



# *Planning Costs and Fees*

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Report





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# 1 Introduction

## 1.1 This Report

This report summarises the findings of a study, by Ove Arup & Partners Ltd with Addison & Associates, of planning costs and fees, and the recovery through fees of costs related to the handling of certain types of application made to local planning authorities. The report examines changes to the current fee régime which could improve cost recovery, largely within the scope of existing fees<sup>1</sup>. It is designed to support with evidence a consultation paper – *Planning Fees in England: Proposals for Change* – which the Department for Communities and Local Government is to publish simultaneously on the web. That document puts forward for discussion a number of proposed changes to the arrangements for charging planning fees in England which, if adopted, would be brought into effect on 1 April 2008.

## 1.2 Background and Previous Studies

Improving the resource position of planning authorities has been, and still is, vital to achieving improvements in the quality of the planning service. Recent years have witnessed a growing acceptance by private and public sectors of the use of planning fees to offset the costs of local authority planning services and improve their resource position. However, the challenge has been to identify and quantify the costs that may legitimately be offset by these fees. A sustainable fee structure is required that not only reflects the cost of processing individual applications but enables a local planning authority to provide a high quality, timely service across the spectrum of its planning activities. This includes forward planning and achieving up-to-date plan coverage through the new system of Local Development Frameworks.

The research builds directly on an earlier study, *The Planning Service: Costs and Fees* (ODPM, 2003); many of the surveys in that study are replicated. Since the 2003 study, significant changes to the planning service have occurred which need to be considered. In particular, the previous surveys were conducted when resources were only just recovering from a particularly low point; costs were therefore artificially depressed. Other more specific factors affecting costs include:

- recognition that the planning service was, at the time of the earlier surveys, ‘under-resourced’;
- demand for pre-application discussions has increased, as there is a greater emphasis on resolving issues at the pre-application stage;
- authorities are putting more resources into the validation stage;
- many authorities have incurred additional costs associated with implementing e-planning;
- Planning Delivery Grant [PDG] resources have led to the recruitment of additional staff and an expansion of the service;
- further changes in the structure of the planning service; and
- changes in the balance between fee and non-fee related work.

<sup>1</sup> The present report does not cover the separate study by Arup of longer term changes to the fee régime, the possible extension of the scope of fees, and the resourcing necessary for an ideal planning service.

In December 2006, further support for a review of resource arrangements for local planning authorities came in the independent *Review of Land Use Planning* by Kate Barker CBE. Her recommendations include:

- raising the £50,000 threshold for fee payments on a tapered basis;
- allowing applicants to pay for a premium service or to pay for additional resource/consultants to be put towards their application; and
- maintaining a form of Planning Delivery Grant, ensuring some form of benefit for commercial speed and delivery outcomes alongside housing development and incentivising plan-making.

There was a proviso that any fee increase be allowed only ‘on the basis of a clear mechanism for indicating the higher quality of service that will be delivered as a result.’

The Government has now set out its response to Kate Barker’s independent review in the Planning White Paper (May 2007).

### 1.3 Overview of Research Methods

Our basic approach involved three main interrelated task groups:

- **Review:**
- **Sample survey of authorities and completion of the surveys and analysis of results; and**
- **Analysis of benchmark costs.**

The research has involved a very intensive period of survey and analysis. The surveys undertaken are as set out below.

**Local Authority structure (staff numbers and positions).** The basic requirement for this survey has been to gather information on the number of staff employed within the planning service, the pay level of those staff, and the principal work in which they are engaged.

**Local Authority overheads (fees and costs).** Possibly the most important of the surveys and central to our approach, the overheads survey has been the main method of determining the full cost of the planning service by asking authorities to present on-cost information. This is in keeping with authorities’ current accounting structure (since single-line items such as advertising, accommodation, postage etc are readily identifiable in most outturn figures) and it has allowed the study team to assess and manipulate the data in such a way as to provide a thorough cross-check on line items and to allow accurate and complete benchmarking.

**Local Authority time recording.** This has involved the completion of on-line time sheets by a cross-section of planning authority staff.

**Planning application tracking ('relativities').** This has been tracking the differences in time/cost inputs between the various types of application, i.e. householder versus industrial etc to gather an updated picture of the relative requirements of the application types, and also to provide a consistent and comparable approach to assessing the time/cost requirements of non-fee applications. Willing Local Authorities have been recruited to track applications. Tracking consists of recording the time inputs by member of staff (the salary for whom could be established after the survey), along with any capital costs incurred (site notice, travelling, advertisement costs, printing etc.).

This element of time-tracking, along with the overheads work, allows a full cost assessment of applications within fee categories and non-fee application types. In addition, the survey *pro forma* (used to log time inputs and staff details, for later costing) also contains several 'tick box' binary questions this time around, about the nature of the application, i.e. whether pre-application discussions were undertaken, the types of supporting documents/studies, whether the application was made through an agent, etc., all of which provides valuable information for testing hypotheses at the analysis stage to answer questions about the costs and use of pre-application discussions.

**Maximum fee application assessment (atypical applications).** Whilst the relativities work is very good at achieving a broad-base assessment of a large number of planning applications, the aim of the maximum fee work is to get further detailed information on a smaller number of applications, namely those that are more sizable in nature, involve a significant number of staff and where 'ordinary' relativities work could potentially underestimate the level and variety of time inputs.

In combination with the overheads survey results, this enables a detailed cost picture for larger applications to be built up. In particular, this provides vital evidence of the impacts of associated documents/consents and helps us to investigate the impact of Environmental or Traffic Assessments, Section 106 agreements and/or unilateral undertakings. It helps also to build a picture of the requirements of any additional fee structure necessary to support Planning Performance Agreements, on which Communities and Local Government is currently consulting.

## 1.4 Statutory Basis for Fees

### 1.4.1 Planning and Compulsory Purchase Act 2004

The provisions for charging planning application fees are set out in section 303 of the Town and Country Planning Act 1990. Section 53 of the Planning & Compulsory Purchase Act 2004 amended section 303 to widen its scope. The section now allows activity besides the direct processing of planning applications to be covered by a fee regime. It allows the Secretary of State to prescribe a fee or charge or a means of calculating a fee or charge, including setting performance-related fees or charges. In preparation for the potential use of Planning Performance Agreements in the context of large-scale major development proposals, the section also provides the legal basis for local planning authorities themselves to set tailored fees or charges in future. The section also empowers the Secretary of State to prescribe when a service would be exempt from planning fee.

## 1.4.2 Local Government Act 2003

Section 93 of the Local Government Act 2003 introduced a general power for authorities to charge for 'discretionary' activities: services that an authority has the power, but is not obliged, to provide. In the case of planning, this may apply to areas of activity outside the scope of the existing fees structure, such as pre-application discussion and advice. We know that a number of authorities are using section 93 powers to charge applicants in relation to pre-application discussion and advice. Taking one year with another, the income from charges for such services must not exceed the costs of providing them. The power is available equally to all authorities and is not dependent upon performance categorisation following Comprehensive Performance Assessment.<sup>2</sup> However, such charges must relate to the purposes for which they are set. As with the setting of planning fees, neither central nor local government is empowered to go beyond cost recovery, into profit.

## 1.5 The Wider Case for Fees

The planning service includes aspects of public good and private benefit. Development management aims to promote the public good – in particular, the long-term benefits of sustainable, well-designed communities – but also involves clear private benefits to applicants. The charging of fees – as far as is practicable – takes account of the 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. However, there is a convention that the local planning authority should be prepared to pay for those activities that are largely or purely to the public good – such as forward planning.

Though planning fees are fixed by the Government by means of statutory instruments, there is already a power in primary legislation<sup>3</sup> for local authorities to set their own fees, if so authorised in secondary legislation. It might seem, therefore, that consideration could be given to devolving all fees. However, the interest of business, especially, in retaining as much clarity and certainty in fee-charging practice as possible would seem to outweigh any gains that in theory might derive from local flexibility. An alternative, in the longer term, might be to allow fees to be set locally by authorities that perform to a required performance standard. Like Planning Delivery Grant, such an approach could be used to provide an incentive to authorities to improve resources and performance, as they could be rewarded with the ability to set higher fees.

## 1.6 Securing Additional Resources for Planning

PDG and its proposed replacement, Housing and Planning Delivery Grant, are relevant to the wider discussion of how local planning authorities are resourced. Both grants are performance-related, designed to support improvements to various aspects of a local planning authority's performance in creating Local Development Frameworks and handling planning applications. In 2007-08, grant of £120 million will be paid to local planning authorities in two tranches; around £60m of this to reward achievement on development control. An announcement about the second tranche will be made in June/July 2007. There is no requirement to spend any grant awarded on planning, as local authority recipients have discretion on how to use it, but most have invested grant in the planning service in expectation of securing further PDG.

<sup>2</sup> *General power for Best Value Authorities to Charge for Discretionary Services – Guidance on the Power in the Local Government Act 2003* (ODPM, 2003).

<sup>3</sup> Section 303 of the 1990 Town and Country Planning Act 1990, as amended by the Planning and Compulsory Purchase Act 2004.

Although an important background fact in any consideration of planning services, Planning Delivery Grant in no way diminishes the need for an adequate income from planning fees. It has long been the Government's policy that the would-be developer should pay for the work of validating, publicising, assessing and deciding each planning application. Local planning authorities need to be able to afford to employ and retain enough qualified staff, with the right mix of experience and specialist knowledge. With the potential ending of the PDG regime, authorities are likely to face a significant drop in resources available for planning services, which is likely to result in a decline in performance if it is not replaced by other funding.

In February 2006, the Audit Commission issued *The Planning System: matching expectations and capacity*, which drew attention to various aspects of the shortfall in the resources required by local authority planning departments.

In autumn 2006, the Government published *Evaluation of the Private Sector Perspective of Development Control in the context of the Planning Delivery Grant 2005/06*. This report summarised the results of a pilot survey carried out in association with the Confederation of British Industry [CBI], the Home Builders' Federation and the British Property Federation. It examined the concerns raised in the 2005 CBI paper as well as wider experiences of the planning service. The survey was circulated electronically to over a thousand businesses on databases provided by the partner organisations, and was complemented by a workshop for respondent businesses.

One of the key messages from the private sector is that the planning service is still 'under-resourced' especially in terms of staff numbers and skill levels. There is a need for more resources to resolve recruitment and retention problems, including the shortage of experienced officers, and to allow for effective pre-application discussions and negotiation with developers. This view was shared by local planning authorities [LPAs]. Early results of a second, larger survey of the private sector in the context of PDG<sup>4</sup>, suggest that improving resources is the main priority for improving the quality of the planning service.

## 1.7 Structure of this report

The remainder of this report is structured as follows:

- Chapter 2 sets out the broad resource context for the local authority planning service.
- Chapter 3 sets out the findings from surveys in relation to the cost of different elements of the service.
- Chapter 4 concludes and recommends on how findings should be reflected in fee changes to achieve better cost recovery, and sets out a revised fee schedule incorporating the options.

<sup>4</sup> *Evaluation of Planning Delivery Grant 2005/2006 – Planning Research Summary Number 7, 2006* (Communities and Local Government, 2006).

## 2 Local Authority Resource Context

### 2.1 Introduction

The purpose of this chapter is to set out the broad resources context within which fees and resources should be considered. It includes an overview of findings from previous studies, the effect of previous fee increases and the role and impact of Planning Delivery Grant.

### 2.2 Previous Studies and Outcomes

Previous studies date back to 2001 and include ones carried out for Communities and Local Government and its predecessors. They include:

- *Planning Fees* (Department for Transport, Local Government and the Regions [DTLR], 2001);
- *Planning Resources* (DTLR, 2002)
- *The Planning Service: Costs and Fees* (Office of the Deputy Prime Minister [ODPM], 2003).

The 2001 *Fees* study identified the scope to increase cost recovery on fee-paying development control through changes to fees. It recommended an immediate 14% increase, based on available costs, which was implemented. However, it also suggested that the costs used as a basis were an estimate for two reasons. First, authorities were not properly estimating and apportioning their overheads. Second, observed costs did not reflect the state of resources required to run an efficient and high quality service, because most of the service was operating on 'shoestring' budgets that could neither be sustained nor used to address many of the new challenges the system faced.

The 2002 *Planning Resources* study identified the extent to which planning authorities had faced a real decline in resources available to operate the system since the mid 1990s. In addition in 2002 the level of resources devoted to forward planning had reached a low with many existing plans past their end date. The study helped in part to provide the justification for Planning Delivery Grant.

The 2003 Study *The Planning Service Costs and Fees* aimed to address the issue of accurately estimating costs based on a proper build up of staff and overhead costs. It also provided a breakdown of how resources were used within the system, and a detailed study of cost recovery on the largest applications. In 2003/4 it estimated that the total cost of the local authority planning service was £904m. It recommended that fees be increased by up to 39% and that increases of up to 520% were justified for Maximum Fee applications. As a result of the study, the maximum fee 'cap' was raised to £50,000 and other fee categories were increased by 15%. These changes were implemented in April 2005.

## 2.3 Changing Responsibilities for Planning Authorities

Over the past five years, Government has focussed on the performance of local authority planning services. This period saw the introduction of Best Value targets, notably Best Value Performance Indicator 109 relating to the speed of decision-making on applications. This setting of targets has forced authorities to put more emphasis on their planning services, many of which faced resource shortfalls and management deficits that needed to be addressed.

This initiative has had some success. Over the last five years there has been a significant improvement, with 70% of major applications now being handled within 13 weeks, and 75% of minor and 87% of other applications within 8 weeks. This is a substantial improvement in efficiency compared to 2001/02 (when the proportions were 43%, 53% and 70% respectively) and has been achieved despite a 13% increase in the number of applications over that period. There are now 277 authorities – 75% of all councils – meeting all three national targets for deciding planning applications on time, in comparison to only 6% in the year ending December 2002. This improvement provides applicants and developers with significantly greater speed and certainty over the timing of development control decisions.

Measures in the Planning and Compulsory Purchase Act 2004 provided a new impetus to forward planning through the creation of Local Development Frameworks. Although the new system aimed to streamline plan preparation, this has generated additional resource requirements for planning authorities, partly because forward planning has not been a priority for resources in the recent past. It is also because the new system aims to put LDFs in place relatively quickly, with new processes requiring a robust evidence base and more detailed assessment through Sustainability Appraisal. As we shall show, Planning Delivery Grant has played a key role in supporting these requirements, although generally LDFs are proving more resource-intensive than authorities expected at first, in part reflecting a lack of proper project planning.

If proposals for reform are adopted, the Householder Development Consent Review begun in 2005 may have implications for fee income, reducing the number of householder applications. This Review of the regulations facing householders wanting to alter and improve their homes has led first to consultation (from 4 April 2007) on the rules governing the installation of small-scale renewable energy equipment. The Review is examining other ways to reduce applications for domestic development, seeking to minimise bureaucracy while protecting neighbours' interests and the local environment. It has considered new approaches such as involving neighbours from the outset, and resolving disagreements by mediation.

The Review reported back to Ministers and its recommendations were published in July 2006. Copies were also sent to local planning authorities in England and stakeholders who had been in contact with the Review. Aside from renewable energy installations, specific proposals and an implementation timetable have yet to emerge, but the forward work stream includes:

- developing detailed proposals for reform of Schedule 2 Parts 1 and 2 of the Town and Country Planning (General Permitted Development) Order 1995 to create new permitted development arrangements for householders;
- drafting a Plain English user guide on the new rights for householders;

- drafting model Local Development Orders to illustrate how permitted development rights could be extended locally;
- developing proposals for a fast track process for planning consent where there are no neighbour objections; and
- drafting national guidance on householder planning developments and how they are handled.

Changes that may occur as a result of this Review would probably reduce the number of householder applications and consequently the workload of planning authorities. Additional permitted development rights will not, of course, attract fees, yet many authorities participating in the present study warn that there may be additional monitoring and enforcement requirements arising from any burgeoning of permitted development. The consultation document, *Changes to Permitted Development: Consultation Paper 1 – Permitted Development Rights for Householder Microgeneration*, was launched on 4 April 2007. It can be viewed at: [http://www.communities.gov.uk/pub/367/ChangestoPermittedDevelopmentConsultationPaper1PermittedDevelopmentRightsforHoun\\_id1509367.pdf](http://www.communities.gov.uk/pub/367/ChangestoPermittedDevelopmentConsultationPaper1PermittedDevelopmentRightsforHoun_id1509367.pdf)

This consultation exercise, which ends on 27 June 2007, invites comment on proposals to widen the scope of what householders can do to install microgeneration technology on their property without needing to apply for planning permission.

## 2.4 Implications of the Barker Review

Resource issues are also given greater importance by the recent *Review of Land Use Planning* by Kate Barker, and the Government's response in its Planning White Paper of May 2007. The Barker Review introduces additional demands on the system. In particular, local government needs to respond to the challenges presented by the new planning system and further reforms to be introduced through the White Paper. While these may strip out bureaucracy, there will be an increasing volume of more complex and challenging work, as planning strives to deliver the sustainable development the country needs. There are resource implications for local government. For example:

- Development Plan Document [DPD] production in 24 months will require more intensive work and changed working methods, adding to LPA costs;
- planning will need to manage the politics of housing supply delivery, to deliver RSS allocations, which can be contentious and therefore resource intensive (one recent DPD received 7,000 objections);
- compulsory training in the planning system for members will help, but will require additional resources;
- greater use of pre-application discussions to bring about more efficient and effective development management will require appropriate professional engagement;
- the further reform agenda will require training and capacity building for planning and other LPA staff; and programmes of change management to bring about new ways of working;

- more cross-boundary working and working across local government functions and across organisations, including the private sector, will require both professional staff-time and money to fund cross-boundary assessments;
- greater involvement in regional and sub-regional planning will require more professional and member engagement;
- more programme and delivery management, which requires a different set of skills;
- more use of evidence, with plans based on scenario testing; and
- more use of research and economic information, to provide more effective assessment of the need for different types of development.

## 2.5 Current Income from Planning Fees

Planning fees were last increased in April 2005. This included an approximate 15% increase for all fees, and a significant increase in the maximum fee cap, to £50,000. These combined changes aimed to increase total fee income by 39% – the amount necessary to recover the then costs of fee-chargeable development control, as estimated in 2003.

Information about planning fee income from the year following the increase is available from returns provided to Communities and Local Government. For 2004/5, the last year for which comprehensive data is available, the total fee income was approximately £232m. This is an estimate because not all authorities provided fee returns.

Approximately £40m of fee income is from householder applications, based on almost 300,000 applications paying a current fee of £135 per application.

A simple comparison of fee income in successive years is not particularly useful for assessing the effect of that income, because the latter depends not only on the number of applications but their type and the complexity and resource-cost they involve. Two straightforward measures are available:

- the estimated total fee income in 2005/6 was approximately 18% higher than in 2004, although in the same period applications fell by 8%; and
- the estimated average fee paid per application was £400 in 2005/6, which is a 27% increase from the previous year, although there was a decline in the number of householder applications and major applications. A decline in householder applications might tend to push the average fee upwards as the householder application category is one in which some of the lowest fees per application are paid. (A decline in major applications would tend to reduce the average fee paid).

On balance, the 18% just mentioned represents the average increase in fees received by authorities, while 27% is probably closer to the average fee increase faced by applicants. It would suggest that – assuming an application profile in 2005/06 identical to that of 2004/05 – fee income in 2005/6 would have been approximately £250m. Both measures of increase fall short of the 39% increase suggested in the 2003 study, although they are close to the estimate of total fee income required to cover costs as estimated in the 2003 fee study of £242m.

## 2.6 Planning Delivery Grant

PDG and its proposed replacement, Housing and Planning Delivery Grant, are relevant to the wider discussion of how local planning authorities are resourced. Part of the original justification for PDG was to provide injections of public funding to support improvements in development control and planning more generally, until the quality of local planning authorities' performance and service would be such as to justify raising fee levels to the point of full cost recovery.

PDG has been awarded to local planning authorities in England on the basis of their planning performance; an incentive for authorities to meet or exceed key performance targets for planning<sup>5</sup>. The grant is not ring-fenced, so authorities have had discretion as to how they spend it. Any future award of grant will be made only if an authority continues to maintain and improve performance.

The allocation criteria for PDG awards have evolved during the lifetime of the grant to reflect improvements made by authorities, changing policy priorities, and recommendations from earlier PDG evaluations. In 2005/06, PDG was allocated to local authorities to reward performance on development control, local development framework preparation and housing delivery in the wider South East and Growth Areas and Enterprise Areas. It was also allocated to address housing need in low demand areas and to recognise quality of service and e-planning.

The 2006/07 PDG allocations were announced in March 2006. The emphasis for the 2006/07 allocations remains on driving performance towards the national targets for development control and LDFs, the focus more on meeting development control targets than on the scale of improvement in performance.

Table 2.1 summarises PDG allocations to LPAs to date. It shows that PDG has contributed £47m – £153m per annum to authorities as a whole. These figures may be compared with fee income and indicate that PDG awards have comprised between one third to three quarters of the equivalent fee income.

Table 2.1 includes average grants and those authorities receiving little or no grant and those with particularly large awards. It can be seen that average grants rewarded have been increasing as have the maximum grants awarded, with 26 authorities receiving over £700,000 in 2005/06.

<sup>5</sup> Communities and Local Government (2005) The Planning Delivery Grant Determination 2005.

**Table 2.1: PDG Awards to District Authorities**

	2003/04		2004/05		2005/06		2006/07	
Total grant allocated to all authorities, (£)*	46,850,000	100%	116,772,400	100%	152,519,200	100%	117,129,000	100%
Development control	40,835,300	87%	69,570,840	60%	98,015,300	64%	70,509,800	60%
Plan making	n/a	–	31,380,000	27%	19,690,700	13%	19,014,050	16%
E-planning	n/a	–	n/a	–	7,581,400	5%	7,073,000	6%
Housing need	6,019,900	13%	9,846,000	8%	n/a	–	18,500,000	16%
Housing – growth areas	n/a	–	n/a	–	24,901,800	16%	n/a	–
Housing – low demand	n/a	–	n/a	–	4,000,000	3%	n/a	–
Enterprise areas	n/a	–	6,160,000	5%	6,160,000	4%	2,200,000	2%
Abatements – appeals/ PS12	n/a	–	–246,708	n/a	–1,430,200	n/a	n/a	–
Abatement – adjustment	n/a	–	n/a	–	749,100	n/a	697,358	n/a
Post allocation adjustment	n/a	–	n/a	–	343,800	n/a	167,900	n/a
Grant per authority (£)								
Minimum	75,000		5,200		54,545		52,517	
Maximum	474,700		891,900		1,320,572		889,565	
Mean	129,400		322,600		421,324		323,600	
Median**	104,200		304,400		398,524		321,000	
No. of authorities receiving								
No PDG	0		4		0		0	
Awards under £35,000	0		5		0		0	
Large awards (i.e. £700,000 or more)	0		16		45		7	

Note: \* Amounts may not sum due to rounding. \*\* For those authorities which received a PDG allocation

## 2.7 Use and Impact of Planning Delivery Grant

Evidence relating to the use of PDG by authorities can be derived from successive annual evaluations undertaken by Addison & Associates with Arup<sup>6</sup>. In 2005/06 the overall level of retention of PDG within the planning service was high (94%) – although slightly less than in 2004/05 by 3%. On average £352,000 PDG per authority was spent within the planning service. The findings also suggest that most PDG has been spent on staff and IT for the planning service. For example in 2005/06 the main areas of PDG investment were staff recruitment/retention, IT and consultants. Although allocation criteria have been influential in expenditure decisions, the use of PDG had not been directly related to these. However, based on our evaluations, about £60m of PDG, on average, has been allocated to fee-paying development control activities.

More recent surveys have also indicated increased investment of PDG to assist production of LDFs and to improve the quality of the planning service. In 2004/05 and 2005/06 more temporary than permanent staff recruitment was undertaken, reflecting uncertainty about future levels of PDG 2007/08, its final year. The main areas of staff recruitment were development control case officers and then policy officers.

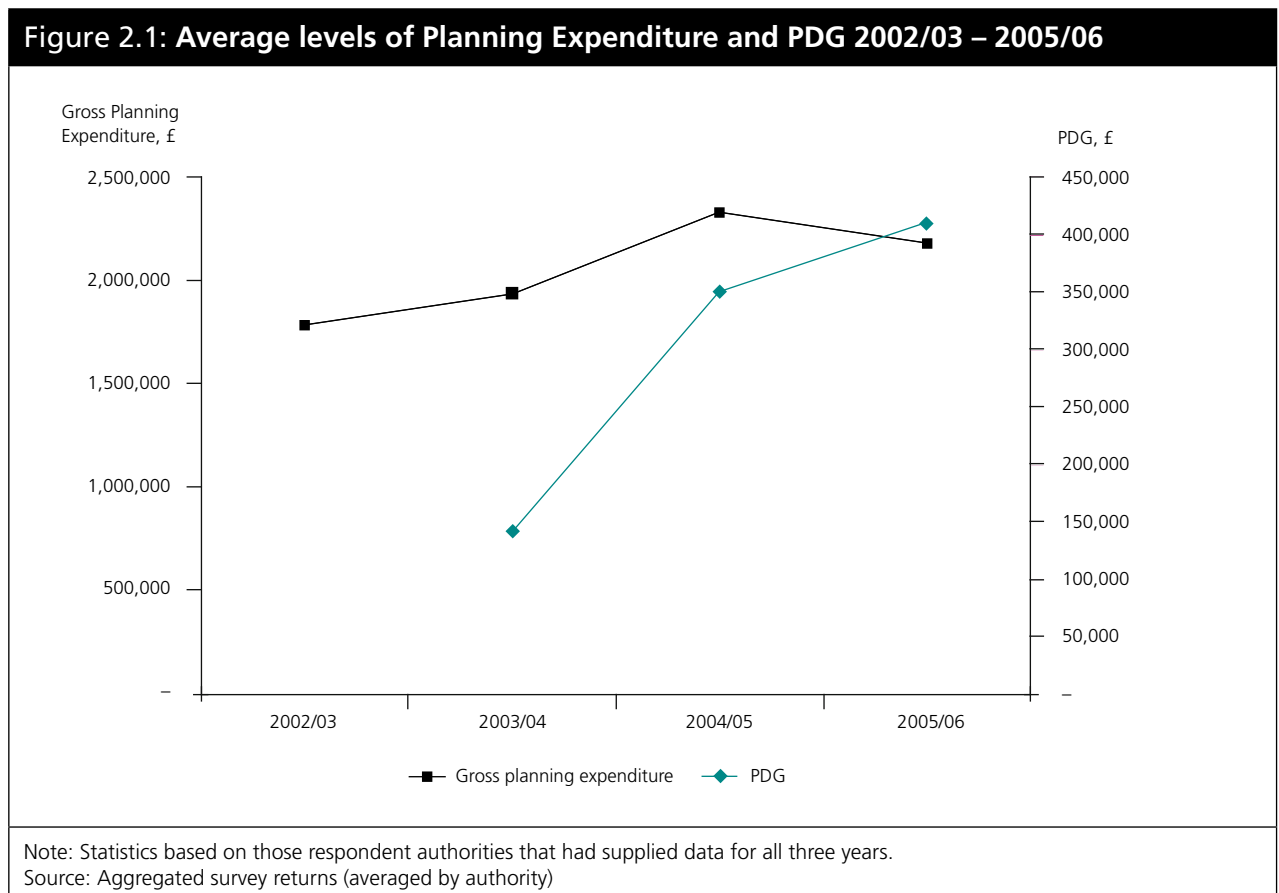
<sup>6</sup> ODPM (2006) *Evaluation of Planning Delivery Grant 2004/05* Addison & Associates with Arup.

Evidence from the surveys suggests that authorities are pro-actively pursuing PDG awards. The main steps taken by respondent local authorities to increase their chances of receiving a PDG allocation next year are to invest in LDFs, IT and staff retention/recruitment. The majority of respondent authorities (66%) have not increased planning budget resources in order to secure more PDG in the future. However, this means a significant proportion of authorities (32%) have used this approach.

## 2.8 Planning Service Base Budgets

‘Base budgets’ refers to the resources provided from local authority core budgets and these mostly comprise monies derived from central government grants, shares of business rates and council tax. Unpicking trends in the amount of budget has been a concern of our successive PDG evaluations, but is problematic because of the lack of common accounting systems and a tendency to re-organise services or cross-charging arrangements. Thus analysis must necessarily carry a strong health warning.

The majority of respondent authorities (73%) in the PDG local planning authority survey claimed that the planning service budget has increased (as they did in 2004/05). Data collected in the survey revealed that average gross planning expenditure increased in the period 2002/03 to 2004/05 but declined in 2005/06 (Figure 2.1).



Discussions were held with a number of PDG case study authorities to ascertain how their budgets had changed in real terms over the past three years. The LPAs reported that their base budgets would have stood still without PDG, or declined in real terms, and the available evidence suggests that in reality there have been only modest changes. It would appear that authorities have not generally been encouraged to invest additional funds in the planning service over and above PDG, the greater part of which is retained in planning. A significant number of authorities are simply not in a position to invest in their planning services because they have been, or now are, close to the capping limit. PDG has often cushioned or protected the planning service from cuts being made elsewhere in the authority. Indeed, authorities typically saw the financial situation of the council overall as more significant than PDG in terms of the total resources available for the planning service.

Many of the local authorities responding to PDG surveys suggested that there will be a crisis if PDG ends, particularly in relation to future funding of permanent and temporary posts created using PDG, and they expressed a need for a new funding mechanism. Participants confirmed that the 2005 fee increases had not really made a sufficient difference to authorities and the influence of the new maximum fees of £50,000 had made fee income more variable. Although it was accepted that introduction of these fees had improved cost recovery, most authorities still find it difficult to vary staffing levels in relation to the profile of applications. Evidence from private sector surveys also suggests that some applicants are facing the frustrating experience that having paid a £50,000 fee the planning authority indicates that it is short of resources to handle the application.

## 3 Results of Surveys on Costs

### 3.1 Introduction

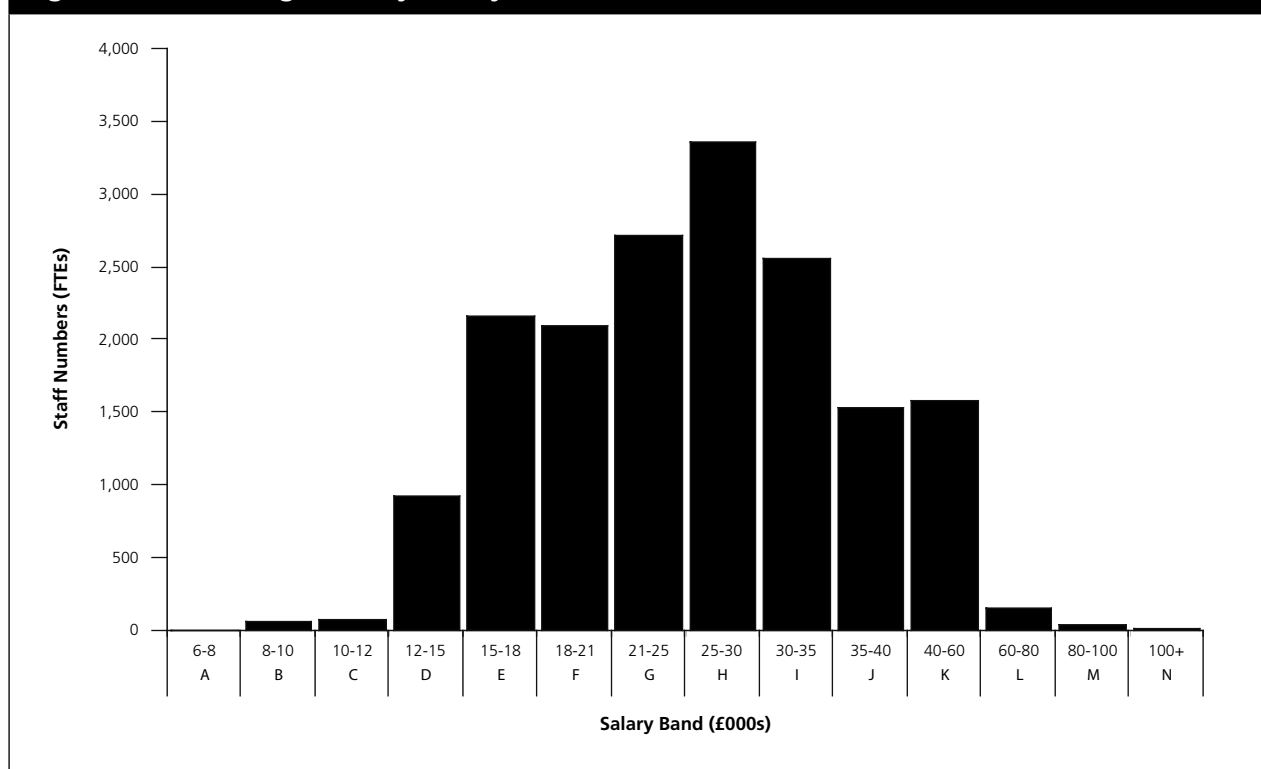
The purpose of this Chapter is to outline the main statistical findings from the surveys and consultations undertaken. Each survey is taken in turn, and then in combination, looking across the planning system as a whole. The surveys are structured as follows:

- local authority structures including the salary structure of planning staff;
- local authority overheads;
- how planning officers spend their working time by planning service function;
- the extent of cost recovery on maximum fee cases; and
- future resource needs.

### 3.2 Local Planning Authority Structures

Our investigation of planning service structure looked at both organisational and staffing structure. Planning is one of the main statutory functions of local government and, historically, it was generally carried out in a separate department with a Chief Planner post. As noted in the previous study, the current trend is to incorporate planning into a directorate-style structure under a Director of Environment. That means that the ‘chief planner’ is now generally a second or third tier post. This reflects in turn the somewhat ‘Cinderella’ status of planning within local Government. It is notable that Kate Barker also observed this trend in her recent review of the planning system and recommends (as part of her Recommendation 21) that Government raise the status of the post of chief planner on a statutory basis, to reinforce the status of the planning profession in the eyes of all parties, including elected Members.

Figure 3.1 summarises the proportion of staff falling within each salary band and Table 3.1 compares this distribution with the results of survey in 2003.

**Figure 3.1: Planning Staff by Salary Band****Table 3.1: Planning Service Staff by Salary Band 2006 and 2003**

Salary Band	Staff Numbers (FTE) 2006	Proportion of overall Service Staff (FTE) 2006	Proportion of overall Service Staff (FTE) 2003
A £6,001 – £8,000	10	0.1%	0.5%
B £8,001 – £10,000	67	0.4%	0.6%
C £10,001 – £12,000	88	0.5%	2.3%
D £12,001 – £15,000	931	5.4%	14.0%
E £15,001 – £18,000	2,167	12.5%	12.5%
F £18,001 – £21,000	2,102	12.1%	12.9%
G £21,001 – £25,000	2,714	15.6%	20.0%
H £25,001 – £30,000	3,361	19.3%	18.9%
I £30,001 – £35,000	2,569	14.8%	10.0%
J £35,001 – £40,000	1,542	8.9%	4.3%
K £40,001 – £60,000	1,594	9.2%	3.3%
L £60,001 – £80,000	158	0.9%	0.6%
M £80,001 – £100,000	50	0.3%	
N Over £100,000	20	0.1%	
<b>TOTAL</b>	<b>17,373</b>	<b>100%</b>	<b>100%</b>

In 2006 the modal category for planners was £25,001 – £30,000, compared with £20,001 – £25,000 in 2003. Overall, once inflation is taken in to account the overall distribution is similar, with the possibility that there are now slightly more planners earning in excess of £40,000 per annum. In 2006 the average days leave per FTE is 24.5 days (excluding bank holidays and flexi days), surprisingly this is lower than in 2003 by about 4 days. Average training per full time equivalent staff member is 4.2 days.

The overall split by work area based on grossed up survey results is as follows:

Fee Paying Development Control	3,992 Staff
Other Development Control	3,920 Staff
LDF Preparation	3,056 Staff
Other Forward Planning	764 Staff
Other staff	5,641 Staff

Overall staff numbers have increased from financial years 2003/4 to 2006/7 by 13.4%. 'Other staff' includes administrative and support staff and specialist staff.

### 3.3 Local Authority Overheads

Overhead costs are all costs other than staff salaries that are associated with enabling the Planning Service to function. In essence, these are the costs that enable staff to perform their functions. Examples include: accommodation, employee 'on costs', IT purchases and support, postage, stationery, telephone charges and bought-in services from other sections.

The issue of overheads is central to the definition and calculation of full cost recovery. It is also an area which studies prior to our 2003 study did not really address, mainly due to inconsistencies in local authority accounting practices.

As in the 2003 study, in order that all analysis was based on a consistent approach to overheads, data provided by local authorities was collected and examined through a series of reality checks based on the typical benchmarks achieved by the majority of authorities and authorities in our 2003 exercise. In the first instance the definition of overheads is in accord with the *Planning Officers Society Best Value Guide*. The latter excludes democratic and local authority core costs. Local authority core costs are those costs that would be incurred even if a particular local authority did not run a planning service, albeit that these costs might be lower because of its reduced responsibilities.

The benchmarks used to check data included the investigation of:

- the departmental floor space per member of staff;
- the cost(s) incurred per unit of floor space;
- the average salary per member of staff (data was queried where it deviated significantly from the norm for similar authorities); and
- whether the planning budget was given net or gross of planning fee income.

As in 2003 the tendency is still for local planning authorities to underestimate their space and costs – mainly because accounting practices attribute those costs to the authority centrally rather than apportioning them to the planning service.

Labour costs were subtracted from the budget to give the figure for gross local authority overheads. These overheads were then divided by the labour costs to give overheads as a proportion of labour costs, expressed as a percentage. The resulting overhead rate based on productive time was 145% of employee costs. This figure is lower than that estimated in 2003 on the same basis (155%). It can be interpreted as suggesting higher levels of efficiency and comes about largely, we suspect, because of the slight dilution effects of higher staff numbers on fixed overheads. Put more simply and by way of example of this type of effect, some authorities may have increased staff numbers, but not necessarily increased the space occupied. However, it is important to note that this inertia in local authority cost works in both directions – if staff numbers fall then overheads are likely to rise.

Another measure of overheads is to look not at labour costs as a whole compared to gross overheads, but at the proportion of labour costs that represent 'productive time'. This entails the transfer of what is often referred to as 'downtime' to an overhead cost. Thus areas such as paid leave, paid educational day release and general training, statutory paid breaks and sickness become overheads. Information gathered as part of the timesheet surveys identified that these work areas account for 17.9%. Adding this cost as an overhead to productive time increases the value of overheads to 200% of net labour costs.

Thus local authority gross overheads have been calculated to be on average 145% additional to all labour costs. A measure of 'net' overheads which measures additional costs beyond 'productive' time labour costs and was calculated to be on average 200% additional to all labour costs. In simple terms, the differences between the two measures is that if charges are made based on a 145% overhead, then these would not recover a proportionate share of paid staff holidays and sick leave, but, based on overheads of 200%, these costs would be covered.

### **3.4 Time recording surveys**

The purpose of the survey of timesheets was to enable us to estimate the proportion of time and the associated costs of carrying out the component functions of the planning service, especially non-fee development control and work on local development frameworks. The analysis is based on some 2,112 weeks of timesheets.

The timesheets were 'normalised' against the known distribution of different types of officers by function and grade. This is necessary because a higher than proportionate numbers of timesheets were received from certain staff categories.

To estimate costs, the work proportions (of time) in each activity area were multiplied by the mid-point of each salary band to calculate the average cost of the proportion of time spent on that work area by that particular salary band. Estimates of costs were then made by function, as summarised in Table 3.2 below.

**Table 3.2: Cost of Local Planning Service Work for (a) All Labour Costs (gross overheads) and (b) productive labour costs (net overheads)**

Work Area	%Time	%Cost	Base Sal Cost £	All Labour Costs		Productive labour costs	
				OH Cost £	Total £	OH Cost £	Total £
Fee related development control	27.0%	25.1%	121,848,855	176,680,840	298,529,695	243,697,710	365,546,566
General administration	11.2%	8.3%	40,010,581	58,015,342	98,025,923	80,021,161	120,031,742
General management	4.6%	6.6%	31,805,927	46,118,594	77,924,521	63,611,854	95,417,780
Development plan	5.5%	5.8%	28,323,897	41,069,650	69,393,547	56,647,794	84,971,691
General development control enquiries	6.1%	5.8%	27,995,703	40,593,770	68,589,473	55,991,407	83,987,110
Enforcement	5.3%	4.7%	22,623,211	32,803,656	55,426,867	45,246,422	67,869,633
Pre application discussions	3.5%	4.2%	20,203,244	29,294,704	49,497,948	40,406,488	60,609,732
Projects implementation	2.2%	2.6%	12,416,976	18,004,616	30,421,592	24,833,953	37,250,929
Other	1.9%	2.2%	10,497,569	15,221,476	25,719,045	20,995,139	31,492,708
Appeals	1.9%	2.0%	9,747,529	14,133,918	23,881,447	19,495,059	29,242,588
Tree preservation orders	1.5%	1.9%	9,021,811	13,081,626	22,103,436	18,043,622	27,065,432
Listed building consents	1.1%	1.5%	7,239,063	10,496,642	17,735,705	14,478,127	21,717,190
Approval and discharge of conditions	1.2%	1.4%	6,604,932	9,577,152	16,182,085	13,209,865	19,814,797
Other policy	0.9%	1.2%	5,816,328	8,433,676	14,250,004	11,632,656	17,448,985
Performance management and monitoring	1.0%	1.2%	5,726,313	8,303,154	14,029,467	11,452,626	17,178,939
Other local authority functions	0.9%	1.1%	5,469,246	7,930,407	13,399,653	10,938,492	16,407,738
Working groups	0.8%	1.1%	5,126,525	7,433,461	12,559,986	10,253,050	15,379,575
Economic development and regeneration	0.8%	0.9%	4,518,649	6,552,042	11,070,691	9,037,299	13,555,948
S106 related work	0.6%	0.9%	4,234,743	6,140,377	10,375,120	8,469,485	12,704,228
Non statutory policy	0.5%	0.7%	3,535,702	5,126,768	8,662,470	7,071,404	10,607,106
Conservation and heritage	0.6%	0.7%	3,472,880	5,035,676	8,508,556	6,945,760	10,418,640
Urban design	0.6%	0.7%	3,274,112	4,747,462	8,021,574	6,548,223	9,822,335
Prior approval applications	0.6%	0.6%	2,897,976	4,202,065	7,100,041	5,795,952	8,693,927
Non fee applications	0.3%	0.4%	1,821,646	2,641,386	4,463,032	3,643,292	5,464,937
Monitoring compliance	0.3%	0.3%	1,378,569	1,998,925	3,377,493	2,757,137	4,135,706
DC call-in cases	0.3%	0.2%	1,144,500	1,659,525	2,804,025	2,289,000	3,433,500
Conservation area consents	0.1%	0.1%	541,710	785,480	1,327,190	1,083,420	1,625,131
EA screening and scoping	0.1%	0.1%	395,200	573,040	968,240	790,400	1,185,600
Article 4 applications	0.0%	0.0%	151,912	220,272	372,184	303,824	455,736
Conservation and ecology	0.0%	0.0%	113,482	164,549	278,031	226,964	340,446
Leave	12.5%	12.5%	60,575,625	87,834,656	148,410,281		
Training	3.3%	3.1%	14,936,470	21,657,882	36,594,352		
Sickness	2.1%	1.7%	8,410,836	12,195,712	20,606,548		
Breaks	0.5%	0.6%	2,723,277	3,948,751	6,672,028		
	100%	100%	484,604,999	702,677,252	1,187,282,250	795,917,585	1,193,876,375

As may be observed from Table 3.2, the total cost of the planning service was almost £1.2 billion. This compares with £862m in 2003. The table also shows the dominance of development control and development control related activities such as compliance monitoring enforcement, development control enquiries and pre-application discussions in the overall workload of planning authorities. Overall it shows that non-fee-related development control activities (defined broadly) cost more than the fee-related ones.

Importantly, if comparisons are made with our 2003 data, the results also suggest it is development control related activities that have expanded. Resources for development planning are virtually unchanged, despite the renewed impetus to forward planning caused by the introduction of local development frameworks.

Work related to planning conditions has increased substantially since 2003, probably reflecting the greater use of conditions.

The implications of these new cost estimates and their relationship to fees are considered in Chapter 4.

### **3.5 Maximum Fee Cases and Application Tracking**

In the 2003 study, a study was made of the extent and significance of maximum fee applications. Authorities were asked to provide the numbers of maximum fee applications they had received over a two-year period. A sample of these was then selected for more detailed follow-up involving interviews with case officers and analysis of case files to allow estimates to be made of the time inputs and costs of these cases. This work is still considered valid, although costs have risen since 2003.

This exercise has been repeated in 2006. Compared to 2003, the effect of the higher fee cap has meant that relatively fewer applications have reached the revised maximum fee cap, to the extent that – based on a sample of authorities – we do not consider that there is a sufficiently robust basis to allow grossing up. Moreover, as suggested in relation to fee income in Chapter 2, the number of maximum fee cases has been particularly low, probably fewer than a hundred. There is also anecdotal evidence to suggest that, encouraged by local authorities to ease determination within target timescales, some applicants have also broken up what might have been maximum fee cases before April 2005. Investigation of these cases is ongoing but at the time of writing of this report a number of clear conclusions can be drawn.

- Cost recovery is generally greatest for householder applications, with around 92% of costs being covered in aggregate. This finding conceals some cross-subsidy from the very straightforward cases to the more complex ones. The implication of this finding is that cost recovery on this group of cases would decline if, as a consequence of the householder consents review, these smaller cases were taken out of the scope of application fees through increased permitted development rights. Fee income is proportionate to the number of cases and a 25% decline in applications would currently result in a direct loss of fee income of around £10 million; overall costs would not fall to the same extent.

- Non-householder cases show significant variation in cost recovery. This is inevitable in a system of charging based on standard fees, and inevitably there will be some collectivisation of contributions and thus cross-subsidy. In practice there are no overall trends that would enable fees to be better tailored to cover the marginal costs of individual applications, although there is scope for changes to the largest cases and certain categories with low cost recovery where part of the issue relates to the method of calculation. These are identified below.
- Overall aggregate cost recovery for larger applications falling below the current £50,000 cap and excluding householder application has improved and is now typically similar to all other applications.
- Applications reaching the £50,000 cap are of considerable size and complexity. A disproportionately high share of resources is devoted to these cases, and cost recovery can be low despite the large fee. This is recognised by applicants who, not infrequently, contribute further resources, e.g. to pay for additional staff.
- There are inequities in the fees paid on these largest developments: additional fees arise where a scheme is broken up into smaller applications compared with what is charged for submission of a single large application.
- Authorities are struggling to provide an adequate level of resources to process these largest applications. The fees received do not provide sufficient flexibility to allow the creation of dedicated teams or employment of necessary specialists or temporary staff.
- It is difficult to see how proposals such as Planning Performance Agreements can be implemented for these largest cases without some increase in income to handle them.

On balance we think that there is a good case for removal of the maximum fee cap. The evidence suggests that this would affect only a limited number of the very largest applications. We note that Kate Barker also reached a similar conclusion within her Recommendation 20 to raise the £50,000 ‘threshold’ for fee payments on a tapered basis.

### **3.6 Additional resource requirements to deliver a ‘quality’ service**

As part of the surveys, authorities were also asked to identify any additional resource requirements necessary to meet Government targets and to delivery a quality service. The survey findings are summarised in Table 3.3 grossed up for the system as a whole.

**Table 3.3: Additional Resource Requirements Identified by Local Authorities to Provide a Quality Service**

<b>Grading Level</b>	<b>FTE Required</b>	<b>% Overall Requirement</b>
Admin/Support	392	14.6%
Technical	466	17.3%
Case Officer	601	22.4%
Senior Case Officer	380	14.1%
Policy Officer	212	7.9%
Senior Policy Officer	249	9.3%
Specialist	182	6.8%
Senior Specialist	80	3.0%
Managerial	129	4.8%
<b>TOTAL</b>	<b>2,691</b>	<b>100.20%</b>

The overall requirement is for 2,691 additional staff, equivalent to 15.5% of the estimated current staffing level. Costs associated with these additional staff would be around £180m. On an average per authority basis it suggests a requirement for about two additional policy staff per authority (on average authorities currently have 8 staff) and a similar number of development control case officers, plus considerable numbers of additional administrative and specialist staff. The additional £180m of costs is unlikely to be raised entirely through fees and suggests a need for an ongoing funding regime such as PDG. At this stage these additional requirements have not been taken into account in relation to cost recovery on fees, but they will be the subject of further consideration.

## 4 Recommendations on Evidence-based Changes to Fees within the Current Scope of Fee Charging

### 4.1 Introduction

This section considers the extent to which evidence presented in previous chapters justifies increases in fee levels. With the exception of an extension of fees to cover discharge of conditions, the emphasis in this chapter is on changes to fees to existing activities for which a fee is chargeable, as the basis for a fee consultation paper and with a view to fee increases from April 2008. Another topic of study is the extension of fees to charge for local authority planning-related services currently funded from the public purse. However, these two areas of potential fee charging are, of course, independent of one another and it is with the former that the present report is concerned.

Earlier consultation on fees and resources has suggested that the broad development community accepts the need for additional resources, but suggests that any increase in fees should be justified by demonstrable improvements in performance. Such considerations tend to suggest a need to introduce a performance-related element to fee increases. This approach would tend to be supported by the success of the PDG regime in encouraging both improvements and retention of resources within the planning service.

### 4.2 Cost Recovery on Existing Fee Income

Evidence presented in Chapter 2 suggests that actual fee income in 2005/6 was £232m per annum, while evidence presented in Chapter 3 suggests costs of fee related development control of between £290m and £365m in the same year. The higher of these figures reflects a situation where overheads such as leave, training, sickness and breaks are attributed to the development control service in proportion to the current workload. This suggests a shortfall of fee income of between £60m and £135million, based on current costs, and would imply fee increases of up to 59% based on the higher overhead assumption.

However, one cannot assume that such an increase is necessarily justified, since fees should only cover reasonable costs. This is because the base figure of £232m fee income for 2005/6 reflects a downturn in applications in numbers and in scale and in some respects the inability of local authorities to match their costs workload. Put more simply, if the number and profile of applications had been similar to 2004/5 then fee income would have risen, probably to around £250m. This may be compared with costs of £365million. This suggests that any increase in fees should be capped at around £115m.

On balance the estimate of costs and existing fee options would tend to suggest that fee increases of between 25% and 46% in aggregate could be justified, but such increases also need to take account of the following:

- the already high levels of cost recovery on householder applications and the low cost recovery on the largest applications and certain types of application as identified in Chapter 3;
- the extent to which the identified costs can be justified as representing an efficient or under-resourced planning service; and

- the best means of ensuring that additional income is directed towards a better quality planning service.

Each of these issues is considered below.

### 4.3 Cost recovery and application type

Although justifiable in aggregate, a 46% increase is not deemed justified because of the differences in cost recovery between different application types, and specifically between householder applications, major applications, certain types of application and all other applications.

#### 4.3.1 Householder applications

As Chapter 3 suggested, total cost recovery is already higher on householder applications (about 90% of costs in aggregate), and shortfalls on cost largely relate to inflation since the last increases. There is also some evidence that householders are more sensitive to charges than other groups, particularly as some householder development comprises low cost or low value works. An increase only to reflect inflation is therefore justified.

#### 4.3.2 Maximum fee applications

There is also clear evidence that the largest applications, currently attracting the maximum fee, are not recovering their costs.

In her recent review, Kate Barker also identified such concerns and suggested the removal of the £50,000 cap, so that fees for larger cases would continue to be subject to incremental charges related to the scale of development. This proposal is justified by Arup with Addison & Associates' 2003 and 2006 evidence which suggests that the largest applications do not cover costs within the current £50,000. (This evidence comes from the maximum fee tracking work reported in Chapter 3 and in our 2003 study).

Our evidence suggests that the number of cases that would exceed the cap is relatively low. Evidence from our surveys suggests that they comprise less than 1% of planning applications. The numbers of cases also vary significantly from year to year. The main issue for planning authorities is the burden that they place on planning authorities and the unsatisfactory position where handling of such cases is delayed by a lack of technical resources to assess the application.

In terms of their impact on planning authorities, there are three broad categories of authority in relation to maximum fees: those that will receive none for long periods, those that receive occasional applications or even multiple applications typically associated with large scale redevelopment, and those that regularly receive large applications. Handling these larger applications often requires specialist technical expertise to assess the supporting technical information submitted with applications, and very extensive liaison with statutory consultees and key interest groups. Many are also associated with complex S106 agreements. Many of these tasks require the authority to buy in technical and legal expertise and ideally to take on more staff. Our evidence is that in many cases developers also voluntarily contribute additional resources, over and above fees, to cover these costs, the motive being to ensure that their application is properly considered. Our evidence suggests that these additional contributions can be many times higher than the basic fee.

Removing the fee cap certainly provides the most obvious opportunity to address some of the shortfalls on individual applications. Removing the cap could result in a few very large fees for certain developments, e.g. new settlements, major sporting developments and airport development that generate substantial workload. At the extreme, for example, the London Olympics application has required the creation of a new dedicated planning authority.

In raising the cap, the issue for developers is ensuring that such fees are used responsibly to address the specific applications for which the fee is paid. Planning Performance Agreements offer scope to address this issue and higher fees could be conditional on such an agreement being in place. More generally, given the scope of powers to charge fees conferred under the planning acts, it is unlikely that, if tested, the courts would allow authorities to use fees as a source of general revenue. An alternative safeguard might be to allow fee to exceed a maximum level only in those authorities that perform to a required performance standard, as part of a system of decentralised fee-setting.

### 4.3.3 Fees for discharge of conditions

In response to the growing workload outlined in Chapter 3 we recommend the creation of a new fee category to handle the discharge of conditions imposed by a planning permission. Currently this element is intended to be covered by mainstream application fees, but in practice rarely is, not least because the discharge can occur considerably later than the handling of the original application. The workload is significant because of the need to go back to case files and undertake verification visits.

In order to provide an incentive to applicants to discharge multiple conditions through a single submission, and to reflect economies of scale on the part of authorities (and to discourage the imposition of unnecessary conditions), it is suggested that the fee would be based on ‘submissions’ to discharge conditions, and not the number of conditions that an application was seeking to discharge in any given submission. Based on the evidence of comparable workload and the observed relationship that the cost of processing these cases is related to the scale of development, we propose that the fee be set at £85. An exception should be made where the conditions relate to permissions for householder development (fee categories 6 and 7a), for which the fee should be set at £25. Levying fees will help to ensure adequate resources are devoted to these cases to ensure that discharge occurs in a timely manner. The revenue implications of this will need to be monitored.

## 4.4 Possible Fees for Planning Performance Agreements?

The Government is proposing to introduce Planning Performance Agreements (PPAs). These would be likely to involve the negotiation of an application decision-making timetable, including key date milestones, in advance of submission. After submission, authorities would be expected to meet such timescales in terms of their decision making. Most authorities expect that PPAs will be resource intensive, particularly at the pre-application stage where it will be necessary for authorities to place extra emphasis on: first, ensuring that the requirements in terms of submission are clear in advance; second, negotiating the PPA itself; and third, in ensuring applications are valid and capable of being determined within agreed timescales.

As part of this study we have considered how the additional resources to put PPAs in place may be recovered. Undoubtedly costs will be higher, but our judgement is that most of the additional work will be required at pre-application stage, which is not currently within the scope of application fees. After an application subject to a PPA is submitted and registered, it would be difficult, in our view, to justify a handling process that would differ in principle from that used for any other application, especially if the higher fee for large applications suggested in Options 2 and 3 had been paid. Our recommendation is thus that any additional cost should be recovered as a charge for pre-application discussions. Such cases are provided for by section 93 of the Local Government Act 2003 and would be negotiated. Given the nature of this provision, the decision to charge would be discretionary on the part of the authority.

## 4.5 Conclusions on Fee Options – Towards Preferred Options

On the basis of the evidence of this study, we suggest that there is scope to change fees in a number of ways:

- basic fee increases of 23-40% across all fee increments;
- an increase of 7.5% of fees for householder development;
- removal of the maximum fee cap;
- new £25 fee for discharge of conditions on householder development;
- new £85 fee for discharge of conditions on non-householder development; and
- discretionary pre-application fees for Planning Performance Agreements.

These have been combined into options, reflecting the basic scale of overall fee increases as follows.

- **Option 1** – Do nothing
- **Option 2** – Increase fees by 40%, increase householder fees by 7.5%, remove the maximum fee cap, introduce £25 and £85 fees for discharge of conditions and encourage discretionary charges for pre-application discussions.
- **Option 3** – Increase fees by 23%, increase householder fees by 7.5%, remove the maximum fee cap, introduce £25 and £85 fees for discharge of conditions and encourage discretionary charges for pre-application discussions.

## 4.6 Impact of Options

A summary of the expected costs and revenues associated with the options is provided in Table 4.1 below.

Because we are working in aggregate, proposed increases in fees must take into account the balance between maximum fee cases and all other cases. This is because of the need to keep fee increases within our £115m ‘justified’ increase limit. This exercise is also an inexact science because the profile of applications cannot be predicted in advance.

<b>Table 4.1: Copy to come?</b>				
<b>Options</b>	<b>Current fee income</b>	<b>Cost of increase</b>	<b>Total fee income</b>	<b>Notes</b>
<b>Option 1</b>				
No Change	£232,000,000		£232,000,000	
<b>Option 1 Total Fee Income</b>			<b>£232,000,000</b>	
<b>Option 2</b>				
Increase overall fees by 40%	£192,000,000	£76,800,000	£268,800,000	
Increase fees for householder applications by 7.5% (Fee for householder application would increase from £135.00 – £145.00)	£40,000,000	£3,000,000	£43,000,000	
<b>Standard to options 2 and 3</b>				
Discharge of a condition (request to the local planning authority for written confirmation that a condition imposed on a planning permission has been fulfilled). £85 (£25 if original permission was for householder development)	–	Up to £10,000,000	Up to £10,000,000	The number of cases is unknown. It is therefore not possible to calculate a reliable figure.
Abolish the maximum fee, currently £50,000	–	Up to £25,000,000	£25,000,000	The number of applications above the fee cap accounts for less than 1% of cases.
<b>Option 2 Total Potential Fee Income</b>		£114,800,000	<b>£346,800,000</b>	
<b>Option 3</b>				
Increase overall fees by 25%	£192,000,000	£48,000,000	£240,000,000	
Increase fees for householder applications by 7.5% (Fee for householder application would increase from £135.00 – £145.00)	£40,000,000	£3,000,000	£43,000,000	
<b>Standard to options 2 and 3</b>				
Discharge of a condition (request to the local planning authority for written confirmation that a condition imposed on a planning permission has been fulfilled). £85 (£25 if original permission was for householder development)	–	Up to £10,000,000	Up to £10,000,000	
Abolish the maximum fee, currently £50,000	–	Up to £20,000,000	£20,000,000	The number of applications above the fee cap accounts for less than 1%.
<b>Option 3 Total Potential Fee Income</b>		81,000,000	<b>£313,000,000</b>	

Fees collected in relation to pre-application discussions for Planning Performance Agreements are not included in Table 4.1 because they are discretionary and do not form part of current workload.

## 4.7 Recommended Revised Fee Schedule

The proposed fee figures and other changes proposed are shown below inserted in bold type in square brackets, alongside the present arrangements which have been in force since April 2005 or earlier.

### Present and Proposed Planning Fee Arrangements

Current fee arrangements are set out in the 1989 Regulations as amended. The table below has been compiled for the convenience of the reader; it has no status in law. Proposed changes are interpolated in bold, in square brackets, alongside the present arrangements which have been in force since April 2005 or earlier. If adopted, the changes could take effect from 1 April 2008.

Category	Fee payable
<i>I. Operations</i>	
<p><b>1.</b> The erection of dwellinghouses (other than development within category 6 below)</p>	<p>(a) Where the application is for outline planning permission and –</p> <p>(i) the site area does not exceed 2.5 hectares, £265 [<b>Option 2: £370, Option 3:£330</b>] for each 0.1 hectare of the site area;</p> <p>(ii) the site area exceeds 2.5 hectares, £6,625 [<b>Option 2: £9,275, Option 3: £8,280</b>]: and an additional £80 [<b>Option 2: £110, Option 3 £100</b>] for each 0.1 hectare in excess of 2.5 hectares, subject to a maximum in total of £25,000 [<b>Options 2 &amp; 3 abolish upper limits</b>].</p> <p>(b) in other cases –</p> <p>(i) where the number of dwellinghouses to be created by the development is 50 or fewer, £265 [<b>Option 2: £370, Option 3: £330</b>] for each dwellinghouse;</p> <p>(ii) where the number of dwellinghouses to be created by the development exceeds 50, £13,250 [<b>Option 2: £18,550, Option 3: £16,560</b>], and an additional £80 [<b>Option 2: £110, Option 3: £100</b>] for each dwellinghouse in excess of 50 dwellinghouses, subject to a maximum in total of £50,000 [<b>Options 2 and 3 abolish upper limits</b>].</p>

Category	Fee payable
<p><b>2.</b> The erection of buildings (other than buildings in categories 1,3,4,5 or 7).</p>	<p>(a) Where the application is for outline planning permission and –</p> <p>(i) the site area does not exceed 2.5 hectares, £265 <b>[Option 2: £370, Option 3: £330]</b> for each 0.1 hectare of the site area;</p> <p>(ii) the site area exceeds 2.5 hectares, £6,625 <b>[Option 2: £9,275, Option 3: £8,280]</b>, and an additional £80 <b>[Option 2: £110, Option 3: £100]</b> for each 0.1 hectare in excess of 2.5 hectares, subject to a maximum in total of £25,000 <b>[Options 2 and 3 abolish upper limits]</b>.</p> <p>(b) in other cases –</p> <p>(i) where no floor space is to be created by the development, £135 <b>[Option 2: £190, Option 3: £170]</b>;</p> <p>(ii) where the area of gross floor space to be created by the development does not exceed 40 square metres, £135 <b>[Option 2: £190, Option 3: £170]</b>;</p> <p>(iii) where the area of the gross floor space to be created by the development exceeds 40 square metres, but does not exceed 75 square metres, £265 <b>[Option 2: £370, Option 3: £330]</b>;</p> <p>(iv) where the area of the gross floor space to be created by the development exceeds 75 square metres, but does not exceed 3750 square metres, £265 <b>[Option 2: £370, Option 3: £330]</b> for each 75 square metres of that area;</p> <p>(v) where the area of gross floor space to be created by the development exceeds 3750 square metres, £13,250 <b>[Option 2: £18,550, Option 3: £16,560]</b>, and an additional £80 <b>[Option 2: £110, Option 3: £100]</b> for each 75 square metres in excess of 3750 square metres, subject to a maximum in total of £50,000 <b>[Options 2 and 3 abolish upper limits]</b>.</p>
<p><b>3.</b> The erection, on land used for the purposes of agriculture, of buildings to be used for agricultural purposes (other than buildings in category 4).</p>	<p>(a) Where the application is for outline planning permission and –</p> <p>(i) the site area does not exceed 2.5 hectares, £265 <b>[Option 2: £370, Option 3: £330]</b> for each 0.1 hectare of the site area;</p> <p>(ii) the site area exceeds 2.5 hectares, £6,625 <b>[Option 2: £9,275, Option 3: £8,280]</b>, and an additional £80 <b>[Option 2: £110, Option 3: £100]</b> for each additional 0.1 hectare in excess of 2.5 hectares, subject to a maximum in total of £25,000 <b>[Options 2 and 3 abolish upper limits]</b>.</p> <p>(b) in other cases –</p> <p>(i) where the area of gross floor space to be created by the development does not exceed 465 square metres, £50 <b>[Option 2: £70, Option 3: £65]</b>;</p> <p>(ii) where the area of gross floor space to be created by the development exceeds 465 square metres but does not exceed 540 square metres, £265 <b>[Option 2: £370, Option 3: £330]</b>;</p> <p>(iii) where the area of the gross floor space to be created by the development exceeds 540 square metres but does not exceed 4215 square metres, £265 <b>[Option 2: £370, Option 3: £330]</b> for the first 540 square metres, and an additional £265 <b>[Option 2: £370, Option 3: £330]</b> for each 75 square metres in excess of 540 square metres; and</p> <p>(iv) where the area of gross floor space to be created by the development exceeds 4215 square metres, £13,250 <b>[Option 2: £18,550, Option 3: £16,560]</b>, and an additional £80 <b>[Option 2: £110, Option 3: £100]</b> for each 75 square metres in excess of 4215 square metres, subject to a maximum in total of £50,000 <b>[Options 2 and 3 abolish upper limits]</b>.</p>



Category	Fee payable
<p><b>9.</b> The carrying out of any operations not coming within any of the above categories.</p>	<p>(a) In the case of operations for the winning and working of minerals –</p> <p>(i) where the site area does not exceed 15 hectares, £135 <b>[Option 2: £190, Option 3: £170]</b> for each 0.1 hectare of the site area;</p> <p>(ii) where the site area exceeds 15 hectares, £20,250 <b>[Option 2: £28,000, Option 3: £25,000]</b>, and an additional £80 <b>[Option 2: £110, Option 3: £100]</b> for each 0.1 hectare in excess of 15 hectares, subject to a maximum in total of £50,000 <b>[Options 2 and 3 abolish upper limits]</b>;</p> <p>(b) in any other case, £135 <b>[Option 2: £190, Option 3: £170]</b> for each 0.1 hectare of the site area, subject to a maximum of £1,350 <b>[Options 2 and 3 abolish upper limits]</b>.</p>
<p><b>II. Uses of land</b></p>	
<p><b>10.</b> The change of use of a building to use as one or more separate dwellinghouses.</p>	<p>(a) Where the change of use is from a previous use as a single dwellinghouse to use as two or more single dwellinghouses –</p> <p>(i) where the change of use is to use as 50 or fewer dwellinghouses, £265 <b>[Option 2: £370, Option 3: £330]</b> for each additional dwellinghouse;</p> <p>(ii) where the change of use is to use as more than 50 dwellinghouses, £13,250 <b>[Option 2: £18,550, Option 3: £16,560]</b>, and an additional £80 <b>[Option 2: £110, Option 3: £100]</b> for each dwellinghouse in excess of 50 dwellinghouses, subject to a maximum in total of £50,000 <b>[Options 2 and 3 abolish upper limits]</b>;</p> <p>(b) in all other cases –</p> <p>(i) where the change of use is to use as 50 or fewer dwellinghouses, £265 <b>[Option 2: £370, Option 3: £330]</b> for each dwellinghouses;</p> <p>(ii) where the change of use is to use as more than 50 dwellinghouses, £13,250 <b>[Option 2: £18,550, Option 3: £16,560]</b>, and an additional £80 <b>[Option 2: £110, Option 3: £100]</b> for each dwellinghouse in excess of 50 dwellinghouses, subject to a maximum in total of £50,000 <b>[Options 2 and 3 abolish upper limits]</b>.</p>
<p><b>11(a)</b> The use of land for the disposal of refuse or waste materials or for the deposit of material remaining after minerals have been extracted from land; or</p> <p><b>(b)</b> for use of land for the storage of minerals in the open.</p>	<p>(i) Where the site area does not exceed 15 hectares, £135 <b>[Option 2: £190, Option 3: £170]</b> for each 0.1 hectare of the site area;</p> <p>(ii) where the site area exceeds 15 hectares £20,250 <b>[Option 2: £29,000, Option 3: £26,000]</b>, and an additional £80 <b>[Option 2: £110, Option 3: £100]</b> for each 0.1 hectare in excess of 15 hectares, subject to a maximum in total of £50,000 <b>[Options 2 and 3 abolish upper limits]</b>.</p>
<p><b>12.</b> The making of a material change in the use of a building or land (other than a material change of use coming within any of the above categories).</p>	<p>£265 <b>[Option 2: £370, Option 3: £330]</b>.</p>



Category	Fee payable
<b>Lawful development certificates</b>	
<p><b>16(a)</b> An application (under section 191(1)(a) or (b)) for a certificate to establish the lawfulness of an existing land-use, or of development already carried out (other than in respect of dwellinghouses)<sup>8</sup>.</p> <p><b>(b)</b> An application (under section 191(1)(a)) for a certificate to establish the lawfulness of an existing land-use for one or more separate dwellings.</p> <p><b>(c)</b> An application (under section 191(1)(c)) for a certificate to establish that it was lawful not to comply with a particular condition or other limitation imposed on a planning permission.</p> <p><b>(d)</b> An application (under section 192) for a certificate to state that some future development would be lawful.</p>	<p>The same as for a planning application for a new permission for that use or operation.<sup>9</sup></p> <p>Where the use is for 50 or fewer dwellings, £265 [<b>Option 2: £370, Option 3: £330</b>] for each dwelling; Where the use is for more than 50 dwellings, £13,250 [<b>Option 2: £18,550, Option 3: £16,560</b>], and an additional £80 [<b>Option 2: £110, Option 3: £100</b>] for each dwelling in excess of 50, subject to a maximum in total of £50,000 [<b>Options 2 and 3 abolish upper limits</b>].</p> <p>£135 [<b>Option 2: £190, Option 3: £170</b>]</p> <p>50% of what would be payable for a planning application for the same development.</p>
<b>Monitoring landfill and minerals permissions</b>	
<p><b>17.</b> Per site visit by the local planning authority to monitor landfill or mineral permission:</p> <p><b>(a)</b> where the site is active, or partly active;</p> <p><b>(b)</b> where the site is wholly inactive.</p>	<p>£288</p> <p>£96</p>
<b>Prior approval</b>	
<p><b>18(a)</b> Application for prior approval under Schedule 2 Part 6 (Agricultural buildings &amp; operations), Part 7 (Forestry buildings &amp; operations) or Part 31 (Demolition of buildings) of the Town and Country Planning (General Permitted Development) Order 1995</p> <p><b>(b)</b> Application for prior approval under Part 24 (Development by Electronic Communications Code Operators) of the Town and Country Planning (General Permitted Development) Order 1995, for masts, antennas, public call boxes and other electronic communications apparatus or its housing.</p>	<p>£50 [<b>Option 2: £70, Option 3: £65</b>]</p> <p>£265 [<b>Option 2: £370, Option 3: £330</b>]</p>

<sup>8</sup> Where an application is made both under section 191 (1)(a) and/or (b) and under section 191(1)(c), the fee to be paid is the sum of the fees that would have been paid if there had been separate applications.

<sup>9</sup> Where a lawful development certificate application fee is based on the equivalent planning application fee, advantage may be taken of any exemption or concession that would be available for that 'equivalent' application.

Category	Fee payable
<b>Reserved matters</b>	
<p><b>19.</b> Where outline permission has been granted, for an application for approval of up to five reserved matters.</p>	<p>The same as for an application for full permission for the type and scale of development proposed in the outline application, regardless of how many reserved matters are being submitted at the same time for approval<sup>10</sup>.</p>
<b>Variation of permission</b>	
<p><b>20.</b> Application to vary or remove one or more conditions imposed on an existing planning permission.</p>	<p>The same fee as would be charged for any application to carry out the type of development authorised in the existing permission. Only one fee is payable for such an application, no matter how many of the conditions imposed on the original permission are to be varied or removed.</p>

<sup>10</sup> However, once the equivalent amount to that payable for full planning permission has been paid for reserved matter applications, any further application for approval of a reserved matter would be charged each time at the flat rate, currently £265 [Fees Regulations, Schedule 1 Part I para.6(2)].