



Title: **Revenue Income Optimisation (RIO) - Generating Income From Charging For Planning Pre-application Advice**

Public Agenda Item: **Yes**

Wards **All wards in Torbay**

Affected:

To: **Council**

On: **29 September 2011**

Key Decision: **Yes – Ref. I003937**

Change to Budget: **Yes**

Change to Policy Framework: **No**

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1. What we are trying to achieve and the impact on our customers

- 1.1 This report responds to the need to generate income to help off-set the impact of budget savings in Spatial Planning and to better recover the costs of providing a high quality Spatial Planning service. The report focuses on the income that might be derived over the next 6 months (i.e. the 2011/12 financial year) from charging for pre-application planning advice. It proposes an 'interim' charging schedule for that time period. It also proposes the next 6 months should be used to assess the impact and further potential of pre-application charging such that a full charging schedule can be in place by the beginning of April 2012.
- 1.2 There are significant advantages associated with not charging for pre-application advice, but these are outweighed by the need to recover the costs of providing such advice and generate income for the Council. Many of the advantages can be maintained by setting up a realistic charging schedule.

2. Recommendation(s) for decision

- 2.1 That Torbay Council implements the interim charging schedule set out in paragraph A1.7 of this report, with effect from 1 November 2011 to 31 March 2012 at the latest.
- 2.2 That Torbay Council develops, over the next 6 months, a comprehensive charging schedule for pre-application advice, based on the charging schedule set out in paragraph A1.9 of this report and the further risks / opportunities to be explored.

3. Key points and reasons for recommendations

- 3.1 Torbay Council currently provides free advice at a pre-planning application stage. Such advice provides a number of advantages, including higher quality development, but also incurs significant time / costs. Torbay is, in line with many other Local Planning Authorities / Councils, seeking to make significant savings in its budget and to derive income where possible.
- 3.2 The principle of pre-application charging has already been accepted by Members and senior officers, as part of the (Revenue Income Optimisation) RIO project, reference 1003937. This report adds detail to the proposals set out in RIO Planning & Building Control High Level Business Case (see Appendix 1).
- 3.3 There are a number of risks, within and without the Council's control, associated with implementing a pre-application charging regime. But the success of pre-application charging in other Planning Authorities suggests that these risks can be managed successfully.
- 3.4 The report sets out a two stage approach. Firstly an interim charging schedule will be operated between 1 November 2011 and 31 March 2012. It is intended that this interim approach will not only secure the Council an income of at least £15,000, but also allow time to better explore the risks and opportunities of a more comprehensive charging schedule. Secondly, a more comprehensive approach will operate from 1 April 2012.
- 3.5 The proposed timeframe for the two elements of the project link neatly with the Government's proposed legislative changes to allow Councils to set planning application fees locally. It provides an opportunity for Torbay Council to publish comprehensive pre-application and planning application charging schedules with effect from 1 April 2012.

For more detailed information on this proposal please refer to the supporting information attached.

**Les Crump
Executive Head. Spatial Planning**

Supporting information

A1. Introduction and history

- A1.1 Torbay Council currently provides free pre-application advice. Anecdotal evidence suggests applicants and agents welcome Torbay's current approach to pre-application advice. However, increasing pressure on Council budgets has led to many Local Authorities, over the last few years, introducing charges for pre-application advice. Torbay is one of only three Planning Authorities in Devon (Teignbridge and Dartmoor National Park being the others) that do not charge for pre-application advice.
- A1.2 The principle of charging for pre-application advice has already been established through the RIO project, which has itself received Member and senior officer support. It is recognised that savings / income identified via RIO High Level Business cases are "best case" and that, in some instances, those savings / income may not be fully achieved.
- A1.3 The Government is intending to introduce legislation to allow Council's to introduce local fee setting for planning applications. This will replace national fee scales for planning applications and will allow Local Planning Authorities to better recover the costs of providing a comprehensive and high quality planning service. Torbay Council is working closely with other 'benchmark' Authorities, across the UK and in Devon, in preparation for the ability to set fees locally.
- A1.4 The Spatial Planning Business Unit has committed to secure in year (2011/12) budget savings/income. It has been agreed that £15,000 income might be secured through pre-application advice charging for Quarters 3 and 4 of this financial year, with £30,000 income estimated each year for 2012/13 onwards.
- A1.5 A total of 250 hours of pre-application advice was provided by the Major Developments Team during April, May and June 2011. At an hourly charge out rate of £50/hour, which is the 'benchmark' normal across Devon and an average hourly rate of Spatial Planning officers involved in pre-application advice, this equates to potential income of £12,500.
- A1.6 A clear interim charging schedule will be published, following Full Council approval, based on hourly charge out rates of officers, which is itself based on salary and on-costs. The interim charging schedule will be assessed for the 6 month period until April 2012, with a view to revising the schedule at the end of March 2012 in order to set comprehensive pre-application fees for 2012/13.

A1.7 The interim charging schedule will be based on the following:

Category	Comment	Charge out rate	Estimated income to April 2012
Major Developments	Based on a minimum of 10 hours of input	£50/hour	£6,500
Minor (residential)	1 hour per unit	£50/hour	£5,000
Minor (commercial)	1 hour per 100 sq mts	£50/hour	£5,000
Environmental Impact Assessment (EIA)	Covering pre-application screening and scoping opinions; senior officer input required to ensure European legislation compliance	£65/hour	Unknown
Total			£16,500

A1.8 In assessing the income generating potential of pre-application advice the following factors have been taken into account:

- Householder applications (e.g. extensions) will continue to benefit from free pre-application advice until April 2012.
- The major applications expected over the next 6 months have already been the subject of pre-application advice (see para A1.5 above re time given to this in April, May and June 2011).
- EIA Screening advice (i.e. whether or not an EIA is needed) will require 2 hours (£130) of input; Scoping advice (i.e. what an EIA must cover) takes 5 – 10 hours of input (equating to an average £500 cost).

A1.9 The numbers of planning applications received in 2010/11 suggests that, for 2012/13 and beyond, a target income projection of £30,000 is deliverable but needs to be more fully assessed (see risks below) over the next 6 months whilst interim charges (to secure an income of £15,000) are in place. By way of a benchmark, East Devon has budgeted for an income of £50,000 this year. The following table illustrates the potential in Torbay, subject to further assessment:

Category	Anticipated numbers of applications	Charge out rate	Comment	Estimated income from April 2012
Permitted Development / Certificates of Lawfulness	700	£35	Less experienced officers undertake this work.	£24,500
Householder	750	£35		£26,250
Minors	350	£50		£17,500
Majors	20	£50	Min of 10 hours input	£10,000
Total				£78,250

A2. Risk assessment of preferred option

A2.1 Outline of significant key risks

A2.1.1 The following paragraphs outline key risks that are either within or outside the Council's control. Market conditions are outside our control; the reaction of the market to pre-application charging is something we can help manage, but is largely outside our control; the retention of staff and level of charges are largely within our control.

A2.1.2 Without these charges being implemented the income potential, of about £15,000 in the 5 months before April 2012 and in excess of £30,000 per annum thereafter, will need to be found from savings in other areas of the Spatial Planning budget.

A2.1.3 The above figures are based on existing staff numbers in Spatial Planning. Loss of staff, either through usual churn or as a result of further budget cuts, will reduce the Planning Authority's capacity to provide a value-adding pre-application advice service. Consequently a reduction in income can be expected from a loss of staff.

A2.1.4 The above figures are based on recent time recording and planning application data. Consequently they take account of the market downturn, which has had an impact on the number of applications submitted. If the market continues to decline there may be a decline in pre-application advice being sought. The reverse may be true – a tough market, plus a new Core Strategy, may generate more pre-application inquiries.

A2.1.5 The figures take some account of the ability or desire of people to pay for pre-application advice, specifically by continuing (pro tem) householder applications to benefit from free advice. However, for other applications, potential applicants may be reluctant to pay for pre-application advice and, consequently, the target of £15,000 may not be deliverable. Experience from other Planning Authorities (e.g. East Devon) indicates there will be a slight downturn in pre-application inquiries, but this will recover relatively quickly. We will be working with local agents, through the rekindled Agent's Forum, over the next 6 months to help embed pre-application charging.

A2.1.6 Less input at a pre-application stage often results in lower quality planning applications, with a consequent increase in post-application time input (sometimes exceeding the planning application fee).

A2.1.7 Charging for pre-application advice will have an impact on development costs. The smaller the development the greater the impact on costs. However, proposed charges are relatively small and will constitute a very small percentage of major development costs. A clear and published charging schedule will help ensure developers include pre-application charges within development costs. In addition, Spatial Planning will seek to provide integrated Planning and Building Control advice, not only saving investors time but also saving money (in relation to development costs, travel costs, consultant costs etc).

A2.2 Remaining risks

A2.2.1 Over the 5 months between 1 November 2011 and end April 2012 the risks identified above will be further assessed and managed. This will allow a more comprehensive set of pre-application charges to be published in March / April 2012.

A2.2.2 The additional risks to be assessed over the next months include:

- The opportunity to refund pre-application charges if an application is submitted within 3 months of advice first being sought. If the application reflects pre-application advice and a good quality scheme is proposed this could ensure time is 'saved' post-application. The refund would provide an incentive to submit an application, itself generating a fee, and reduce the amount of abortive pre-application advice.
- Pre-application advice charges have the potential to dissuade employment proposals from coming forward. We will assess the opportunity and costs associated with a nil / reduced fee for applications for purely employment development.
- Charging for pre-applications is open to challenge by those being charged. For major applications we will explore the potential of Planning Performance Agreements, including costs, to reduce challenge. In addition, the charging schedule will set out the service to be provided by the Planning Authority. Advice on the service to be provided will also help manage expectations of applicants.
- The timing of these proposals works well alongside Government proposals to allow Local Authorities to set their own planning application fees. The opportunity to publish, at the same time (1 April 2012) clear charging schedules covering pre-application and planning application fees will help reduce the risks to the Council and increase understanding / acceptance by customers.

A3. Other Options

A3.1 Do nothing: Continuation of the status quo would allow free pre-application advice to be given, but would not allow income to be derived, would have a negative impact on other areas of the Council's budget and would not reduce abortive pre-application work.

A3.2 Small charges: Householder proposals will not attract a pre-application charge. Some minor developments could attract as little as a £50 charge. Smaller charges (than proposed) for other developments will not secure the target income of £15,000.

A3.3 First hour free: This option will be further explored over the next 6 months, but it is likely to result in a significant reduction in potential income, given the large numbers of inquiries are expected for smaller proposals.

A4. Summary of resource implications

A4.1 If implemented, the resource required to monitor and collect pre-application charges would fall to Spatial Planning. Mechanisms are already in place to enable this to happen. Successful pre-application charging will help secure a

balanced budget in Spatial Planning and reduce the impact of savings to be made in the Business Unit and the Council. Any surplus, above the target amounts of £15,000 or £30,000 can, under emerging Government legislation, be reinvested – over a three year period – in Spatial Planning.

A5. What impact will there be on equalities, environmental sustainability and crime and disorder?

A5.1 The proposals for pre-application charges over the next 6 months take account of the ability of householders to pay for pre-application advice and the impact of such charges relative to the costs of development. Torbay Council will continue to assess this impact and work with other Planning Authorities to ensure Torbay provides a service that compares well with other Councils.

A5.2 Pre-application advice helps reduce poor quality planning applications, secure high quality planning applications and, consequently, secure high quality new development. Charging for pre-application advice is less likely to reduce the number of inquiries for major / high impact proposals, but may lead to a temporary reduction in pre-application inquiries for smaller / more frequently occurring proposals.

A6. Consultation and Customer Focus

A6.1 The principle of charging for pre-application advice has already been established, via the RIO project, with Members and senior officers. Torbay Council has worked with and learnt from other Planning Authorities and, as such, considers the proposals to be acceptable and robust. It is proposed to work closely with agents / architects in the Bay over the next 6 months to help embed the Council's approach to pre-application charging.

A7. Are there any implications for other Business Units?

A7.1 Other Business Units, such as housing, are often involved in pre-application advice and will continue to be involved. The proposed hourly charge out rate approach will cover their costs, but those Business Units will need to be able to account for their time input.

Appendices

Appendix 1: RIO Planning & Building Control High Level Business Case

Appendix 2: East Devon Pre Application Advice

Documents available in members' rooms

None

Background Papers:

The following documents/files were used to compile this report:

RIO Planning & Building Control High Level Business Case

East Devon Pre Application Advice

PIP Project Board meeting – minutes 18 July 2011

Northampton Borough Council Pre-application Charges

Guildford Borough Council Pre-application Charges

Spatial Planning 2010/11 and 2011/12 Budget Report