

20 May 2016

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DRAFT ADVICE ON NET ECONOMIC BENEFIT AND PLANNING

Introduction

1. The Scottish Property Federation (SPF) is a voice for the property industry in Scotland. We include among our members; property investors, developers, landlords of commercial and residential property, and professional property consultants and advisers.
2. We welcome the opportunity to contribute to the consultation on the Draft Advice on Net Economic Benefit and Planning. We are also happy for the Scottish Government to publish our comments and to share our views with other public authorities.

Key Concerns

- **Our members welcome any supportive guidance that shifts the emphasis in planning decision making to one which is more supportive of sustainable economic development.**
- **A high level of engagement between the public and private sectors is critical to ensure the effectiveness of investment and to maximise the benefits and attracting outside investment is going to be key to sustaining the property sector going forward.**
- **Appraisal and evaluation are essential parts of good financial management. However, our members have raised concern that this guidance places quite an onerous pressure on developers to focus upfront sometimes subjectively on the negative aspects of a development. While we agree it is important to ensure a balanced appraisal, the lack of guidance for local authorities to give equal focus on the positive aspects of a development could lead to the guidance being wrongly applied to ensure that developments do not obtain the necessary planning approval.**
- **The SPF is of the view that the analysis should also focus on not just the economic analysis but also other information such as financing implications. While we are aware that a wider approach is applied via HM Treasury's 'Green Book' which is referred to in this guidance it does not feature as a material consideration in this guidance.**

Scottish Planning Policy Context

3. Decisions on development are now keenly assessed by investors who exercise considerable choice over where or whether they locate. It is critical that the planning and wider regulatory systems in Scotland are able to facilitate and encourage investment activity as far as possible in order to sustain investment from global institutions.
4. Our Members would like to see the strictures of SPP followed more consistently by local authorities, particularly in relation to the presumption in favour of development that contributes to sustainable development. The SPF's top priority is securing economic recovery and jobs and our members consider that it is vital to establish key priorities for investment in both infrastructure and other development that will underpin long term sustainable economic and private sector growth. They are firmly of the view that stronger economic growth is necessary to sustain and support the public services as well as meet community aspirations for jobs, homes and better places.

5. The National Planning Policy Framework in England emphasises the presumption in favour of sustainable development, indeed the presumption is the focus or “golden thread” of the entire NPPF. Our members therefore welcome any supportive guidance that shifts the emphasis in planning decision making to one which is more supportive of sustainable economic development in Scotland.

Roles in Assessment

6. As noted at paragraph 12 of the guidance the SPF is firmly of the view that the public and private sectors must work together in Scotland to achieve large scale planning delivery in support of local and national economic growth. Engagement is a fundamental tenet of an efficient and effective planning system and must be meaningful, timely and proportionate.
7. Our members strongly agree that that once a development site has been identified through the development planning stage then it should arguably have greater weight in the decision-making process and possibly be considered by planning officers under delegated powers, who would consider merits of the development rather than the site itself. However the LDP process means that local plans can be significantly delayed and therefore it is highly likely that developments will not necessarily be in line with the development plan. This means that it is very likely that this guidance will apply more often than indicated at paragraph 3 of the guidance. There is also a risk that developments could be effectively blocked by allocating sites in a plan that cannot be developed viably and are therefore not effective sites.

Key Issues in Adjusting from Gross to Net Impact

8. Appraisal and evaluation are essential parts of good financial management. However, our members have raised concern that this guidance places quite an onerous pressure on developers to focus upfront, sometimes subjectively, on the negative aspects of a development. While we agree that it is important to ensure a balanced appraisal, and we agree with the approach to establishing the net economic impact, the lack of guidance for local authorities to give appropriate focus on the positive aspects of a development could lead to the guidance being wrongly applied to ensure that developments do not obtain the necessary planning approval.
9. The SPF is of the view that consideration should also focus on wider issues and have also questioned the appropriateness of the reference to HM Treasury’s ‘Green Book’ that is referred to in this guidance. The ‘Green Book’ is an assessment method used for public sector projects, which may not be wholly applicable. There are recognised and established methods of assessing Gross Value Added from a development project that are deployed by a number of consultants and used to meet some of the requirements of an Environmental Impact Assessment. Some of our members have suggested that this more planning-focused method of assessment may be more appropriate.

Defining the Area for Assessing Impact

10. In defining the area for assessing impact the suggested approach comprising adjoining planning authorities could address inconsistencies across planning authorities and provide stronger leadership. The SPF has long advocated that stronger and clearer leadership with a closer alignment to economic development is critical.

11. Planning Authorities must have the ability to be flexible and responsive to changing demands for land use where opportunities to secure jobs and investment move more quickly than the local development plan process. For example the retail sector is constantly evolving due to changing customer demands and modernisation and enhancement of a city's retail provision could attract investment that would increase employment opportunities, while still ensuring that the proper cognisance is taken of the sequential approach and the assessment of town centres impacts. This may require changing use definitions for buildings within a centre not previously planned for but without the ability or leadership that allows a flexible change in use an area may simply fall into decline through lack of vibrancy and investment.
12. Our members have expressed concern that there is uncertainty as to what should be considered as 'local', to illustrate the catchment for an out-of-centre small scale convenience store would cover the immediate vicinity whereas an out-of-centre larger scale convenience and comparison store would draw customers from a significantly larger area. However they are of the view that the extent of what has been proposed as defining the area for assessing impact i.e. between cities is too vast an area and should perhaps focus more on city-regions, towns and more closely aligned urban centres.
13. The identification of private sector growth areas is also critical and our members would like to see buildings with flexible, viable and cost effective designs that can be adapted to suit changing aspirations and fluid markets to meet changing economic requirements – this wider business perspective should be a facet of economic appraisals. Place making is vital around a good infrastructure (particularly transport) with access to a mixture of property uses including retail outlets, employment, leisure and ideally residential uses. The key will be to associate transport and development correctly. Mixed development of residential and commercial centres can also help (thus minimising private transport use).

Other Considerations

14. The SPF commissioned a report by Heriot Watt University – [Commercial Real Estate and the Scottish Economy](#), which is the first to take an in-depth look at Scotland's commercial property industry in eight years, highlighting how the sector is central to the competitiveness of the Scottish economy.
15. The report shows Scotland's commercial property industry created 60,872 jobs and contributed just under £6bn to Scotland's economy in 2013, 5.3% of its total gross value added economic output which outstrips Scotland's tourism and food and drink sectors. It also highlights how the commercial property industry has an important part to play in attracting inward investment. Overseas investors accounted for 70% of the top ten commercial property transactions in 2013, worth £1.77bn. Following significant deals such as the record-breaking sale of the Scottish Widows' Edinburgh Headquarters to a Far Eastern investor last year, this total is expected to be even higher in 2014.
16. The report warns, however, that to continue to attract inward investment, Scotland will need to address the growing shortfall of modern office and industrial stock. Whereas the value of retail investment stock is £13bn, much higher than anywhere in the UK and reflective of Glasgow and Edinburgh's place as important retail sectors, it identifies just £4bn investment office stock in Scotland.

17. It outlines how Scotland must provide modern office and industrial stock not only because existing space is important in terms of attracting inward investment, but also because businesses need up-to-date space if they are to thrive and grow. It recommends that 2.88m sq ft office space and 6.1m sq ft industrial space will need to be replaced or refurbished just to ensure no stock is older than 30 years.
18. It calculates that developing new space over and above the replacement rates could lead to one job being created per 130 sq ft office development or 505 sq ft industrial space, and that the current shortfall equates to around 6,500 jobs in the office sector and 11,500 in the industrial sector.
19. The requirement for infrastructure is an increasingly severe problem for the economy. The recent emergence of City Deals is welcomed by the SPF and may pave the way for a greater scale of investment, but it will have to be targeted carefully throughout the regions to ensure that it's invested in areas where people want to live and work, and developers want to do business. A high level of engagement between the public and private sectors is therefore critical to ensure the effectiveness of funds raised and invested and to maximise the benefits. Attracting outside investment is going to be key to sustaining the property sector going forward.

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