



Proposals for changes to planning application fees  
in England  
**Consultation**





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## Scope of the consultation

<b>Topic of this consultation:</b>	<p><b>Planning application fees</b></p> <p>Local planning authorities received more than 450,000 planning applications in 2009-10, including everything from house extensions to large developments. It is resource intensive for authorities to handle, check and publicise applications and give each one appropriate and careful consideration. Local planning authorities charge fees in order to recover the costs of processing most types of planning applications. Fees are currently set nationally.</p>
<b>Scope of this consultation:</b>	<p>This consultation paper proposes changes to the planning application fees regime which would decentralise responsibility for setting fees to local planning authorities. We also propose to widen the scope of planning application fees so that authorities can charge for more of their services. This would enable (but not compel) authorities to charge for resubmitted applications, and would allow authorities to charge higher fees for retrospective applications. Both proposals will help to reduce taxpayer subsidy of planning applications.</p>
<b>Geographical scope:</b>	<p>Applies to local planning authorities in England.</p>
<b>Impact Assessment:</b>	<p>There is an impact assessment attached and it can be found at Annex B. We have undertaken an equalities impact assessment initial screening and no issues have been identified. If responses to consultation highlight any equalities issues with proposals, we will undertake a full equalities impact assessment as is necessary.</p>

## Basic Information

<b>To:</b>	Local planning authorities, developers, businesses, householders and anyone else who makes planning applications.																								
<b>Body/bodies responsible for the consultation:</b>	<p>This consultation document is available on the Communities and Local Government website. If necessary, paper copies can be obtained from Julian Wheeler (see below). Your representations, by e-mail or in writing, should be sent – for receipt by the closing date of 7 January 2011 – to:</p> <p>Julian Wheeler          Department for Communities and Local Government          Zone 1/J1, Eland House          Bressenden Place          London          SW1E 5DU          e-mail: <a href="mailto:julian.wheeler@communities.gsi.gov.uk">julian.wheeler@communities.gsi.gov.uk</a></p>																								
<b>Duration:</b>	15 November 2010 – 7 January 2011																								
<b>Enquiries:</b>	As above																								
<b>How to respond:</b>	As above																								
<b>Additional ways to become involved:</b>	<p>This policy change is a significant change for local authorities and developers and to help with the understanding of our proposals we have provisionally booked venues for a series of seminars for local authorities around the country. A separate event for developers and business interests will be held in London. This is aimed at chief planners or those with financial responsibilities to bring forward ideas about how to set up their own fees structure in time to meet the 1st October 2011 deadline.</p> <p>If you would like to take part in one of these workshops please email <a href="mailto:julian.wheeler@communities.gsi.gov.uk">julian.wheeler@communities.gsi.gov.uk</a> to book a place indicating your preferred venue (and a second choice). Please note that there are a limited number of spaces available at some venues so places will be allocated on a first come first served basis (or second choice venues will be allocated where possible).</p> <table border="1"> <thead> <tr> <th>Date</th> <th>Time</th> <th>Venue</th> </tr> </thead> <tbody> <tr> <td>Friday 26 November</td> <td>10.30 – 12.30pm</td> <td>London (businesses)</td> </tr> <tr> <td>Monday 29 November</td> <td>2.30 – 4.30pm</td> <td>London (local planning authorities)</td> </tr> <tr> <td>Wednesday 1 December</td> <td>2 – 4pm</td> <td>Bristol</td> </tr> <tr> <td>Thursday 2 December</td> <td>2 – 4pm</td> <td>Leeds</td> </tr> <tr> <td>Wednesday 15 December</td> <td>2- 4pm</td> <td>Nottingham</td> </tr> <tr> <td>Monday 20 December</td> <td>2 – 4pm</td> <td>Manchester</td> </tr> <tr> <td>Tuesday 21 December</td> <td>10.30 – 12.30pm</td> <td>Guildford</td> </tr> </tbody> </table>	Date	Time	Venue	Friday 26 November	10.30 – 12.30pm	London (businesses)	Monday 29 November	2.30 – 4.30pm	London (local planning authorities)	Wednesday 1 December	2 – 4pm	Bristol	Thursday 2 December	2 – 4pm	Leeds	Wednesday 15 December	2- 4pm	Nottingham	Monday 20 December	2 – 4pm	Manchester	Tuesday 21 December	10.30 – 12.30pm	Guildford
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<b>After the consultation:</b>	Responses to the consultation will be analysed and considered before the Government's response to the consultation is published on the DCLG website.																								

<b>Compliance with the Code of Practice on Consultation:</b>	The consultation does not comply with the Code which recommends a 12 week consultation period. This consultation will be for a reduced period of eight weeks because of the need to prepare secondary legislation, which will need to be debated and approved by Parliament before it can come into effect on 4 April 2011. An eight week period will enable the Government to take into account representations before drafting secondary legislation.
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## Background

<b>Getting to this stage:</b>	<p><b>The Planning Act 2008</b></p> <p>The provisions for charging planning application fees are set out in section 303 of the Town and Country Planning Act 1990, as substituted by section 199 of the Planning Act 2008. These provisions:</p> <ul style="list-style-type: none"> <li>• allow fees to be charged in relation to any function of a local planning authority and for matters ancillary to those functions</li> <li>• allow the Secretary of State to prescribe fees or a means of calculating fees to be set by someone else (such as a local planning authority)</li> <li>• allow the Secretary of State to prescribe when a service would be exempt from fees</li> </ul> <p>Research on planning application fees was undertaken by the previous Government (see next section). It informs our proposals.</p>
<b>Previous engagement:</b>	<p>The District Councils Network has published a paper on local authority fees and charges, which includes proposals to decentralise responsibility for setting planning application fees. The Local Government Association is in favour of these proposals.</p> <p>In February 2009, the previous Government commissioned independent research from Arup<sup>1</sup> to look at whether planning application fees were covering local authority costs, and to identify methods that authorities could use to set their own charges. Arup's report is available on our website. It shows:</p> <ul style="list-style-type: none"> <li>• that authorities are recovering around 90 per cent of their costs, on average</li> <li>• that between April 2006 and March 2010 (with projections used for 09-10) the average cost of handling and determining planning applications was £619, and the average fee received was £569</li> <li>• that around 35 per cent of development management resources are being allocated to dealing with applications which do not currently incur a fee</li> </ul>

<sup>1</sup> *Planning Costs and Fees*, Ove Arup & Partners for Communities and Local Government, November 2010



# Introduction

1. Local planning authorities received more than 450,000 planning applications in 2009-10, including everything from house extensions to large developments. It is resource intensive for authorities to handle, check and publicise applications and give each one appropriate and careful consideration. Local planning authorities are able to charge fees in order to recover the costs of processing most types of planning applications.
2. Fees are currently set nationally, which means they do not take account of differing local circumstances and market conditions. This is contrary to the spirit of localism, and the principle that decisions should be taken at the lowest possible level, by people who are accountable to the public.
3. The majority of local planning authorities are failing to recover costs from fee income. Since planning permission often adds significant value to land, this means that local tax payers are subsidising applications which may make the applicant a considerable profit. On the other hand, some authorities are actually generating more income through charging fees than it costs to process applications, because the national charges exceed their local costs.
4. The only way to overcome this is to enable authorities to set their own fees which reflect local costs, and encourage them to run a fair and efficient system.
5. This consultation paper proposes changes to the planning application fees regime which would decentralise responsibility for setting fees to local planning authorities. We also propose to allow authorities to charge for some of those applications which are currently free. Both proposals will help to reduce the subsidising of planning applications by local residents.
6. If accepted and approved by Parliament, the changes would be implemented from April 2011, with a six month transition period until October 2011.

# The legal background

## The Planning Act 2008

7. The provisions for charging planning application fees are set out in section 303 of the Town and Country Planning Act 1990, as substituted by section 199 of the Planning Act 2008. These provisions:
  - allow fees to be charged in relation to any function of a local planning authority and for matters ancillary to those functions
  - allow the Secretary of State to prescribe fees or a means of calculating fees to be set by someone else (such as a local planning authority)
  - allow the Secretary of State to prescribe when a service would be exempt from fees
8. Section 303 (10) of the Town and Country Planning Act 1990 states that the income from a fee must not exceed the cost of performing the fee-related function (handling, processing and determining planning applications, in this instance). This means that fees cannot be used to make a profit.

## The basis for charging planning application fees

9. It is an established principle that local authorities should pay for activities that are purely or largely for the wider public good. The intention of development management is above all to promote the public good: since managing local development helps to secure the long-term benefits of sustainable, well-designed communities. Yet planning decisions often bring private benefit to the applicant as well; in particular, a property with planning permission may be much more valuable than it would be without. The power granted to authorities to charge planning application fees reflects the possible private benefit implicit in a planning permission. An applicant should expect to pay a fee for an application that could bring a measure of gain. The fee payable reflects the overall cost of handling, administering and deciding the application, including related overheads.

# Resourcing the planning system

## Research

10. In February 2009, the previous Government commissioned independent research from Arup<sup>1</sup> to look at whether planning application fees were covering local authority costs, and to identify methods that authorities could use to set their own charges. Arup's report is available on our website. It shows:
  - that authorities are recovering around 90 per cent of their costs, on average
  - that between April 2006 and March 2010 (with projections used for 2009-10) the average cost of handling and determining planning applications was £619, and the average fee received was £569
  - that around 35 per cent of development management resources are being allocated to dealing with applications which do not currently incur a fee

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<sup>1</sup> *Planning Costs and Fees*, Ove Arup & Partners for the Department for Communities and Local Government, November 2010

# The changes we propose

## Decentralising planning application fees

11. Wherever possible, decisions should be taken at the local level, by people who are accountable to the public. There is no reason why charges for planning applications should be an exception. Local planning authorities should be able to set their own charges to recover their own costs. Applicants should be charged for the full cost of the application where they are paying a fee, rather than being subsidised by the general tax payer. **We therefore propose to decentralise responsibility for planning application fee setting to local planning authorities.**
12. In April 2008, fees were increased by 23 per cent in order to help authorities recover more of their costs. However, some authorities are still not recouping costs – as Arup’s research showed – while others are recovering more than it cost them. This variation is inevitable when fees are set nationally and has been raised as an issue by respondents to the Government’s Spending Challenge<sup>2</sup>. Letting local planning authorities set their own fees will enable them to recoup their costs but not exceed them. At the same time, setting fees locally provides a stronger incentive for local planning authorities to run a more efficient service: since it will be a more transparent system, directly accountable to local residents.
13. If the proposal is taken forward there will be a six month transition period to give authorities time to develop charges which accurately reflect their costs.

## Extending the scope of planning application fees

14. Some applications, such as those for listed building consent, are not currently subject to fees, because they provide significant public benefit. Annex A outlines the development management services for which a fee is and is not payable.
15. In some instances, applicants are receiving private benefits without having to pay a fee for their application. This isn’t sustainable for authorities and is unfair for the general tax payer, who is subsidising the application.
16. **We propose to widen the scope of planning application fees so that authorities can charge for more of their services.** This would enable (but not compel) authorities to charge for resubmitted applications, and would allow authorities to charge higher fees for retrospective applications. Specific proposals are outlined below.

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<sup>2</sup> [http://www.hm-treasury.gov.uk/press\\_23\\_10.htm](http://www.hm-treasury.gov.uk/press_23_10.htm)

# Options

## Option 1 would decentralise the responsibility for setting fees for planning applications to local planning authorities

17. This would give local planning authorities control over setting planning application fees. We would set out in regulations the principal requirements for local planning authorities (which would include establishing a charging schedule) and exemptions from fees.
18. Local planning authorities would have to establish a charging scheme which reflects full cost recovery and the principle that the user should pay for the actual service they receive. Authorities should keep their costs to a minimum – helped by local democratic accountability – and should ensure that charges are based on efficient services which remain affordable.

## Option 2 would maintain the current fee system

### ***Preferred option***

19. We believe that option 1 is the appropriate way forward. It would give local planning authorities the flexibility to charge fees that properly recover the costs they incur in determining planning applications. It is the option that is most consistent with the Government's commitment to localise and decentralise power. It will also introduce greater accountability and transparency into the planning fees system, as local planning authorities will need to be able to demonstrate that their charges are justifiable and based on cost.

***Q1. Do you agree that each local planning authority should be able to set its own (non-profit-making) planning application fee charges?***

## Other proposals

***Proposal (a) would allow local planning authorities to decide whether to give applicants a “free go” when resubmitting applications that have been withdrawn or refused***

20. Currently no fee is payable for applications that are resubmitted following withdrawal before determination or refusal (this is known as the “free go”). This is principally because it was considered unfair to charge applicants twice for similar applications, which should theoretically not require as much work to determine as two separate, unrelated applications. However, in practice, a resubmitted application may be very different from the original application whilst still being entitled to a “free go”. Resubmitted applications, can represent substantial work, and therefore cost, for an authority. A comprehensive “free go” fails to reflect this cost. A better approach would be to allow authorities to make their own decisions about whether or not to allow a “free go”, depending on the local costs they expect to incur for resubmitted applications. This would also allow local authorities to deter repeat applications for development which already exists (retrospective planning applications).

***Q2. Do you agree that local planning authorities should be allowed to decide whether to charge for applications that are resubmitted following withdrawal or refusal?***

***Proposal (b) would allow local planning authorities to charge a higher fee for retrospective planning applications***

21. Currently no distinction is made between fees for routine applications and applications which are made retrospectively (after development has begun). Retrospective applications are sometimes made as a result of investigation by a local planning authority. In these instances, they impose a greater cost on authorities than routine applications. The principle behind planning application fees is that they should be set at a level that allows authorities to fully recover the associated costs. Authorities should therefore be able to charge a higher fee for retrospective applications where the application has come about as a consequence of investigatory work by the authority, in order to recover all of the related costs.

***Q3. Do you agree that local planning authorities should be able to set higher fees for retrospective applications?***

***Any other comments***

22. Applications for Listed Buildings, Conservation Area consent<sup>3</sup> and for works to trees that are the subject of a tree preservation order (TPO consent) do not currently incur a fee. In developing our proposals we considered whether this position should change. We are not minded to make a change principally because owners cannot opt-out of having their building Listed or located within a Conservation Area designation, and because such designations confer burdens with regard to preservation and maintenance that are clearly in the public interest. Similarly residents cannot opt-out of the tree preservation order designation, it is a burden on those affected, and tree maintenance (which requires consent) is of public environmental benefit. However, we would welcome comments or suggestions about whether this is the appropriate approach, or about fees and concessions on fees for development management services that have not been discussed in this consultation paper. Annex A sets out the main types.

***Q4. Are there any other development management services which are not currently charged for but should require a fee?***

***Q5. Are there any other development management services which currently require a fee but should be exempt from charging?***

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<sup>3</sup> Conservation Area consent is required for the demolition of a building (within a Conservation Area) with a volume of greater than 115 cubic metres, although there are a few exceptions; and for the demolition of a wall, fence, gate or railing over 1 metre in height next to a highway (including a public footpath or bridleway) or public open space; or over 2 metres in height elsewhere.

# Invitation to comment

23. We welcome your comments on this document. You might also want to look at *Planning Costs and Fees*, which outlines some of the evidence informing our proposals. It is on our website.
24. In summary, we propose:
- **to decentralise responsibilities for setting planning application fees to local planning authorities**
  - **to allow authorities to decide whether to provide applicants with a “free go” for applications that are resubmitted following withdrawal or refusal**
  - **to enable authorities to set higher fees for retrospective applications.**
25. The **options** and **proposals** are explained on pages 9–10. A summary of **questions** is below. If responding, please make clear which option, proposal, question or other element of the consultation paper each comment relates to. Ideally, comments should be supported with evidence or data, though anecdotal evidence can serve to illustrate a wider point or identify a risk.



- Q1** *Do you agree that each local planning authority should be able to set its own (non-profit-making) planning application fee charges?*
- Q2** *Do you agree that local planning authorities should be allowed to decide whether to charge for applications that are resubmitted following withdrawal or refusal?*
- Q3** *Do you agree that local planning authorities should be able to set higher fees for retrospective applications?*
- Q4** *Are there any development management services which are not currently charged for but should require a fee?*
- Q5** *Are there any other development management services which currently require a fee but should be exempt from charging?*
- Q6** *What are the likely effects of any of the changes on you, or the group or business or local authority you represent?*
- Q7** *Do you think there will be unintended consequences arising from these proposals?*
- Q8** *Do you have any comment on the outcomes predicted in the impact assessment, in particular the costs and benefits (see Annex B)?*

26. This consultation document is available on The Department for Communities and Local Government website. If necessary, paper copies can be obtained from Julian Wheeler (see below). A consultation response form is provided, and your representations, by e-mail or in writing, should be sent – for receipt by the closing date of 7 January 2011 – to:

Julian Wheeler  
 The Department for Communities and Local Government  
 Zone 1/J1, Eland House  
 Bressenden Place  
 London  
 SW1E 5DU

e-mail: [Julian.Wheeler@communities.gsi.gov.uk](mailto:Julian.Wheeler@communities.gsi.gov.uk)

27. Where possible this consultation follows the Government's Code of Practice on Consultation (see **Annex C** for further details). When commenting, please say if you represent an organisation or group, and in what capacity you are responding. A summary of responses will be published on the website following consultation. Hard copies of the summary can also be obtained thereafter, by contacting Julian Wheeler at the above address.

28. Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA) and the Data Protection Act 1998 (DPA)).
29. If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory code of practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.
30. The Department for Communities and Local Government will process your personal data in accordance with the Data Protection Act and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties. Individual responses will not be acknowledged unless specifically requested.
31. Your opinions are valuable to us. Thank you for taking the time to read this document and respond.

# Annex A

## Fees for development management services

A fee is currently payable for:

- 1) Applications for:
  - full or outline planning permission
  - non-material changes to planning permission
  - approval of reserved matters
  - certificates of lawfulness of existing or proposed use or development
  - consent to display advertisements
  - determination as to whether prior approval will be required for permitted development
- 2) Requests for confirmation that conditions attached to a grant of planning permission have been complied with
- 3) Site visits to a mining or landfill site

A fee is currently not payable for:

- 1) Applications for Listed Building consent
- 2) Applications for Conservation Area consent
- 3) Applications for works to trees covered by a tree preservation order
- 4) Applications that are resubmitted following withdrawal or refusal
- 5) Applications for development to dwellinghouses, or buildings to which members of the public are admitted, for the purpose of providing means of access for disabled people (or securing the safety, health or comfort of disabled people, in the case of dwellinghouses)

- 6) Applications for development which is allowed under permitted development rights where those rights have been removed by an Article 4 direction or a condition
- 7) Second applications (made following the granting of planning permission) relating to development of the same character or description on the same site
- 8) Applications relating to the same use class which are made necessary because of a condition
- 9) Applications to consolidate subsisting minerals planning permissions

## Fees for town and parish councils

Parish and town councils enjoy various rights under Schedule 2 Part 12 of the General Permitted Development Order to carry out works without the need to make a planning application. Where they do need to apply, they pay a 50 per cent fee.

## Fees for playing fields

There is currently a flat-rate fee of £335 for applications made by non-profit making clubs or other non-profit-making sporting or recreational organisations, relating to playing fields for their own use. The term 'playing field' includes football, cricket, hockey or hurling pitches, but not enclosed courts for games such as tennis or squash, and not golf courses or golf driving ranges.

# Annex B

## Impact assessment

<p>Title:</p> <p><b>Decentralisation of Planning Application Fees</b></p> <p><b>Lead department or agency:</b> Department for Communities and Local Government</p> <p><b>Other departments or agencies:</b> N/A</p>	<p><b>Impact Assessment (IA)</b></p> <p><b>IA No:</b></p> <p><b>Date:</b> 14/09/2010</p> <p><b>Stage:</b> Consultation</p> <p><b>Source of intervention:</b> Domestic</p> <p><b>Type of measure:</b> Secondary Legislation</p> <p><b>Contact for enquiries:</b> Alan Cornock 0303 44 41646</p>
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### Summary: Intervention and Options

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

Planning application fees are intended to be sufficient for local planning authorities to recover the costs of determining fee-chargeable applications. However, the majority of authorities are failing to recover costs from fee income. Fees are currently set centrally and have been repeatedly increased (most recently in 2008) in an attempt to address this shortfall, but it remains. Other authorities are actually over recovering through fees. This variation is inevitable when fees are set nationally because authorities face differing market conditions and incur variable costs. The only way to overcome this problem is to enable authorities to set their own fees which reflect local costs.

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

Our objective is to reform the planning application fees system so that it enables each local planning authority to recoup the costs they incur in determining applications. This will help to achieve the Government's wider aim of reducing taxpayer subsidy of planning applications. It is consistent with the Government's intention to localise and decentralise power and introduce greater local accountability into planning. Setting fees locally will provide a strong incentive for authorities to run a more efficient service: since it will be a more transparent system, directly accountable to local residents.

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

Three options have been considered:

1. Decentralising responsibility for setting planning application fees to local planning authorities.
2. Decentralising planning application fees whilst setting a cap on maximum fee levels.
3. Maintaining the current system of centrally-set planning application fees whilst increasing fees by 10/15%.

Justification of the preferred option (1) is contained in the evidence base section. In summary it is the option that best achieves our objective of enabling each local planning authority to recover (through fees) the cost of determining fee-chargeable planning applications.

We also propose to extend the scope of planning application fees to allow authorities to charge for some of those applications which are currently free. This will include resubmitted applications. We also propose to allow higher fees to be charged for retrospective applications (than routine applications).

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

**SELECT SIGNATORY Sign-off** For consultation stage Impact Assessments:

*I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.*

Signed by the responsible:

SELECT SIGNATORY

Date:

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## Summary: Analysis and Evidence *Policy Option 1*

Description: Decentralising responsibility for setting planning application fees to local planning authorities

Price Base Year 2010	PV Base Year 2010	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: £-1.5m	High: £-1.5m	Best Estimate: £-1.5m

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low		£64m	£536m
High		£87m	£731m
Best Estimate	£1.5m	£76m	£634m

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

Costs will be born by applicants, who will face increased planning application fees under the new regime. We expect there to be an average increase in fees of around 10% – 15% following decentralisation (based on research conducted in 2009, which suggested that the average shortfall between fees and the cost of determining applications was around 10% to 15%). This would lead to additional fee costs of £53m to £65m pa on average. If authorities choose to introduce charging for resubmitted applications, this could cost applicants (householder and other) an additional £11m – £22m pa (depending on the number of authorities that introduce charging and the fees that they decide to charge for resubmitted applications).

We assume that the proportion of costs born by businesses (approximately 87%) and individuals (13%) will remain consistent, based on an assumption that fee increases will be comparable across different fee categories. Based on the cost figures outlined above, this would result in an estimated additional cost to business of £54m – £73m pa and to individuals of £10m – £14m pa.

We estimate that there would be "one off" transitional costs of around £1.5m, distributed across all local planning authorities, for implementing a model that allows authorities to assess their development management costs.

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

Authorities which choose to lower fees below existing levels will in theory face a new cost. However, we can assume that they will only do so if they are over-recovering through fees: any additional "cost" imposed is in effect a loss of surplus rather than a new cost burden.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low		£64m	£535m
High		£87m	£730m
Best Estimate		£76m	£633m

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

Local planning authorities will benefit from being able to fully recover the costs of determining fee-chargeable applications. The specific gain will vary depending on authority. An average fee increase of around 10% – 15% would result in total additional revenue of £53m – £65m per annum. Any "benefit" will in effect be the making up of an existing shortfall in the funding for planning application processing costs. If authorities choose to introduce charging for resubmitted applications, this could generate an additional £11m – £22m pa for them.

<p><b>Other key non-monetised benefits by 'main affected groups'</b></p> <p>We expect a small portion of applicants to benefit from reduced fees in those authorities which are currently over-recovering through fees.</p>	
<p><b>Key assumptions/sensitivities/risks</b></p> <p>We assume that the majority of local planning authorities will use their decentralised powers to increase fees and that the average increase will be between 10% and 15% above current fee levels, when the policy is introduced. Subsequently, it is assumed that fees will remain constant. It is assumed that fees remain constant in the counterfactual. We assume that fees will not increase above cost recovery. There are risks that authorities might try to increase fees above cost recovery or set excessive fees on the basis of an inefficient service (with high associated costs). We consider neither of these risks significant – there are sufficient safeguards to mitigate them. There are consequent risks (from increased fees) for viability of development and an increase in unlawful development. The response to previous increases in application fees suggests that these risks are limited.</p>	<p><b>Discount rate (%)</b> <input type="text" value="3.5%"/></p>

Impact on admin burden (AB) (£m):			Impact on policy cost savings (£m):	In scope
New AB: 0	AB savings: 0	Net: 0	Policy cost savings: £-64m	Yes/No



## Summary: Analysis and Evidence *Policy Option 2*

Description: Decentralising responsibility for setting planning application fees to local planning authorities, below a cap on maximum fee levels imposed by central Government

Price Base Year 2010	PV Base Year 2010	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: £-1.5m	High: £-1.5m	Best Estimate: £-1.5m

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low		£64m	£536m
High		£87m	£731m
Best Estimate	£1.5m	£76m	£634m

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

Costs will be born by applicants, who will face increased planning application fees under the new regime. We expect there to be an average increase in fees of around 10% – 15% following decentralisation (based on research conducted in 2009, which suggested that the average shortfall between fees and the cost of determining applications was around 10% to 15%). This would lead to additional fee costs of £53m to £65m pa on average. If authorities choose to introduce charging for resubmitted applications, this could cost applicants (householder and other) an additional £11m – £22m pa (depending on the number of authorities that introduce charging and the fees that they decide to charge for resubmitted applications).

We assume that the proportion of costs born by businesses (approximately 87%) and individuals (13%) will remain consistent, based on an assumption that fee increases will be comparable across different fee categories. Based on the cost figures outlined above, this would result in an estimated additional cost to business of £54m – £73m pa and to individuals of £10m – £14m pa.

We estimate that there would be "one off" transitional costs of around £1.5m, distributed across all local planning authorities, for implementing a model that allows authorities to assess their development management costs.

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

Authorities which choose to lower fees below existing levels will in theory face a new cost. However, we can assume that they will only do so if they are over-recovering through fees: any additional "cost" imposed is in effect a loss of surplus rather than a new cost burden.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low		£64m	£535m
High		£87m	£730m
Best Estimate		£76m	£633m

<p><b>Description and scale of key monetised benefits by ‘main affected groups’</b></p> <p>Local planning authorities will benefit from being able to recover the costs of determining fee-chargeable applications. The specific gain will vary depending on authority. An average fee increase of around 10% – 15% would result in total additional revenue of £53m – £65m per annum. Any “benefit” will in effect be the making up of an existing shortfall in the funding for planning application processing costs. If authorities choose to introduce charging for resubmitted applications, this could generate an additional £11m – £22m pa for them.</p>	
<p><b>Other key non-monetised benefits by ‘main affected groups’</b></p> <p>We expect a small portion of applicants to benefit from reduced fees in those authorities which are currently over-recovering through fees.</p>	
<p><b>Key assumptions/sensitivities/risks</b></p> <p>A cap is set on maximum fee levels at 25% above current fee levels. We assume that the majority of local planning authorities will use their decentralised powers to increase fees and that the average increase will be between 10% and 15% above current fee levels, when the policy is introduced. Subsequently, it is assumed that fees will remain constant. It is assumed that fees remain constant in the counterfactual. We assume that fees will not increase above cost recovery. There are risks that authorities might try to increase fees above cost recovery or set excessive fees on the basis of an inefficient service (with high associated costs). We consider neither of these risks significant – there are sufficient safeguards to mitigate them. There are consequent risks (from increased fees) for viability of development and an increase in unlawful development. The response to previous increases in application fees suggests that these risks are limited.</p>	<p><b>Discount rate (%)</b> <input type="text" value="3.5%"/></p>

Impact on admin burden (AB) (£m):			Impact on policy cost savings (£m):	In scope
New AB: 0	AB savings: 0	Net: 0	Policy cost savings: £-64m	Yes/No

## Summary: Analysis and Evidence *Policy Option 3*

Description: Maintain the current system of centrally-set planning application fees, subject to a 10/15% increase in fee levels

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

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low		£64m	£535m
High		£87m	£730m
Best Estimate		£76m	£633m

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

Costs will be born by applicants, who will face increased planning application fees under the new regime. An increase of 10% – 15% in planning application fees would lead to additional fee costs of £53m to £65m pa on average. If authorities choose to introduce charging for resubmitted applications, this could cost applicants (householder and other) an additional £11m – £22m pa (depending on the number of authorities that introduce charging and the fees that they decide to charge for resubmitted applications).

We assume that the proportion of costs born by businesses (approximately 87%) and individuals (13%) will remain consistent, based on an assumption that fee increases will be comparable across different fee categories. Based on the cost figures outlined above, this would result in an estimated additional cost to business of £54m – £73m pa and to individuals of £10m – £14m pa.

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

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low		£64m	£535m
High		£87m	£730m
Best Estimate		£76m	£633m

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

Local planning authorities will benefit from being able to recover more of the costs of determining fee-chargeable applications. The specific gain will vary depending on authority. An increase of around 10% – 15% would result in total additional revenue of £53m – £65m pa. Any "benefit" will in effect be the making up of an existing shortfall in the funding for planning application processing costs. If authorities choose to introduce charging for resubmitted applications, this could generate an additional £11m – £22m pa for them.

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

#### Key assumptions/sensitivities/risks

Discount rate (%)

The increase in fees will be centrally set at between 10% and 15% above current fee levels when the policy is introduced. Subsequently, it is assumed that fees will remain constant. It is assumed that fees remain constant in the counterfactual. We assume that fees will not increase above cost recovery.

<b>Impact on admin burden (AB) (£m):</b>			<b>Impact on policy cost savings (£m):</b>	<b>In scope</b>
<b>New AB:</b> 0	<b>AB savings:</b> 0	<b>Net:</b> 0	<b>Policy cost savings:</b> £-64m	Yes/No

## Enforcement, Implementation and Wider Impacts

What is the geographic coverage of the policy/option?	England				
From what date will the policy be implemented?	04/04/2011				
Which organisation(s) will enforce the policy?	Local planning authorities				
What is the annual change in enforcement cost (£m)?	N/A				
Does enforcement comply with Hampton principles?	Yes				
Does implementation go beyond minimum EU requirements?	N/A				
What is the CO <sub>2</sub> equivalent change in greenhouse gas emissions? (Million tonnes CO <sub>2</sub> equivalent)	<i>Traded:</i>		<i>Non-traded:</i>		
Does the proposal have an impact on competition?	No				
What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?	Costs:		Benefits:		
Annual cost (£m) per organisation (excl. Transition) (Constant Price)	<i>Micro</i>	<i>&lt; 20</i>	<i>Small</i>	<i>Medium</i>	<i>Large</i>
Are any of these organisations exempt?	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No

## Specific Impact Tests: Checklist

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

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

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

<sup>1</sup> Race, disability and gender Impact assessments are statutory requirements for relevant policies. Equality statutory requirements will be expanded 2011, once the Equality Bill comes into force. Statutory equality duties part of the Equality Bill apply to GB only. The Toolkit provides advice on statutory equality duties for public authorities with a remit in Northern Ireland.

## Evidence Base (for summary sheets) – Notes

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

### References

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

No.	Legislation or publication
1	The Town and Country Planning (Fees for Applications and Deemed Applications) Regulations 1989
2	The Town and Country Planning (Fees for Applications and Deemed Applications) Regulations Amendment 2008
3	Planning Costs and Fees Report (May 2007) – Arup for DCLG
4	Planning Costs and Fees Report (November 2010) – Arup for DCLG

### Evidence Base: Option 1 (preferred option)

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

Annual profile of monetised costs and benefits* – (£m) constant prices										
	Y <sub>0</sub>	Y <sub>1</sub>	Y <sub>2</sub>	Y <sub>3</sub>	Y <sub>4</sub>	Y <sub>5</sub>	Y <sub>6</sub>	Y <sub>7</sub>	Y <sub>8</sub>	Y <sub>9</sub>
<b>Transition costs</b>	1.5									
Annual recurring cost	76	76	76	76	76	76	76	76	76	76
Total annual costs	78	76	76	76	76	76	76	76	76	76
<b>Transition benefits</b>										
Annual recurring benefits	76	76	76	76	76	76	76	76	76	76
Total annual benefits	76	76	76	76	76	76	76	76	76	76

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

## Evidence Base

### *Problem under consideration*

#### **The basis for charging planning application fees**

It is an established principle that local authorities should be prepared to pay for activities that are purely or largely for wider public good – such as plan-making. The intention of development management by authorities is above all to promote the public good: as managing local development helps to secure the long-term benefits of sustainable, well-designed communities. Yet planning decisions often bring benefit to the applicant as well; in particular, a development with planning permission may be much more valuable than it would be without. The power granted to authorities to charge planning application fees is a reflection of that possible private benefit implicit in a planning permission. An applicant, even one not in business, should expect to pay a fee for an application that will bring a measure of gain.

#### **Planning application fee levels**

However, the amount of fee payable is a reflection of the overall cost of handling, administering and determining the various types of fee-chargeable planning application. The fee amount chargeable is designed to include recovery of direct costs and an apportionment of overheads directly related to the cost of staff time involved in processing an application in the relevant fee category. Fees cannot be used to make a profit. They are intended to be set at a level that allows for full recovery of costs.

#### **Setting planning application fees**

Planning application fees are currently set by central Government. Current fees are set out in the Town and Country Planning (Fees for Applications and Deemed Applications) Regulations 1989, as amended. The regulations prescribe fees based on the type of application and the nature of the development, with the fee level varying for some types of development depending on floor space or quantity of building.

#### **The failure to achieve cost recovery**

Despite repeated increases in planning application fee levels, local planning authorities are still failing to recover the costs of determining fee-chargeable applications from application fees. This has been a consistent problem since the existing fees regulations were introduced in 1989. Since 1989, fees have been increased 10 times in an attempt to address the shortfall between costs and fee income, on the following occasions:

- January 1991 – (S.I.1990/2473) – 20% increase
- January 1992 – (S.I.1991/2735) – 20% increase
- January 1993 – (S.I.1992/3052) – 10% increase

- January 1994 – (S.I.1993/3170) – 15% increase
- January 1995 – (S.I.1993/3170) – 15% increase
- February 1997 – (S.I.1997/37) – 10% increase
- October 1997 – (S.I.1997/37) – 5% increase
- April 2002 – (S.I. 2002/768) – 14% increase
- April 2005 – (S.I. 2005/843) – 20–25% increase
- April 2008 – (S.I. 2008/958) – 23% increase

## 2007 Research

Fees were last increased in 2008 by approximately 23 per cent. This increase was in part based on research conducted for the Department by Arup on planning costs and fees, published in May 2007. This research suggested that the cost to local planning authorities of fee-related development management was between £298m and £365m during 2005-06. This range exists because two different approaches were taken to the assessment of overheads. Overheads are all costs other than staff salaries that are associated with enabling the planning service to function. The first approach taken was to subtract labour costs from the budget to give the figure for “gross” overheads. The second approach taken was to calculate “net” overheads by measuring additional costs beyond “productive” time labour costs. This second approach took into account the proportion of labour costs that represent “productive time” and entailed the transfer of what is often referred to as “downtime” to an overhead cost. The higher figure of £365m therefore took into account overheads such as leave, training, sickness and breaks and attributed them to the cost of fee-related development management in proportion to workload, whereas the lower figure of £298m did not.

### Cost of fee-related development control in England in 2005-06 for (a) all labour costs (gross overheads) and (b) productive labour costs (net overheads)

	<i>All labour costs</i>		<i>Productive labour costs</i>	
<i>Base Salary Cost</i> £	<i>OH Cost</i> £	<i>Total</i> £	<i>OH Cost</i> £	<i>Total</i> £
121,848,855	176,680,840	298,529,695	243,697,710	365,546,566

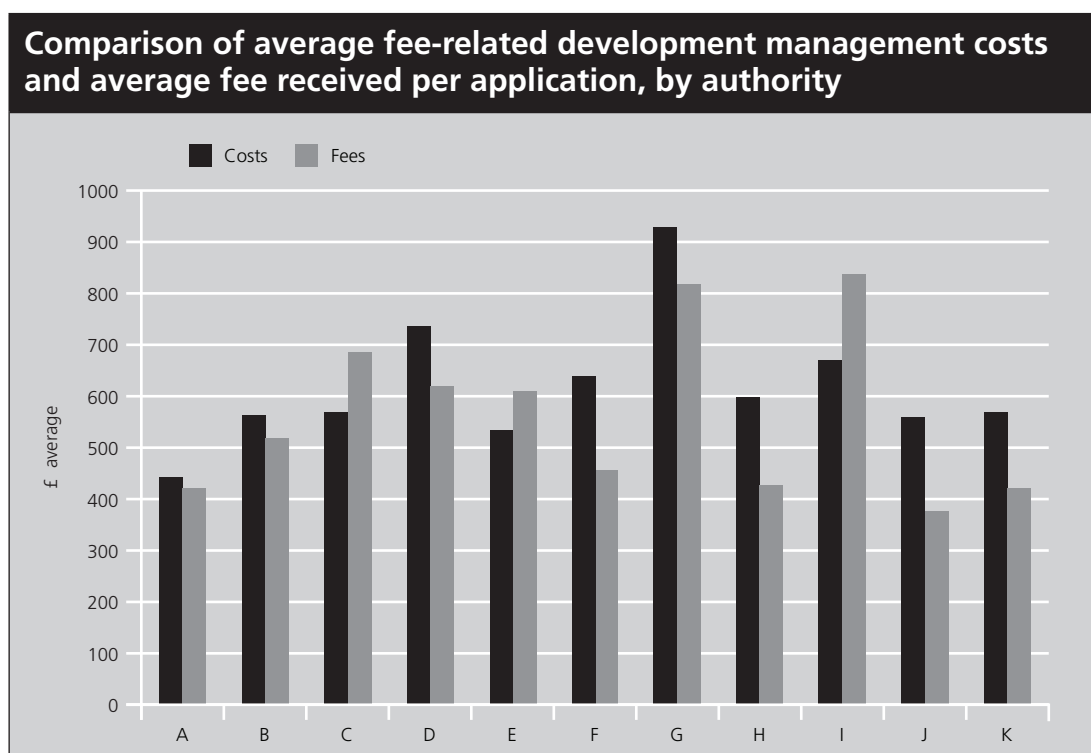
During the same 2005-06 period, income from planning application fees was approximately £232m. The research therefore suggested that there was a shortfall between fee income and associated costs of between £66m and £133m during 2005-06. The 2008 fee increase of 23 per cent was intended to help address that shortfall.



## 2009 Research

Further research commissioned from Arup in February 2009 to re-examine planning application costs and fees suggests that the 2008 fee increase has not proved sufficient: a significant proportion of authorities are still failing to recover costs through fees. Arup worked with a group of eleven local planning authorities to assess the average cost they each incurred over a period of four years in determining fee-chargeable planning applications and the average fee they received for those applications (the time period was 2006-07 to 2009-10, with the figures for the final year being projections). The sample was judged to form a good cross-section of authorities in terms of location, context, authority type and scale. Collectively the data relates to over 22,000 planning applications per annum. Overheads were considered alongside salary costs and as a percentage of direct salary costs.

The results of this assessment are attached in the graph below, which outlines the average cost incurred and fee received per application in each of those eleven authorities. Whilst the data showed that some authorities were over-recovering through fees, on a combined basis, fees were approximately 10 per cent below associated costs. This is based on an overall average cost of £619 per application and an average fee of £563.



This assessment was conducted in the first half of 2009. Whilst CPI inflation dropped to around 1 per cent in September 2009, it has since grown to 3.2 per cent (June 2010). Costs are likely to have increased with inflation since 2009, but fees have remained constant since April 2008. We can therefore reasonably assume that the shortfall between fees and costs has grown since Arup's assessment was undertaken.

### ***Rationale for intervention***

Our rationale for intervention is that nationally set fees fail to take account of variations in costs and application profiles between authorities. This is preventing the majority of local planning authorities from recovering costs.

Historically, the response to the shortfall between planning application fees and associated costs has been to increase fees periodically; the last increase of 23 per cent was in 2008. However, this approach can only offer a limited solution in the short term: because of inflation, the situation will soon arise when fees are again insufficient to recoup costs. This approach also increases the risk of over-recovery by some authorities (who are generating more in income than it costs to process applications), and fails to address the fundamental issue, which is that national fees take no account of differing local circumstances and market conditions. The only way to overcome these issues is to allow authorities to set their own fees which recoup (but do not exceed) costs.

The inability of authorities to recover costs means that the tax payer is subsidising applications which may make the applicant a profit (since planning permission often adds value to land). This is unfair to the general tax payer. We intend for applicants to cover the full cost of determining applications where they stand to gain from planning permission. This includes extending charging to applications which are currently free but provide private benefit to the applicant (that outweighs any general public benefit).

### ***Policy objective***

Our objective is to reform the planning application fees system so that it enables each local planning authority to recoup (but not exceed) the costs they incur in determining fee-chargeable applications. This will help to achieve the Government's wider aim of reducing taxpayer subsidy of planning applications. For the same reason, we also intend to extend charging where applicants are receiving private benefit from an application without having to pay a fee for it.

We also aim to reform the system so that fees are more transparent and locally accountable.

### ***Options considered***

We have considered three broad options for reforming the planning application fees system:

- Option 1 would decentralise responsibility for setting planning application fees to local planning authorities
- Option 2 would give local planning authorities control over setting planning application fees below a cap on maximum fee levels imposed by central Government

- Option 3 would maintain the current system of centrally-set planning application fees, subject to a 10 to 15 per cent increase in fee levels

### **Option 1 – Decentralisation**

This option would give local planning authorities control over setting planning application fees. We would set out in regulations principle requirements for authorities and exemptions from fees. Authorities would be required to establish a charging schedule which reflects full cost recovery and the fact that the user should pay for the actual service they receive. Authorities would be expected to keep their costs to a minimum – helped by local democratic accountability – and to ensure that their charges are based on efficient services which remain affordable. They will have to be transparent about the costs they incur in determining applications and will be directly accountable to residents and applicants if they fail to offer an efficient service.

### **Option 2 – Cap on maximum fees**

This option would give local planning authorities control over setting fees below a cap imposed by central Government. We would set the cap at 25 per cent above current fee levels to provide sufficient flexibility for authorities to recover costs. Our most recent evidence suggests that on average costs are approximately 10 per cent to 15 per cent higher than current fees. Setting the cap higher reflects the fact that the 10 per cent to 15 per cent is an average and so there will be authorities who need to further increase fees to fully recover costs. We would amend the fees regulations to state that fees are maximums, not set figures, and to introduce a requirement for authorities to establish a charging schedule. Authorities would be expected to keep their costs to a minimum – helped by local democratic accountability – and to ensure that their charges are based on efficient services which remain affordable. They will have to be transparent about the costs they incur in determining applications and will be directly accountable to residents and applicants if they fail to offer an efficient service.

### **Option 3 – Maintenance of centrally-set fees (with a 10 to 15 per cent fee increase)**

This option would involve no change to the system of centrally-set planning application fees. We would amend the fees regulations to increase fees by 10 to 15 per cent (following on from a 23 per cent increase in 2008).

### ***Costs and benefits of each option***

#### **Projecting the local impact of decentralised fees**

In reference to options 1 and 2, it is difficult to estimate the costs and benefits of decentralisation at the local level. We do not hold data on the individual costs incurred by each local planning authority in determining applications (beyond those eleven authorities in the Arup sample) and so cannot predict what the impact of decentralisation might be in each locality, beyond assuming that

there is likely to be variation in the fees charged by different authorities. We can however try to project the overall change in application fee income at the national level, using the data taken from the eleven sample authorities and our knowledge of the historic trend in planning application fee income.

It is also important to note that under a fully decentralised regime, local planning authorities will not simply have responsibility for fee levels; they will also set fee categories. This variable complicates any attempt to predict the impact at the local level.

For reference, the table below outlines the total income from planning application fees over the last five financial years. Figures are estimates because not all authorities provided fee returns.

<b>Planning application fee income in England (2005/6 to 2009/10)</b>					
<i>Year</i>	<i>2005/6</i>	<i>2006/7</i>	<i>2007/8</i>	<i>2008/9</i>	<i>2009/10</i>
Income from planning applications (£)	232,000,000	245,000,000	255,000,000	233,000,000	209,000,000
Number of planning applications	644,000	645,000	649,000	507,000	466,000
Average fee per planning application (£)	360	380	393	460	448

### **Projecting the annual number of planning applications that will be made**

Attempts to quantify costs and benefits must be based on assumptions about the number of planning applications that will be received in 2010-11 and future years. The table above outlines the trend in planning application numbers received over the last five years. Until the recession began, the number of applications had remained relatively constant at around 645,000 per annum. Since the recession began it has fallen, to 466,000 in the last financial year.

We assume that the number of applications correlates with economic growth, as there has been a relatively close correlation in the past. Scenarios of the number of planning applications over the next 10 years are based on 2009-10 data for planning applications correlated with projections of economic growth made by The Office for Budget Responsibility. This results in an estimated 472,000 planning applications in 2010-11 rising to 592,000 in 2019-20.

### **Projecting future income from planning application fees**

The table below outlines projections of future income from planning application fees, based on a range of average increases in application fees that might realistically occur under a decentralised system. The short-term impact of Option 3 (maintaining centrally-set fees whilst increasing fees by 10 to 15 per cent) is covered in the table, as is the most radical scenario for Option 2 (cap on

maximum fees): that all authorities increase fees by 25 per cent, to reach the cap limit. Projections are calculated on the basis of fee levels, overall fee income (£209m) and planning application numbers (466,000) from 2009-10. The table illustrates the increase in overall fee income, given an increase in fee levels.

<b>Projections of potential planning application fee income in England</b>					
<i>Average increase in fees</i>	+10%	+15%	+20%	+25%	+30%
Income from planning applications (£)	229,900,000	240,350,000	250,800,000	261,250,000	271,700,000
Increase in fee income (£) (from 2009/10)	20,900,000	31,350,000	41,800,000	52,250,000	62,700,000
Average fee per planning application (£)	493	515	538	560	583

The monetised costs and benefits (outlined in the summary pages) **represent an increase in planning application numbers** as well as an initial 10 to 15 per cent increase in fees, after the policy is implemented. Following this initial fee increase, it is assumed that fee levels will remain constant over the rest of the 10 year period, as they remain constant in the counterfactual.

### **Option 1 – Decentralisation**

#### **Costs**

If fees increase following decentralisation, as expected, an additional cost will be imposed on applicants. The extent of this cost is difficult to estimate. We assume that there will be an average increase in fees of around 10 per cent -15 per cent, which could result in an additional cost of approximately £53m-£65m per annum to applicants. Exact costs will vary depending on authority and application type. We assume that some authorities will increase their fees by more than 10 per cent -15 per cent, which will result in a higher cost to applicants in some local areas. It is difficult to project how the cost burden will be distributed across authorities. It is also difficult to project how this cost burden will fall upon particular applicants, and whether it will be more pronounced for business applicants than householder applicants (or vice versa). We estimate that the proportion of fees paid by individuals (approximately 13%) and businesses (approximately 87%) will remain relatively consistent, based on the assumption that fee increases will be comparable across different fee categories. This would result in an additional cost to businesses of £46m – £57m per annum and to individuals of £7m – £8.5m per annum. This estimation of the proportionate burden born by businesses and individuals also applies for Options 2 and 3. The average fee per planning application would increase from £448 to £493 – £515.

There will be ongoing costs to local planning authorities of approximately £550,000 per annum, distributed across authorities, for maintaining and updating cost and fee information. There will be one-off, transitional costs of implementation of around £1.5m, distributed across all authorities, for developing and introducing a model that allows authorities to assess their development management costs.

### **Benefits**

Local planning authorities will benefit from being given responsibility for fee setting. This will allow them to increase fees so that they are sufficient to recoup the full cost of determining fee-chargeable applications. The exact financial benefit will depend on the extent to which fees are increased: we estimate that there will be an average increase of around 10 per cent – 15 per cent in fees, which would result in total additional revenue of £53m – £65m per annum, based on application scenarios correlated with economic growth projections. It is difficult to predict how much each authority will benefit financially, as this will be at their discretion and we do not hold the necessary data on authority costs. It should be noted that this “benefit” will in effect be the making up of an existing shortfall between resources from fees and planning application processing costs. We expect a small number of applicants to benefit from reduced fees in those authorities which are currently over-recovering through fees.

### ***Option 2 – Cap on maximum fees***

#### **Costs**

The costs imposed on applicants (and authorities) follow the detail outlined for Option 1. Thus, it is assumed that fees increase by 10 per cent – 15 per cent. Based on our sample data of local authority costs, we do not expect authorities to raise fees by 25 per cent.

#### **Benefits**

The benefits to authorities of this option are comparable to those outlined for Option 1. The principle difference is that potential benefit is limited by the cap, which could leave some authorities in a situation where they continue to fail to recover full costs. Whilst we consider this unlikely – the 25 per cent cap should provide sufficient flexibility for almost all authorities – it is possible in exceptional circumstances.

Local planning authorities will benefit from being given partial responsibility for fee setting. This will allow them to increase fees and thus recoup more of the costs of determining fee-chargeable applications. The exact financial benefit will depend on the extent to which fees increase. If all authorities make full use of the flexibility given to them by the cap and raise fees by 25 per cent, and charge for resubmitted applications, this would result in total additional revenue of £117m – £144m per annum. We do not consider this scenario likely, based on our sample data of the costs associated with determining applications. It is

difficult to predict how much each authority will benefit financially, as this will be at their discretion. It should be noted that this “benefit” will in effect be the making up of an existing shortfall between resources from fees and planning application processing costs. We expect a small number of applicants to benefit from reduced fees in those authorities which are currently over-recovering through fees.

### ***Option 3 – Maintenance of centrally-set fees (with a 10/15% fee increase)***

The costs and benefits would be equivalent to Option 1, given that Option 1 assumes local authorities will increase fees by 10 per cent -15 per cent; Option 3 assumes the same increase by central Government.

#### **Costs**

All applicants would be subject to a 10 to 15 per cent increase in costs for fee-chargeable planning applications. This will result in an additional cost of approximately £53m – £65m per annum to applicants. There will be no change in the proportion of cost burden born by business (87%) and non-business (13%) planning applicants, as the increase would apply uniformly across all types of application. Even with this increase, it is likely that there would still be authorities who could not recover costs through fees. A 10 to 15 per cent fee increase would exacerbate the existing risk of some applicants paying more for their application than the cost of processing it. This is unlikely to be a widespread risk, but would pose an additional, unjustifiable cost in cases where it does occur.

Charging for resubmitted applications has the potential to cost an additional £11m – £22m per annum in fees for applicants.

#### **Benefits**

A fee increase of 10 to 15 per cent would enable authorities to recover more of the costs of determining fee-chargeable applications. We estimate that they could gain additional revenue of approximately £53m – £65m per annum. This would help to address an existing shortfall in their resources. The benefit would apply across authorities as the increase would apply uniformly across England.

Charging for resubmitted applications has the potential to generate an additional £11m – £22m per annum in revenue for authorities.

### ***Proposal to extend the scope of planning application fees to cover resubmitted applications***

Currently no fee is payable for applications that are resubmitted following withdrawal before determination or refusal. This is known as the “free go”. We propose to allow local planning authorities to decide whether to provide applicants with a “free go”. It is difficult to accurately assess how much revenue authorities might generate through charging for resubmitted

applications. Arup's 2009 research suggested that approximately 15 per cent of all **householder** applications are resubmitted. We have applied this 15 per cent resubmission rate to our assumptions (outlined above) about the number of householder planning applications that we expect to be made over the next 10 years. We also assume that the current fee for householder applications of £150 will increase by 15 per cent following decentralisation, giving an estimated fee of £172.50. A reasonable calculation of revenue would assume that the "free go" continued to exist in some form. If we assume that (following decentralisation) half of all resubmitted householder applications require a full fee, or all resubmitted householder applications require a half fee, this would generate approximately £3m – £6m per annum in additional revenue for authorities.

Using this methodology and range, we have also projected what the additional annual revenue might be if some form of charging is introduced for **all other** (i.e. non-householder) resubmitted applications. If we assume that 10 per cent of **all other** (non-householder) applications are resubmitted, based on a conservative interpretation of the 15 per cent resubmission rate for householder applications, charging for all other resubmitted applications could generate approximately £8m – £16m pa in additional revenue for authorities (assuming that fees will increase by 15 per cent following decentralisation).

In theory, therefore, charging for resubmitted applications has the potential to generate an additional £11m – £22m per annum in revenue for authorities. An equivalent cost would be imposed on applicants.

In our estimates of the costs/benefits of this proposal over the next 10 years, we assume that the ratio of householder applications to all other applications (approximately 40% to 60%) will remain constant.

### ***Risks and assumptions***

We assume that fees will increase in the majority of local planning authorities. Based on our understanding of costs and Arup's data, we do not expect this increase to be significant: the overall average of +10 per cent forwarded by Arup seems realistic, increasing to +15 per cent if general cost inflation since the data was collected is taken into account. As this is an average, we would expect to see a greater increase under some authorities: +25 per cent would be a reasonable assumption, although the figure could be higher in exceptional cases. We also assume that fees will decrease in some areas, based on the Arup data suggesting that some authorities are over-recovering through fees.

We cannot make assumptions about the impact on fees in individual authorities, because of a lack of data on the costs of each authority. Whilst we can make some limited assumptions about the impact on fees within different fee categories, as outlined in the *costs/benefits* section above, this could be subject to local variation. Determination of fee categories will also be at the discretion of the local planning authority, which further limits our ability to make assumptions.



There are two risks to the proposal to decentralise. First, there is a risk that authorities might increase fees in excess of cost recovery. Whilst this risk is limited by the legal requirement that the income from a fee must not exceed the cost of performing the fee-related function, an authority could still claim that fees are set at cost recovery when this is not true. Two further safeguards exist which mitigate this risk. If an applicant felt that the fee they were being charged exceeded the cost of determining their application, they could complain (for free) to the Local Government Ombudsman. The financial data on which application fees are based would also be transparent and audited for each authority. We consider these safeguards sufficient to deter the risk of fees exceeding costs on a widespread basis.

Second, there is a risk that authorities might be “rewarded” for inefficiency. Authorities who work less efficiently than their peers might attempt to charge higher fees on the basis that they (the inefficient authority) require more resources to determine applications. The restriction on fees being charged at a rate higher than cost recovery does not act as a barrier to this risk. The Government expects authorities to keep their costs to a minimum and to ensure that their charges are based on efficient services which remain affordable. As the decentralised system proposed will be more transparent, authorities will be directly accountable to residents and applicants for their fee charges. This local accountability will mitigate the risk of inefficiency being rewarded. Authorities who charge significantly higher fees than comparable authorities will need to be able to justify that higher cost.

Both risks could have a consequent impact upon the viability of development. We do not consider this likely, principally because planning application fees constitute a minute portion of development costs: approximately 0.25 per cent, when we assessed the issue in 2005-06 (during which planning fee income was approximately £232m and development costs amounted to around £93bn). This calculation was made in another research report by Arup for the Department, entitled *The Private Sector Perspective on Development Control in the context of Planning Delivery Grant 2005-06*. The fee increase in 2008 would have had no discernable impact on this percentage. Whilst the most significant decline in the number of planning applications in recent years – from 649,000 in 2007-08 to 507,000 in 2008-09 – coincided with the fee increase in April 2008, the decline was most likely due to the impact of the recession, which began in the first quarter of 2008-09. There is no evidence that fee increases have a significant effect upon viability.

There is also a risk that the fee increases we expect to follow decentralisation will encourage people to circumvent planning permission. We do not think that this is probable, as there is no evidence that fee increases over the last 20 years have had a discernable effect on encouraging unlawful development.

### ***Administrative burden and policy savings calculations (Option 1)***

There are no administrative burdens to businesses due to this policy regarding the administration of planning applications. Policy costs are imposed on business in terms of planning application fees at £64m (average annual cost). This is based on estimated increases in planning application fees (£46m – £57m) and fees for resubmitted non-householder applications (£8m to £16m).

### ***New Burdens***

A new burden will be imposed upon some local planning authorities, who will need to clearly understand the costs they incur in determining each type of planning application in order to set fees. Authorities will also need to ascertain a robust understanding of their overheads, which factor into costs. Once the initial data has been gathered and mechanisms for collecting and updating it are in place, there should not be a significant ongoing administrative burden. It is difficult to assess the cost of the burden as some authorities are already collecting this data, whilst other authorities have less evidence of their costs. The Planning Advisory Service has been working on a project called “Managing Excellent Planning Services”, which is aimed at helping local planning authorities to assess their costs. The cost of this project equates to £4,000 per authority. We intend to build on the methodology for planning cost accounting developed through Managing Excellent Planning Services in a further Planning Advisory Service project, which will refine the methodology used and specifically target it towards local authority costs for development management. We estimate that the cost to each authority of implementing a finalised cost accounting methodology (and transitioning to the new fees system) will be significantly lower than the £4,000 per authority cost of Managing Excellent Planning Services. This estimation is based on the assumption that it should cost less to implement a methodology than to develop, test and implement it (which was the process followed in Managing Excellent Planning Services). The transitional cost identified of £1.5m (the sum total of £4,000 per authority) is therefore a theoretical maximum. We will re-examine this transitional cost when we have gathered data from the next Planning Advisory Service project, as we will then be in a better position to understand what implementation might cost and how we might keep costs to a minimum.

We estimate that the ongoing cost of the time taken for accounting for staff time costs within each authority would equate to approximately £1,500 per authority per annum. Authorities would be able to recover this ongoing cost through fees.

### ***Summary and preferred option with description of implementation plan***

Our preference is for Option 1 (decentralised planning application fees) as it is most likely to achieve our stated objective of enabling each local planning authority to recoup (but not exceed) their costs. It is the option that is most consistent with the Government’s intention to localise and decentralise power.

It will also introduce greater local accountability and transparency into the planning application fees system, as authorities will need to ensure that their charges are justifiable and based on actual costs incurred.

Option 1 (full decentralisation) has been chosen over Option 2 (part decentralisation) because it ensures that all decisions over fees will be taken at the local level, by people who are accountable to the public. If Government imposes a cap on fee levels, this would limit the extent to which authorities are responsible and therefore accountable for their fees. Whilst imposing a cap would help to ensure that authorities do not “over recover” through fees, we think that there will be sufficient safeguards under a fully decentralised system to mitigate the risk of over recovery. A cap should not be necessary.

We will go out to consultation on proposals for eight weeks. Following consultation, and depending on responses, we intend to lay draft regulations in Parliament in January 2011. Regulations will then come into force with common commencement at the beginning of April 2011. Those regulations will outline principle requirements for authorities, the first of which will be the need for authorities to develop and publish a schedule that sets out the fees they intend to charge for the various types of planning application, based on the principle of full cost recovery. The regulations will also outline universal exemptions from fees (i.e. for disabled people who are applying to develop their home to improve access). There will be a six month transitional period to October 2011 to give authorities sufficient time to establish the data needed to set their own fees. During this period authorities will be able to continue to use existing, centrally-set fees as set out in the 1989 fees regulations, as amended.

We intend to work with the Chartered Institute of Public Finance and Accountability (CIPFA) and the Planning Advisory Service (PAS) to develop a model and methodology that authorities can refer to when developing their charging schedules. CIPFA have already performed a similar function for the Government in relation to building regulations (a comparable charging regime which authorities are responsible for administering locally) and we hope to use their expertise for planning application fees. As stated above, PAS are currently working on a project which aims to help authorities understand the costs they incur in running their planning services. We intend to build on the data and expertise gained in this project in developing a methodology that authorities can use to identify costs.

### ***Consultation with small businesses***

We will undertake consultation on this proposal with small businesses and their representatives in parallel with consultation with the wider public.

### ***Impact on equality***

We do not believe that the proposed changes to fees would lead to a disproportionate impact on any particular group or section of the community. All people currently pay for planning applications, with the exception of certain cases relating to people with disabilities, parish councils and non-profit organisations.

The proposal to decentralise seeks to realise fees according to the costs incurred between fee categories. The emphasis is on increasing equity between fee categories. Decentralisation would increase revenue whilst reducing the disparity and cross-subsidy between different sizes of application.

Proposals have undergone an equalities impact assessment initial screening and no issues have been identified. If responses to consultation highlight any equalities issues with proposals, we will undertake a full equalities impact assessment as is necessary.

### ***Specific Impact Tests***

- Environmental impacts: We have not identified any impacts arising in this area from this policy.
- Social impacts: We have not identified any impacts arising in this area from this policy.
- Sustainable development impacts: We have not identified any impacts arising in this area from this policy.

### ***Competition***

In terms of competition, we do not believe that the proposed changes would have a disproportionate impact on any particular sector. It is therefore considered unlikely that there would be an appreciable competition impact arising from any increase in planning application fees.

### ***Enforcement and sanctions***

Failure to submit the correct fee with an application may mean that the application will not be considered by the local planning authority. The remedy in cases of dispute about a fee is to make it a preliminary matter to an appeal to the Secretary of State.

## Annex 1: Post Implementation Review (PIR) Plan

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

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

Using statistical data contained in the PSF returns (see below) we will annually review national planning application fee income in order to assess the scale of and trend in planning application fee increases. This will allow us to determine the average increase in fees across England on an annual basis.

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

Reviewing the national trend in planning application fee increases will help us to understand whether fee rises are proportional and reasonable and whether they remain within the scope defined by cost recovery.

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

Our approach will be to review national statistical data in order to understand the sum effect of changes. If further analysis is needed we will be able to refer to the charging schedules of individual local planning authorities, to examine the extent of fee increases at the local level. If fee increases were shown to have unreasonably exceeded estimations, we could undertake another examination of the cost of fee-related development management in local planning authorities, using similar methods to those undertaken in 2007 and 2009 by Arup for the Department.

**Baseline:** [The current (baseline) position against which the change introduced by the legislation can be measured]

The baseline position is the current fees charged for planning applications, contained in the Town and Country Planning (Fees for Applications and Deemed Applications) Regulations 1989 (as amended in 2008). The baseline position in terms of the total fee income and the total number of applications received will be the figures for the 2010/11 financial year. This will provide us with up-to-date data which we can compare the impact of reforms against (changes will come into force in April 2011).

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

Our criteria for success would be to create a planning application fees regime that:

- 1) enables authorities to recoup the full cost of determining fee-chargeable planning applications; and
- 2) ensures authorities run an efficient service that keeps those costs to a minimum.

We will be able to assess whether success has been achieved by examining the cost data and fee charges of a sample of authorities.

<p><b>Monitoring information arrangements:</b> [Provide further details of the planned/existing arrangements in place that will allow a systematic collection systematic collection of monitoring information for future policy review]</p> <p>The Department collects statistical data on planning from local planning authorities on an annual basis, in the form of PSF returns. These collect information on the number of planning applications and the fee income received (per quarter). This enables us to determine an annual total of planning application fee income. We will use PSF returns to assess the sum of the impact of reforms to planning application fees.</p>
<p><b>Reasons for not planning a PIR:</b> [If there is no plan to do a PIR please provide reasons here]</p> <p>N/A</p>

# Annex C

## The consultation criteria

The Government has a code of practice on consultations. The criteria below apply to all UK public consultations on the basis of a document in electronic or printed form, and will often be relevant to other sorts of consultation.

Though they have no legal force, and cannot prevail over statutory or other mandatory external requirements, the instructions below should otherwise generally be regarded as binding on UK departments and their agencies, unless Ministers conclude that exceptional circumstances require a departure.

- 1 formal consultation should take place at a stage when there is scope to influence the policy outcome
- 2 consultations should normally last for at least 12 weeks with consideration given to longer timescales where feasible and sensible
- 3 consultation documents should be clear about the consultation process, what is being proposed, the scope to influence and the expected costs and benefits of the proposals
- 4 consultation exercises should be designed to be accessible to, and clearly targeted at, those people the exercise is intended to reach
- 5 keeping the burden of consultation to a minimum is essential if consultations are to be effective and if consultees' buy-in to the process is to be obtained
- 6 consultation responses should be analysed carefully and clear feedback should be provided to participants following the consultation
- 7 officials running consultations should seek guidance in how to run an effective consultation exercise and share what they have learned from the experience

The full consultation code may be viewed at:  
<http://www.bis.gov.uk/policies/better-regulation/consultation-guidance>

If you are not satisfied that this consultation has followed these criteria, or if you have other observations about ways of improving the consultation process, contact:

DCLG Consultation Coordinator  
Zone 6/H10  
Eland House  
Bressenden Place  
London  
SW1E 5DU

or by e-mail to:  
[consultationcoordinator@communities.gsi.gov.uk](mailto:consultationcoordinator@communities.gsi.gov.uk)





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