industrial (for brownfield land) and residential development.

From this data we can estimate the average uplift per hectare from residential development. To convert this to a per unit level, we apply a density level (based on recent trend). A weighted average is then calculated based on the mix of development on Greenfield/ brownfield land (based on recent trend). This gives a national average estimated land value uplift of £30,000 per unit and is used to provide an illustration of economic benefit.

¹⁹ DfT (2010) Appraisal in the Context of Housing Development: <http://www.dft.gov.uk/webtag/documents/expert/unit3.16d.php>