

Costing the Planning Service in Scotland 2018

1.0 EXECUTIVE SUMMARY

- 1.1 This report provides a summary of the key findings from the 2018 Costing the Planning Service Project. [Appendix A.](#)
- 1.2 The Costing the Planning Service Project is a follow up to earlier studies ran by the Heads of Planning Scotland which Argyll and Bute Council participated in 2014. The project aims were to provide detailed information on the cost of delivering planning services, particularly development management.
- 1.3 The study findings are intended to assist Kevin Stewart, the Minister for Local Government, Housing and Planning, and the Scottish Government in their understanding of the totality of planning costs for providing planning services and to further inform on-going discussions at the High-Level Group on Planning Performance. They offer a good basis from which to understand the nature and relationship of planning costs and increased performance, and the potential for application fees and charges to achieve cost recovery.
- 1.4 It is recommended that PPSL, in any upcoming consultation, adopt a position to lobby the Scottish Government for an uplift of planning fees to a level which would address the current shortfall in the cost of handling planning applications.

Costing the Planning Service in Scotland 2018

2.0 INTRODUCTION

- 2.1 This report provides a summary of the key findings from the 2018 Costing the Planning Service Project. [Appendix A.](#)

3.0 RECOMMENDATIONS

- 3.1 It is recommended that PPSL, in any upcoming consultation, adopt a position to lobby the Scottish Government for an uplift of planning fees to a level which would address the current shortfall in the cost of handling planning applications.

4.0 DETAIL**What is the Costing the Planning Service in Scotland Project?**

- 4.1 The Costing the Planning Service in Scotland Project 2018 was undertaken by the Heads of Planning Scotland with the aim of providing detailed information on the cost of delivering planning services, particularly development management. The 2018 study is a follow up to a project of the same name which ran in 2014 in which Argyll and Bute Council also participated.
- 4.2 The study findings are intended to assist Kevin Stewart, the Minister for Local Government, Housing and Planning, and the Scottish Government in their understanding of the totality of planning costs for providing planning services and to further inform on-going discussions at the High-Level Group on Planning Performance. They offer a good basis from which to understand the nature and relationship of planning costs and increased performance, and the potential for application fees and charges to achieve cost recovery.

Methodology

- 4.3 12 Authorities participated in the 2018 Project. The methodology was developed by the Planning Advisory Service and CIPFA and is based on three components – time recording, performance information, and detailed financial information.
- 4.4 The data collection was carried out with results providing a snapshot of information based upon a 4-week time recording period (21st May to 15th June 2018), combined with financial and performance information from a 6 month period since the increase in Major Application fees (1st June 2017 – 1st December 2017).

- 4.5 The 4-week period data was aggregated up to an assumed 12-month position, and the fee income was derived from the performance information provided by local authorities relating to a 6-month period, averaged to an annual figure
- 4.6 Whilst this is an established methodology which has been refined and improved since its creation in 2009, there are natural limitations with the data provided. In particular, there are different ways in which local authorities structure their financial systems and this can affect the level of detail available. In addition, different councils have different staffing structures and inevitably a different interpretation of the CIPFA guidance provided.
- 4.7 The costs used in these figures include staff time and overheads such as premises, ICT, transport, postage and adverts and external advice.
- 4.8 The data from the survey is comprehensive and covers the following critical cost areas:
- Cost of handling applications
 - Costs per application by category including: Major Non-Residential, All Dwellings, Local Non-Residential, All Others, Householders, and Heritage.
 - Planning cost per hour
 - Basket analysis – providing a comparison between local authorities of the cost to handle a ‘standard basket’ of applications.
 - Performance analysis, which includes valid on receipt, zero fee applications, pre-application advice, appeals, speed of processing, and enforcement costs.
 - Appendices cover recorded staff costs, staff hours and cost calculation, non-staff costs, and indirect costs.

Key Findings and Benchmarking:

Planning Performance:

- 4.9 Initial review of performance information in relation to rates of delegation, approval and withdrawn submissions confirms that the Argyll and Bute’s Development Management Service is performing well in comparison to the study group in the efficient and effective determination of applications.

Activity	Study Group	ABC	Variance %
Applications valid on receipt (see Appendix 3 tables)	42%	34%	-8%
Applications withdrawn prior to determination	7%	6%	-1%
Zero Fee Applications	29%	37%	+8%
Delegated Decisions	98%	99%	+1%

Applications Approved	97%	97%	0%
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The higher than average rate of applications which are invalid upon receipt is a cause for concern as repeated handling of invalid submissions would indicate inefficiency in the process which would give rise to additional costs to the Council in delivery of the Development Management Service. The Development Management Service has already identified validation as an area for improvement – the Council has recently implemented national validation standards prepared by HoPS and has identified an Improvement Action through the 2017/18 PPF and the Service Plan that will require a review of validation processes and engagement with regular customers to seek to improve the quality of submissions with the intention of improving the valid on receipt rate.

Similarly, the receipt of a higher than average rate of applications which do not require a fee is also a concern as these are processed at cost to the Council; zero fee applications include listed building consents, and statutory notifications required under permitted development legislation in relation to agriculture and forestry developments. Officers have identified the requirement to engage positively with any upcoming Scottish Government review of planning fees and the Planning Act to seek to reduce the extent of applications which are exempt from fees.

4.10 The results of the study confirm that Argyll and Bute Council is below average when compared to the study group’s performance on the speed of processing applications.

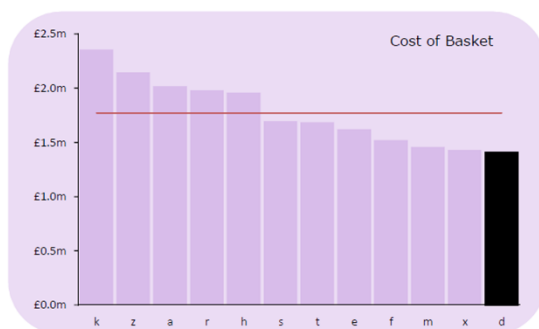


This position is corroborated by benchmarking the Council’s performance against the statistical returns submitted to the Scottish Government and output provided for the Planning Performance Framework. Since the previous study was undertaken in 2014 Argyll and Bute’s performance on the time taken to determine planning applications has slipped from being one of the best performers nationally to being slightly worse than the national averages. When taken in the context of the Council’s position as being one of the most cost effective Development Management Services nationally it is evident that delivery of significant savings since 2014 has come at a cost of poorer performance in comparison to other local authorities. The Development Management Service has already identified that there is scope to improve the efficiency of application handling through

improvement of case handling systems and work processes. The Service has recently committed to the purchase of IDOX Enterprise which will provide improved performance monitoring and workflow process for the Development Management team which is expected to enhance case handling efficiency and consequently performance.

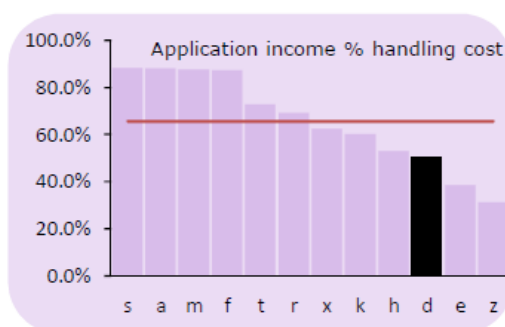
Planning Costs

4.11 Overall, Argyll and Bute compare very well with the study group in the delivery of a cost effective Development Management service. This is demonstrated in the measure which looks at the ‘Total Cost Basket’. This is a measure based upon the average number/type of applications for all local authorities in the study group and the basket cost is an indication of what it would cost each local authority to deal with this standard basket. This measure identifies Argyll and Bute as having the lowest cost (£1.4m) to deal with the standard basket; this is £370k below the average (£1.77m) for the study group and almost £1m less than the most expensive authority (£2.35m).



The validity of this outcome is underpinned by the indicator Econ 2 in the Local Government Benchmarking Framework (LGBF) for 2017/18 which identifies Argyll and Bute as having the 4th lowest ‘Cost per planning application’ nationally. It is noted that subsequent to the financial period the Development Management Service having delivered additional savings of £169k in 2018/19, and implemented a Service Redesign which will deliver planned savings of £105k for 2019/20.

4.12 The study has demonstrated that planning fee income does not meet the costs of delivering the Development Management Service; during the study period Argyll and Bute’s planning fee income represented only 50% of application handling costs for the study period which is down from 67% of costs in 2014. The average cost recovery for the study group was 66%, the best performers were at 88% cost recovery and the worst at 31%.



It should however be noted that the study was undertaken during a period in which planning fee income was significantly below expected levels for Argyll and Bute with a £336k shortfall in fees received for the financial year – this represented a 32% shortfall on budgeted income. It is confirmed that planning fee income has since returned to ‘normal’ forecast levels in 2018/19 and accordingly it is advised that, had income been received at ‘normal’ levels during the study period, planning fee income would in fact have covered 83.8% of application handling costs during 2017/18 and would properly reflect the significant savings and efficiency measures delivered by the Development Management Service in the period since the 2014 study.

- 4.13 The study results identify that planning fee income per application is significantly lower in Argyll and Bute (£326 per application) compared to the study group (average of £524 per application).

This measure needs to be interpreted with a degree of caution given that the income received within the study period was significantly lower than expected as a result of a reduced number of high value applications; the overall volume of applications however remained at ‘normal’ levels. Comparison of fee information provided by other authorities as part of the study would however indicate that there is a significant difference between the fee value per application between urban and rural authorities, particularly in relation to housing development where urban areas benefit from a high number of major applications which generate significant fee income. As a point of comparison it is identified that for Argyll and Bute the average value of an application within the “All Dwellings” category was £629 compared to an average of £1,533 per application across the wider study group. Analysis of the data has shown this variance in application value to be a disparity between urban and rural authorities rather than issue unique to Argyll and Bute and is reflective of the situation that rural areas handle a higher proportion of small, low fee value applications than authorities with large urban populations.

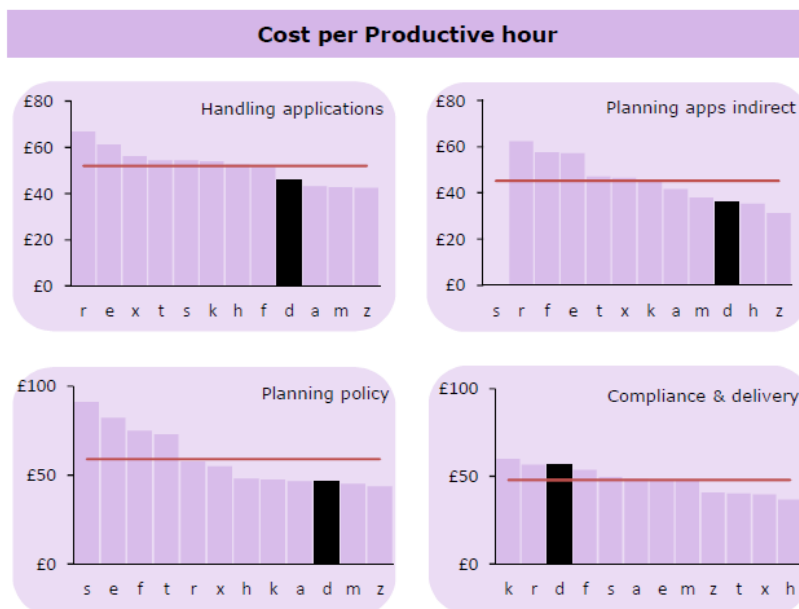
- 4.14 The study has broken down the costs of delivering the planning service to key areas of activity which indicate that as a proportion of overall cost to the Council the handling of planning applications and planning enforcement are at, or just about average for the study group. The proportionate cost of the Planning Policy activity is significantly less than the study group average and would appear to be indicative of the savings delivered within the Development Policy Service through staff reduction in recent years.

Activity	Study Group	ABC	Variance %
Handling Application	50%	50%	0%
Indirect Costs	17%	25%	+8%
Planning Policy	24%	14%	-10%
Compliance & Delivery	9%	11%	+2%

The results identify that the cost to the Council of handling planning applications in 2017/18 amounted to £1.28m of which £111k could be directly attributed to input from other Services including internal consultee input and staff time for facilitating committees and Local Review Boards.

Compared against fee income received for 2018/19 this would indicate that the current fee structure gives rise to a 17.2% shortfall in providing for the costs incurred to the Council in administering the Development Management process. Argyll and Bute's position of recovering 82.3% of core application handling costs from fee income is heading in the right direction with the Scottish Government having set the target of full cost recovery for this activity and compares well with the average cost recovery of 65.6% for the study group. When viewed within the context of the full cost to the Council of delivering the planning service (including development policy, enforcement, monitoring, pre-application enquiries, all other planning related activities, including input from corporate IT and customer contact centres etc) application fee income drops to 42% of expenditure but still compares very well with the average for the study group of 32.9% cost recovery. This outcome again underpins the savings delivered by the Council in recent times given that fee income only provided for 19% of total costs to Argyll and Bute Council in 2014. It is reasonable to assume that an uplift in planning application fees by 58% to cover the full cost to the Council of delivering planning is likely to meet political resistance and have significant impacts for the development industry. It is therefore identified that seeking to secure an uplift which would cover application handling costs is a more realistic outcome but should be coupled with lobbying to reduce the volume of 'zero-fee' applications and notifications through legislative change in order to deliver significant reductions to the Council in the overall cost of delivering the planning service.

4.15 The results identify that Argyll and Bute compare well with the study group on the cost per productive hour in relation to the activities of handling of planning applications, application related activity and planning policy.



Direct staff costs for Argyll and Bute Council are £350k lower than the previous 2014 study again indicating the extent of savings which have reduced the number of FTEs in both Development Management and Development Policy Services during this period. The data in the study indicates that compared to 2014 more productive hours (+8%) are focused on core activities thus underlining the position set out in the 'Reconstructing the Budget' paper for Development Management that the service is already operating at a minimum level focused on addressing statutory requirements.

The cost of Planning Enforcement is higher than average for the study group, this is again considered to be a reflection of the challenges facing the Council in the delivery of a largely reactive service across an extensive geographic area.

5.1 CONCLUSION

5.1 The key messages from the study are considered to be that:

- Argyll and Bute Council has one of the most cost effective Development Management services in Scotland when considered on the basis of cost per application. This is a reflection of the significant savings which have been delivered by the Service which amount to a 68% reduction in budget over the ten year period to 2017/18.
- There is evidence to confirm that the Development Management Service continues to make significant steps toward delivering on the challenge to move to full cost recovery. Adjusted figures for the study period would indicate that planning fee income covers approximately 80% of delivering the Development Management Service. Delivery of further savings of £169k in 2018/19 and planned savings of £110k for 2019/20 will further improve this position.
- Moving to full cost recovery position for the cost of handling planning applications remains dependent upon the Scottish Government delivering on its commitment to review planning fees for mainstream applications. The study results confirm that even after reducing service delivery to minimum standards there remains a significant gap between planning fee income and the cost of handling applications. To address this it has been identified that the Council should continue to lobby the Scottish Government for increased planning fees that reflect handling costs (current shortfall of 17.2%), and should seek to secure a reduction in the types of 'zero fee' applications either by introduction of new charges and/or appropriate amendment of regulations to reduce demand.
- The study has identified that there is considerable scope to improve the efficiency of the validation process with 66% of applications requiring more than one validation assessment. An Improvement Action to review validation processes and engage with customers to provide guidance and training intended to improve the quality of submissions has already been identified in the 2017/18 PPF Report and PHRS Service Plan.

6.0 IMPLICATIONS

6.1 **Policy:** None

6.2 **Financial:** The study data will be utilised to inform the Scottish Government's views on revision to planning fees.

6.3 **Legal:** None

6.4 **HR :** None

6.5 **Equalities:** None

6.6 **Risk:** There is a risk that failure to adequately resource the planning service will have an adverse impact upon performance.

6.7 **Customer Service:** None

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APPENDICES

Appendix A – Action Report From Heads of Planning Scotland On the Recent CIPFA/HoPS Survey on Costing the Planning Service in Scotland