

Mr John McNairney
Chief Planner
Scottish Government

[sent by email – chief.planner@gov.scot]

20 May 2016

Dear John,

Draft Advice on Net Economic Benefit and Planning – Consultation Response

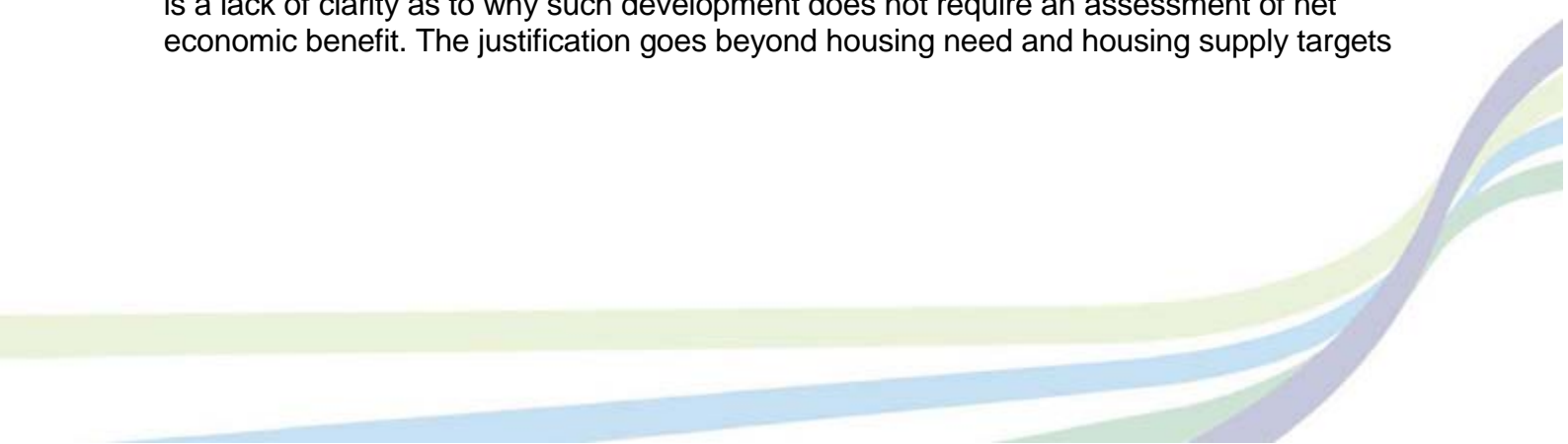
The Aberdeen City and Shire Strategic Development Planning Authority (SDPA) welcome the production of this guidance by the Scottish Government and are grateful for the opportunity to respond to this consultation. We also welcome the engagement of officers with your officials during its preparation, a process we believe has strengthened the draft.

The SDPA called for this guidance to be prepared in our response to consultation on Scottish Planning Policy in 2013 in light of that document's references to giving 'due weight' to net economic benefit in the decision-making process. In this context the guidance is useful in clarifying not only what net economic benefit is but also how it should be taken into account in the context of the development plan and alongside other material considerations. Recent experience has demonstrated the need for this guidance.

To a significant extent the draft guidance provides welcome clarity on the issues raised by the SPP references. However, there are five matters we would wish to raise in relation to the draft guidance. These are set out below, while Appendix 1 picks up some of these and a few other suggested changes which are less substantive in nature but which would nevertheless improve the current draft.

Firstly, it is important that the status of 'net economic benefit' in the decision-making process is clearly articulated and not overstated. In this context it is vital that the terms of s25 of the Town and Country Planning (Scotland) Act 1997 (as amended) are accurately reflected. However, the second paragraph of the guidance appears to place material considerations on an equal footing with the development plan in the decision-making process. While I am sure it wasn't intentional, clearly this is not the case and we suggest that this be amended to more accurately reflect the status of material considerations. Suggested wording is provided in Appendix 1.

Secondly, while the guidance does mention residential development in paragraph 4, there is a lack of clarity as to why such development does not require an assessment of net economic benefit. The justification goes beyond housing need and housing supply targets



as implied in the text. The fact is that residential development is likely to have a very high displacement effect in situations where there is a healthy housing land supply or where the market is already operating at 'full capacity'. In such cases additional permissions are unlikely to have any significant economic impact because, even if construction does take place, it is likely to be offset by reduced output on other sites. This could be dealt with by way of an example at the end of the document but a suggested amendment is also required to the text itself, as suggested in the appendix to this letter.

Thirdly, it is important that there is clarity about who 'owns' the costs and benefits of the proposal. A school will create jobs but the cost of building, maintaining and running the school will likely fall to the public sector and may also have a displacement effect where it reduces pressure on other schools. To appropriate the benefit of the jobs without recognising the cost to the public sector is disingenuous. In a similar way, revenue from a supermarket is highly likely to leave the local authority area – emphasising the need to be clear about the geography within which benefits are realised.

Fourthly, example 6 is problematic on a number of grounds. Not only does the second paragraph suggest that the application wouldn't have required an assessment (under Figure 1) in any case, but more significantly it is based on an offer to sell part of the asset to a local community group. Who owns (or might own) an asset should have no bearing on the determination of a planning application. The SDPA made a related point to the 2013 consultation on SPP and this example has very wide potential ramifications, so thought should be given to deleting it.

Finally, it is important that decision-makers interpret the results of the assessment accurately and appropriately, and that developers or their consultants clearly set out the information required to form a judgement. As a consequence, it would probably be helpful to include a paragraph on the reporting of the results of the assessment, drawing on text already contained in the draft. This could take the form of a box containing bullet points for ease of reference or even a simple template. An example of how this could be done is set out in Appendix 1. In addition, it would be useful if the guidance could point to examples of good practice.

Thank you for the opportunity to comment at this stage in the process of preparing the guidance and I trust these comments will be taken into account as you move forward to final publication. We would be happy to expand on any of the points above if that was thought to be helpful.

Yours sincerely,

David Jennings
SDP Manager
Aberdeen City and Shire SDPA

Appendix 1: Suggested Changes

Set out below are suggested amendments to 'Draft Advice on Net Economic Benefit and Planning', published by the Scottish Government on 22 March 2016 for consultation. Paragraphs refer to the sections of the draft guidance, with 'tracked changes' showing the amendments proposed.

2. Planning applications are determined on their individual merit, in accordance with the development plan ~~and unless~~ 'material considerations'¹ indicate otherwise.; ~~Material considerations which~~ may include the economic benefit ~~of resulting from~~ the development. Where economic benefit is relevant to the decision making process, it needs to be considered in the context of the development plan and set alongside the other guiding principles of sustainability and good placemaking and any other material considerations.

Reason – the original text over-emphasised the status of material considerations in the decision-making process on planning applications.

3. Policy does not require that development must always bring with it an economic benefit. In addition to this, since development plans will already have taken economic benefit into account, w~~h~~ere a proposal complies with the development plan, it should not be necessary for the applicant to demonstrate that the proposal creates net economic benefit². This advice therefore does not create an expectation that assessment of net economic impact should be carried out in these circumstances. The flow chart at Figure 1 gives an overview of the relatively limited circumstances where an assessment of net economic benefit should be prepared.

Reason – to emphasise the fact that development plans already take economic benefit into account and avoid relegating this to a footnote.

4. This advice is likely to be relevant in assessing the impact of applications that are contrary to the development plan or where other material considerations indicate that the decision on whether to grant planning consent is finely balanced. In these cases, the net economic impact of the development, including the number of jobs it is expected to create (particularly when it becomes operational), should be one of the factors taken into account in the planning decision.

4b. It is unlikely that n~~ew~~ residential development would require an assessment of net economic benefit where it falls within a housing market area with a healthy land supply. This is because new housing permissions in such circumstances helps to meet housing need and contributes towards meeting housing supply targets will often have no net economic benefit due to a high level of displacement effect - the homes built on this site would be offset by less homes being built on another site (see paragraph '13' below), however it will not usually be necessary to also make an argument regarding the economic benefit of a proposed housing development.

Reason – adding land to an already healthy housing land supply will not lead to the construction of more homes but will just mean that the geographical distribution of them may change. This has no economic benefit, but may have a negative impact if it increases uncertainty among developers and thereby reduces construction levels. It is important that the guidance is clear on this issue to avoid the misuse of this guidance. The current sentence doesn't make the point clearly enough.

11. In simple terms, 'Net Economic Benefit' (which can be negative as well as positive) can be estimated as:



~~The key criterion in assessing the economic impact of a proposed development is to estimate the economic position where the development proceeds, and then compare it with the estimated economic position if the proposal does not go ahead. The difference between these two estimates is the net economic benefit of the development³.~~ The principles which underpin the economic assessment of activities from the viewpoint of the public sector are set out in HM Treasury's "The Green Book: appraisal and evaluation in central government", which this advice draws from⁴.

Reason – using a graphic could help to emphasise this section which is critical to the guidance.

14. The usual scope for assessing the impact of a development is on all people affected by the development within Scotland. In practice, if the impacts of a development, both positive and negative, are confined to the local authority area, then an assessment at the local authority level will be sufficient. But if the development will have an impact on neighbouring local authorities, or across Scotland, then taking into account the impacts beyond the area of the local authority in question (both positive and negative) is recommended.

Reason – to make it clear that all impacts should be reported, not just those which support the grant of planning permission.

17. The costs and benefits of the proposed development should be valued, and the net benefit calculated. The period over which costs and benefits are assessed should usually cover the lifetime of the development, so that the costs and benefits which are associated with each different phase of the development, including planning and design, construction, operation and, where appropriate, restoration and aftercare, are reported individually and taken into account. Costs and benefits should normally be valued using market prices.

Reason – the decision-maker needs to be able to distinguish between short-term and enduring economic benefits, as highlighted in para 4. In order to do this, the assessment needs to be reported in a way which differentiates between impacts during different stages of the development's lifetime. It is particularly important that construction jobs are reported separately from operational jobs.

Reporting

30. In reporting the results of the assessment, the focus should be on both clarity and brevity. Developers or their consultants should make it easy for the planning authority and other interested parties (including the wider community) to identify the key results. While detail will need to be set out in the body of the report, a summary sheet could be used which:

- Clearly defines the development being assessed;
- Clearly defines and justifies the geographical basis for the assessment;
- Clearly identifies the time-periods covered by the assessment;
- Clearly sets out all assumptions made; and
- Identifies impacts separately for the different phases of the development lifecycle as well as the different geographies used.

Reason – to enable decision-makers and stakeholders to quickly identify the key outputs of the assessment and that the development being assessed is the same as that being applied for in the planning application. This suggestion is just indicative rather than an attempt at being comprehensive about what this additional paragraph should contain.