



## PPS4 Impact Assessment



## PPS4 Impact Assessment

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## Summary: Intervention and options

<b>Department/Agency:</b> Communities and Local Government	<b>Title:</b> Impact assessment of Planning Policy Statement 4: <i>Planning for Sustainable Economic Growth</i>	
<b>Stage:</b> Final	<b>Version:</b>	<b>Date:</b> 2 December 2009
<b>Related Publications:</b> Proposed Changes to PPS6: <i>Planning for Town Centres – Consultation</i> Consultation Paper on a new PPS4: <i>Planning for Sustainable Economic Development</i> Consultation Paper on a new PPS4: <i>Planning for Prosperous Economies</i>		

### Available to view or download at:

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

Both the Barker Review of Land Use Planning and the Killian Pretty review highlighted the volume and complexity of national planning policy and identified the costs that this complexity and the lack of clarity imposes on users of the planning system.

Current planning policy in PPG 4 is out of date and infrequently referred to. The Barker Review found that planning authorities do not always give enough weight to economic considerations in their plan making and development management processes. Government intervention is needed to ensure that the policy reflects a positive approach to economic development, and will respond effectively to the challenges of global and competitive markets.

The Barker review also found that the need test in the current PPS 6 may in some instances be a blunt tool which has the unintended effect of restricting competition and limiting consumer choice. Government intervention is needed to ensure that, while the impact of development plan is tested rigorously, the policy does not unnecessarily restrict competition or consumer choice.

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

The policy objectives are:

- To contribute to a more strategic and streamlined national policy framework which clearly sets out the policies that should guide plan making and decision taking at the local level
- To ensure that the planning system provides a positive approach to economic development which is supported by evidence, and ensures a good supply of economic land
- To improve the effectiveness of the town centre first policy in PPS 6

Bringing together and streamlining policies from PPG4, PPG5, PPS6 and the economic development policies from PPS7 will tackle current complexity across national policy and minimise duplication, and provide a comprehensive framework for planning policies for economic development. The intended effects of the policy changes are that the planning system: contributes to building prosperous economies by improving the economic performance of places; delivers sustainable patterns of development; reduces the gap in economic growth rates between regions; promotes the vitality and viability of town centres; and raises the quality of life and the environment in rural areas.

What policy options have been considered? Please justify any preferred option.

Three options have been considered:

Option A: A single, streamlined, comprehensive national planning policy statement covering policies related to economic development.

Option B: To maintain the current suite of national planning policy documents relating to economic development, and streamline them separately.

Option C: To maintain the current suite of planning policy documents, updating the policy, but not streamlining at this time.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects?

The effectiveness of this policy will be monitored through the preparation of annual monitoring reports by regional planning bodies and local planning authorities. The Government will draw upon these reports to keep the effectiveness of the policy under review.

**Ministerial sign-off** For final stage impact assessments:

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

Signed by the responsible minister:



.....Date: 2 December 2009

## Summary: Analysis and evidence

<b>Policy Option: A</b>	Description: <b>Implement a single, streamlined, comprehensive national planning policy statement covering policies related to economic development</b>
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<b>COSTS</b>	<b>ANNUAL COSTS</b>		Description and scale of <b>key monetised costs</b> by 'main affected groups' The evidence base outlines the challenges in quantifying the potential impacts of i) streamlining planning policy, ii) the revisions to town centre policies and the policies for planning for economic development. The main groups affected will be local planning authorities and regional planning bodies; businesses; commercial developers and members of the public.
	<b>One-off</b> (Transition)	<b>Yrs</b>	
	£		
	<b>Average Annual Cost</b> (excluding one-off)		
	£		
<b>Total Cost (PV)</b>			£
Other <b>key non-monetised costs</b> by 'main affected groups' Familiarisation costs for local planning authorities, regional planning bodies and businesses.			

<b>BENEFITS</b>	<b>ANNUAL BENEFITS</b>		Description and scale of <b>key monetised benefits</b> by 'main affected groups' The evidence base outlines the challenges in quantifying the potential impacts of i) streamlining planning policy, ii) the revisions to town centre policies and policies for planning for economic development. The main groups affected will be local planning authorities and regional planning bodies; businesses; commercial developers and members of the public.
	<b>One-off</b>	<b>Yrs</b>	
	£		
	<b>Average Annual Benefit</b> (excluding one-off)		
	£		
<b>Total Benefit (PV)</b>			£
Other <b>key non-monetised benefits</b> by 'main affected groups' There will be resource savings for local planning authorities and regional planning bodies as clearer streamlined policy enables better plan-making. Implementing a single, streamlined policy will minimise complexity and duplication, and offer the greatest benefits from streamlining. Businesses will benefit from improved clarity which leads to better applications with a greater chance of success and fewer delays in the process. The policy changes should lead to better planning decisions which encourage economic development and faster regeneration in deprived areas, benefiting the public.			

**Key Assumptions/Sensitivities/Risks**  
 Local planning authorities and regions need to balance a range of considerations in their plan making and development management activities. By re-emphasising the importance of considering economic impacts alongside social and environmental impacts, it is possible that in some instances too great a weighting may be given to economic impacts at the expense of those other considerations.

Price Base Year	Time Period Years	<b>Net Benefit Range (NPV)</b> £	<b>NET BENEFIT (NPV Best estimate)</b> £
-----------------	-------------------	-------------------------------------	---

What is the geographic coverage of the policy/option?	England				
On what date will the policy be implemented?					
Which organisation(s) will enforce the policy?	RPBs/LPAs				
What is the total annual cost of enforcement for these organisations?	£ N/A				
Does enforcement comply with Hampton principles?	N/A				
Will implementation go beyond minimum EU requirements?	N/A				
What is the value of the proposed offsetting measure per year?	£ 0				
What is the value of changes in greenhouse gas emissions?	£ 0				
Will the proposal have a significant impact on competition?	Yes/No				
Annual cost (£-£) per organisation (excluding one-off)	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%; text-align: center;">Micro</td> <td style="width: 25%; text-align: center;">Small</td> <td style="width: 25%; text-align: center;">Medium</td> <td style="width: 25%; text-align: center;">Large</td> </tr> </table>	Micro	Small	Medium	Large
Micro	Small	Medium	Large		
Are any of these organisations exempt?	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%; text-align: center;">No</td> <td style="width: 25%; text-align: center;">No</td> <td style="width: 25%; text-align: center;">N/A</td> <td style="width: 25%; text-align: center;">N/A</td> </tr> </table>	No	No	N/A	N/A
No	No	N/A	N/A		

<b>Impact on Admin Burdens Baseline</b> (2005 Prices)		(Increase – Decrease)
Increase of £	Decrease of £	<b>Net Impact</b> £

Key:

Annual costs and benefits: Constant Prices

(Net) Present Value

## Summary: Analysis and evidence

**Policy Option: B**

Description: **Maintain the current suite of national planning policy statements relating to economic development and streamline them separately**

<b>COSTS</b>	<b>ANNUAL COSTS</b>		<p>Description and scale of <b>key monetised costs</b> by 'main affected groups'</p> <p>The evidence base outlines the challenges in quantifying the potential impacts of i) streamlining planning policy, ii) the revisions to town centre policies and the policies for planning for economic development. The main groups affected will be local planning authorities and regional planning bodies; businesses; commercial developers and members of the public.</p>
	<b>One-off</b> (Transition)	<b>Yrs</b>	
	£		
	<b>Average Annual Cost</b> (excluding one-off)		
	£		<b>Total Cost (PV)</b> £
<p>Other <b>key non-monetised costs</b> by 'main affected groups'</p> <p>Familiarisation costs for local planning authorities, regional planning bodies and businesses.</p>			

<b>BENEFITS</b>	<b>ANNUAL BENEFITS</b>		<p>Description and scale of <b>key monetised benefits</b> by 'main affected groups'</p> <p>The evidence base outlines the challenges in quantifying the potential impacts of i) streamlining planning policy, ii) the revisions to town centre policies and the policies for planning for economic development. The main groups affected will be local planning authorities and regional planning bodies; businesses; commercial developers and members of the public.</p>
	<b>One-off</b>	<b>Yrs</b>	
	£		
	<b>Average Annual Benefit</b> (excluding one-off)		
	£		<b>Total Benefit (PV)</b> £
<p>Other <b>key non-monetised benefits</b> by 'main affected groups'</p> <p>There will be resource savings for local planning authorities and regional planning bodies as clearer streamlined policy enables better plan-making. Businesses will benefit from improved clarity which leads to better applications with a greater chance of success and fewer delays in the process. The policy changes should lead to better planning decisions which encourage economic development and faster regeneration in deprived areas, benefiting the public.</p>			

### Key Assumptions/Sensitivities/Risks

Policy will be implemented by local planning authorities and regional planning bodies.

Price Base Year	Time Period Years	<b>Net Benefit Range (NPV)</b> £	<b>NET BENEFIT (NPV Best estimate)</b> £
-----------------	-------------------	-------------------------------------	---

What is the geographic coverage of the policy/option?	England			
On what date will the policy be implemented?				
Which organisation(s) will enforce the policy?	RPBs/LPAs			
What is the total annual cost of enforcement for these organisations?	£ N/A			
Does enforcement comply with Hampton principles?	N/A			
Will implementation go beyond minimum EU requirements?	N/A			
What is the value of the proposed offsetting measure per year?	£ 0			
What is the value of changes in greenhouse gas emissions?	£ 0			
Will the proposal have a significant impact on competition?	Yes/No			
Annual cost (£-£) per organisation (excluding one-off)	Micro	Small	Medium	Large
Are any of these organisations exempt?	No	No	N/A	N/A

<b>Impact on Admin Burdens Baseline</b> (2005 Prices)		(Increase – Decrease)
Increase of £	Decrease of £	<b>Net Impact</b> £

Key:

Annual costs and benefits: Constant Prices

(Net) Present Value



## Evidence Base (for summary sheets)

### Background

1. The Government's white paper, *Planning for a Sustainable Future*<sup>1</sup> (May 2007), made a number of commitments, including:
  - the need to ensure that the planning system provides a positive approach to economic development by revising Planning Policy Guidance Note 4: *Industrial, Commercial Development and Small Firms* (PPG4), which dates back to 1992
  - the need to improve the effectiveness of policy set out in Planning Policy Statement 6: *Planning for Town Centres* (PPS6); in particular how proposals outside town centres should be assessed and how the policy could better address competition and consumer choice considerations; and
  - to review the national planning policy framework to achieve a more strategic, clear and focused framework, providing an improved context for plan making and decision taking at the local level
  
2. The Government originally consulted separately on revisions to PPG4 (December 2007) and PPS6 (July 2008). However, as this work progressed, a number of changes have taken place in the economy and in the policy context for national policy which have influenced the Government's final decisions:
  - economic conditions have changed significantly. The Government is committed to ensuring that its policy and regulatory regimes are fit-for-purpose, robust to changes in the economy and in particular, provide a framework to support economic recovery. The current economic conditions reinforce the need to streamline policy so that national policy only guides spatial planning where there is a good case to do so
  - the Taylor Review of Rural Economy and Affordable Housing *Living Working Countryside*<sup>2</sup>, reported in summer 2008. It recommended that the planning system promote a more positive approach to rural economic development which recognises that all types of business and enterprise can be appropriate for rural areas, subject to assessment of their impact based upon local circumstances and conditions and

1 <http://www.communities.gov.uk/publications/planningandbuilding/planningsustainablefuture>

2 <http://www.communities.gov.uk/documents/planningandbuilding/pdf/livingworkingcountryside.pdf>

- the Killian Pretty Review<sup>3</sup> considered afresh the impact of the complexity of the national planning framework on the planning application process. It specifically recommended that planning policy should be focused on the needs of the user, by organising it around the processes of plan making and decision taking, rather than around broad policy objectives
3. In light of the consultation responses to the draft replacement to PPG4 and revisions to PPS6 and the changes in policy context set out above, the Government looked to see whether there were additional changes that should be made to streamline national policy. As a result, draft PPS4, consulted on in May 2009, proposed to incorporate and replace PPG 4: *Industrial and Commercial Development and Small Firms*; PPG 5: *Simplified Planning Zones*; PPS 6: *Planning for Town Centres*; and the economic development policies in PPS 7: *Sustainable Development in Rural Areas* into one comprehensive new planning policy statement setting out national planning policies for economic development. This approach has been maintained in this final PPS.

## Rationale for intervention

4. The changes in the economy have highlighted the need to address the delays in the planning system that the white paper said were caused by the current nature of the national planning policy framework. Through reform of the framework the Government intends to address these issues and move towards creating a more efficient and effective national planning system which allows a more positive and proactive approach to planning.
5. The final PPS maintains the policy thrust of the consultation draft though some further changes have been made to clarify the Government's aims and objectives in the light of consultation responses and current and potential future economic market conditions. The rationale for the changes is examined more fully in the following sections of the evidence base which discuss these policy areas. However, in keeping with the consultation stage impact assessment, where no changes to the existing policy in constituent PPSs have been made other than streamlining, these policies are not considered by this impact assessment.

## Objectives

6. The key objective of streamlining planning policy is to provide a clear and positive policy framework within which sustainable economic development can be delivered. This reflects the detailed objectives of the white paper commitment to streamline policy to ensure that:
  - decision making is devolved to the local level, where appropriate

<sup>3</sup> <http://www.communities.gov.uk/planningandbuilding/planning/planningpolicyimplementation/reformplanningsystem/killianprettyreview/>

- the evidence base for plan making and decision taking is proportionate
- planning provides a positive framework for economic development
- planning is only used where it is an appropriate lever for delivery and
- policy is structured with users in mind, reflecting a Killian Pretty recommendation

## Overview of streamlining options

7. Three options have been considered:

### **(A) Producing a single, streamlined, comprehensive national planning policy statement, *Planning for sustainable economic growth*, covering policies related to economic development**

This new planning policy statement would bring together:

- draft PPS4, reflecting the outcome of the consultation in 2008
- PPG5 *Simplified Planning Zones*
- the PPS6 proposed changes, reflecting the outcome of the consultation in summer 2008
- the remaining policies in PPS6, unaffected by the PPS6 proposed changes and
- the economic policies of *Sustainable Development in Rural Areas* (PPS7), incorporating the Government's response to the Taylor review's recommendations regarding planning for the economy in rural areas

As part of this, remaining sections of PPG5 would be reclassified as practice guidance. The other (non-economic) parts of PPS7 will remain extant.

### **(B) Maintaining the current suite of national planning policy documents relating to economic development, and streamlining them separately**

Under this option, changes to policies for economic development generally (set out in PPG4) and policies for town centres (set out in PPS6) would be taken forward separately and consultation responses taken into account. As well as making the proposed policy updates, the documents would be streamlined separately.

### **(C) Maintaining the current suite of planning policy documents, updating the policy, but not streamlining at this time**

Under this option, draft PPS 4 and the proposed changes to PPS 6 would be taken forward separately. Consultation responses would be taken into account and these planning policy statements would be published separately, with no attempt made to streamline them at this time.

8. Option A is the Government's preferred option as it offers the most benefits in terms of achieving a strategic, integrated and fit-for-purpose

planning framework for economic development. Whilst it may generate some initial costs for stakeholders who will need to familiarise themselves with the document, these should be less than those generated by option B as they will only have to familiarise themselves with one document rather than two. In addition, option A addresses problems of conflict or overlap that might exist between the two documents.

## Structure of impact assessment

9. This impact assessment is structured in two parts, with sections in the evidence base addressing:
  - 1) streamlining policy as set out in the planning white paper
  - 2) the preferred policy options set out in the draft PPS4 consultation document
10. Section 1 outlines the costs and benefits of the three options (A, B and C above) with respect to streamlining policy.
11. Section 2 identifies the costs and benefits of the policy changes which have been made in PPS4, taking account of consultation responses, and updating the analysis in the light of current economic conditions and likely future market behaviour.

## Overall costs and benefits

12. Although sections 1 and 2 consider separately the costs and benefits associated with i) streamlining planning policy and ii) the revisions proposed to policy on economic development in draft PPS4, overall, we consider that the proposals set out in sections 1 and 2 will result in clear and significant net benefits as:
  - streamlining planning policy should not impose any extra costs, and there is potential for real cost savings for local planning authorities, regions and developers in the medium to long term from presenting policies for economic development in an integrated way, particularly in terms of speedier and better quality plan-making and decision taking in respect to planning applications
  - the revisions to planning for town centres policy are amendments to existing policy as set out in PPS6. They are designed to improve the effectiveness of this approach rather than to fundamentally change the policy. The key change in terms of replacing the existing need and impact tests with an improved, clearer impact test, will lead to greater certainty for business, particularly when making planning applications. This should result in fewer planning appeals and challenges

- the approach to planning for economic development is intended to build upon existing policy as set out in PPG4 by reinforcing messages and emphasising certain aspects of the approach. By requiring local authorities to better understand market needs, the approach will result in authorities providing sufficient land for the different needs of business, identifying a good range of sites in suitable locations. Linked to this, it requires regions and local authorities to develop more flexible approaches to planning for economic development so that they can respond to changing market conditions

# Section 1: Streamlining Policy

13. This section examines the costs and benefits of the three options with respect to streamlining planning policy.

## Sectors and groups affected

14. The policy potentially has an impact on the following:
- local planning authorities and regional planning bodies<sup>4</sup>
  - businesses of all sizes
  - commercial developers and
  - the general public, as potential employees and customers, and who may be affected by the results of development proposals

## Cost benefit analysis

15. Streamlining is the process of separating policy from guidance, organising policy material around the key planning processes (plan making and decision taking), and removing policy duplication. The aim is a strategic and user-friendly planning framework.
16. It has not been possible to robustly quantify the benefits and costs of streamlining policy given the inherent difficulties of assessing the impact of changes in the way that policy is structured and presented. However, analysis for the Killian Pretty Review provides some context for what the benefits of streamlining could look like if they were implemented across the planning system as a whole.
17. The Killian Pretty review considered that if Government overhauled and simplified the national policy framework and the secondary legislation for the process of planning applications, this would enable faster and more effective handling of applications by reducing the inherent complexity in the process. They estimated that this complexity costs applicants a total of £750m per year in consultants and legal fees, and that a 10 per cent reduction could save applicants £75m per year and local authorities £30m per year.

<sup>4</sup> Referred to as local authorities and regions throughout the rest of the summary

## OPTION A: A SINGLE, STREAMLINED, COMPREHENSIVE NATIONAL PLANNING POLICY STATEMENT COVERING POLICIES RELATED TO ECONOMIC DEVELOPMENT

### **Benefits**

#### ***Practitioners are clear about what is expected of them, and on which matters they have discretion***

18. Separating policy from guidance enables policy documents to be short and focused on policy requirements only. Where necessary, Government will provide practical guidance on implementing the policy separately.
19. The benefit for users is that the outcomes they should be working towards are clear, as are the policy principles that they are expected to follow to deliver these objectives. As guidance is set out separately from policy, this indicates that there is discretion in the way in which users (primarily local authorities) can deliver the outcomes and policy principles.
20. Being clear where there is discretion and flexibility encourages local authorities to consider what is best for their local circumstances, by using or adapting the guidance as they see fit, or developing their own approach.

#### ***Resource and time savings***

21. Restructuring the policy documents with key users in mind has an important 'reading and complying benefit' for many users – they don't have to read the whole policy document to ensure they have not missed a crucial instruction, but can dip in and out of the document as necessary. This translates into resource savings for local authorities and applicants for planning permission, speedier plans and decisions, and better applications for development, which have a greater chance of success (and hence lead to fewer planning appeals).

#### ***Minimises duplication and complexity***

22. Bringing together economic related policy in a single document offers the greatest streamlining savings and is most useable for practitioners as it cuts out duplication and minimises complexity for users. Instead of looking at several policy documents, they will only need to look at one.

#### ***Encourages strategic thinking***

23. Consolidating economic related policy into a single document enables Government to set out a clear, integrated and strategic approach for planning for economic prosperity. This should help regions and local authorities to be more strategic in their approach, by better understanding the interrelationships and interdependencies between economic activities in their areas and subsequently making more informed judgements when developing and choosing policy options to ensure that their economies

prosper over the long term. A linked benefit will be greater economies of scale and operational savings derived from developing shared evidence bases and more joined up approaches to policy making.

### **Costs**

24. We consider overall that streamlining the policy should not impose any extra costs. Instead, it should result in clear benefits, with the potential for real cost savings in the medium to long term. For option A, whilst there are likely to be familiarisation costs for business and commercial developers, local authorities and regions in adapting to the new approach, these should be offset quickly by the savings in compliance costs derived from presenting the Government's policies for economic development in an integrated, streamlined way as suggested by the evidence from the Killian Pretty review. In other words, all parties will immediately benefit from the resource and time savings derived from having a single document, which in turn should lead to speedier and better quality plan-making and decision taking in respect to planning applications, with a better chance of success.

## **OPTION B: MAINTAINING THE CURRENT SUITE OF NATIONAL PLANNING POLICY DOCUMENTS RELATING TO ECONOMIC DEVELOPMENT AND STREAMLINING THEM SEPARATELY**

### **Benefits**

#### ***Streamlining benefits***

25. Option B would also generate many of the streamlining benefits identified under option A, in particular practitioners would be clearer about what is expected of them, and where they have discretion, and also there would be resource and time savings for stakeholders. However, it would not have all the benefits of option A given that there would still be some necessary duplication as economic-related policy would remain in separate policy documents, which would discourage strategic thinking and lead to no reduction in duplication. However, practitioners would be clear about what is expected of them, and where they were able to use their discretion, and the more user-friendly documents would lead to resource savings and better quality planning applications.

#### ***Familiarity***

26. By keeping existing policy documents separate and streamlining them individually option B would retain the framework with which users are familiar.

### **Costs**

27. There are likely to be some familiarisation costs for local authorities, regions, business and commercial developers using the streamlined



documents. Although the existing framework would be retained, users would need to familiarise themselves with two revised documents. However, the savings in compliance costs through better quality applications (and greater efficiency in the decision-making process) and plan making would not be as great as those achieved under option A.

## OPTION C: MAINTAINING THE CURRENT SUITE OF PLANNING POLICY DOCUMENTS, UPDATING THE POLICY BUT NOT STREAMLINING AT THIS TIME

### Benefits

28. The benefit of not streamlining is that it retains a framework with which users are familiar and therefore avoids the familiarisation costs that are likely to be incurred under options A and B.

### Costs

29. Option C does not impose additional costs although continuing to pursue the status quo foregoes the benefits of moving to a streamlined policy framework, in particular the reduction in complexity and the attendant cost savings. The drivers for streamlining policy relating to planning for economic development (as already discussed in the background) are compelling, and not streamlining policy now would be an opportunity missed. Indeed, it makes sense to streamline and update policy at the same time, rather than separately which would have the potential to be more disruptive and could distract practitioners' focus from implementing and delivering the policies' objectives.

### Summary of preferred option

30. Option A is the option being taken forward. Although it is likely to generate some initial familiarisation costs, it will also lead to greater benefits from streamlining than either option B or option C. Although users of the PPS would gain some of the streamlining benefits if option B was taken forward, duplication of planning policy relating to economic development might persist. Option C is not considered favourable as it will not generate any of the benefits of streamlining outlined above.

## Other Impact Tests

The following section focuses upon the impact of streamlining in respect to other impact considerations. Specific issues relating to the policies are covered under 'other impact tests' in Section 2.

### Small firms impact test

31. Option A would offer considerable benefits for small firms, and potentially these would be proportionately greater than for larger firms. A streamlined

and well organised policy document will mean that policy expectations are easier to understand and comply with, so that applicants will submit better planning applications which have a greater chance of success. This benefits small firms in particular, which are more likely to submit planning applications themselves than larger firms (who are more likely to employ consultants, or have in-house expertise).

### **Competition assessment**

32. There is potential for streamlining planning policy to positively promote competition by making the policy more user-friendly. This may help to reduce the barriers to entry into the market.

### **Legal aid**

33. Option A will have no impact.

### **Sustainable development, carbon assessment, other environment**

34. Option A will have no impact.

### **Health impact assessment**

35. Option A will have no impact.

### **Race, disability, gender and other equality**

36. Option A will have no impact.

### **Human rights**

37. Option A will have no impact.

### **Rural proofing**

38. Option A will have no impact.

### **Enforcement, sanctions and monitoring**

39. Irrespective of which option is chosen, the enforcement, sanctions and monitoring procedures will be the same. These are covered in more detail in Section 2 of this evidence summary.

### **Implementation and delivery plan**

40. We anticipate there will be a widespread 'roll-out' of any revised policy with a wide range of stakeholders; including business, local authorities and regions to build capacity and promote the robust implementation of the policy and its accompanying guidance. This is particularly important for our preferred option A, to ensure familiarisation costs are kept to a minimum.

### **Post-implementation review**

41. Although the Government will monitor the impact of the policy, it has no current plans for a further review.

# Section 2: Impact Assessment for Policies in PPS4

## Background

42. Since the original PPS4 consultation document was published in December 2007 and the PPS 6 consultation was published in summer 2008, the global economy has experienced significant slowdown, and as a result, growth prospects worldwide have sharply declined. Output growth in the UK economy has fallen for the six consecutive quarters to September 2009, with output in most sectors negative. In terms of specific economic sectors, financial services, which have largely driven UK growth over the past decade, are now experiencing falling employment, earnings and profits. When growth resumes, finance is likely to make up a smaller share of economic activity in the future. Manufacturing outputs have also fallen significantly, and recovery is not expected until at least 2010. The construction industry is experiencing similar difficulties whilst property markets, including commercial property, have been severely affected by the slowdown in the global economy. Whilst the fluid nature of the general economy at present makes it more difficult to forecast with any accuracy which sectors will drive the economic recovery, the property and construction sectors should recover in the medium term, together with a consolidated financial services sector. Falls in consumer confidence, rising unemployment and reduced consumer credit have also affected retail sales where growth has been reduced.

### **Planning policy for economic development in general**

43. The Government's existing planning policy for economic development, PPG4 *Industrial, Commercial Development and Small Firms*, is out of date and is only infrequently referred to in planning decisions. The policy approach is designed to ensure that the planning system responds efficiently and effectively to the economic challenges of a global and competitive market in both the current climate, and over the medium to long term, as market conditions improve.

### **Planning policy for town centres**

44. Published in March 2005, PPS6 took forward the Government's longstanding policy objective of promoting vital and viable town centres through a town centre-first policy (previously set out in Planning Policy Guidance Note 6: *Town Centres and Retail Developments* revised in 1996). The increase in the proportion of retail development going into town centre and edge of centre locations, from less than 25 per cent in 1994 to 44 per cent in 2007 is a measure of the success of the policy over a number of years.

45. The consultation draft of PPS4 took forward, and amended, the proposed changes to town centre policy proposed in the PPS6 consultation draft of July 2008. The Government remains firmly committed to the town centre first policy. In terms of safeguarding the vitality and viability of town centres, the Government's town centre policy faces a number of future challenges, including changing consumer and retailer behaviours arising from a number of wider economic changes such as:
- higher levels of car ownership
  - competition from internet retailers
  - technological development and global markets leading to increased choice in terms of products and services and
  - consumer behavioural change such as combined leisure/shopping trips, one-stop and top up convenience shopping
46. These factors, amongst others, have in recent years provided both opportunities and risks to retailers. The top retailers and larger format grocers have become increasingly dominant in the market, and shopping centres have benefited from being able to allow consumers to combine retail and leisure experiences into single trips.
47. The current economic situation needs to be taken into account when considering changes to town centre policy. Further analysis of the impact of economic conditions on current and future trends in retail development and the implications for town centre policy is discussed in Annex A.
48. In summer 2009, the Communities and Local Government Select Committee undertook an inquiry into *Need and Impact: Planning for town centres*. The Committee's report recommended, amongst other things, that the need test be reinstated.
49. This impact assessment does not reconsider the effectiveness of the current 'need' test, as the justification for its removal is described in detail in the PPS6 consultation document, in particular Annex A (section C) and Annex C<sup>5</sup>, and the Government's response to the CLG Select Committee report<sup>6</sup>.
50. In addition, this impact assessment does not address the recommendation of the Competition Commission, for a competition test to be introduced into planning, following their investigation of the groceries market in the UK (final report published in October 2009). The Government will respond shortly to the Commission's recommendation and will consider carefully what a new competition test in the planning system for the largest grocery stores would mean for business, local authorities, consumers and communities in conjunction with other recent planning policy developments.

5 <http://www.communities.gov.uk/archived/publications/planningandbuilding/pp6consultation>

6 <http://www.publications.parliament.uk/pa/cm200809/cmselect/cmcomloc/1082/1082.pdf>

## Consultation responses

51. The summary of consultation responses revealed that respondents generally welcomed the positive approach to sustainable economic development set out in draft PPS4. There was also strong support for the emphasis on the need for robust evidence to underpin both plan-making and decisions on planning applications, although there was some concern at the potential financial and practical impact on local planning authorities of the requirement to gather more economic information to create an evidence base. The partial impact assessment which accompanied the draft PPS attracted virtually no comment. Many of the key policy changes proposed are changes of emphasis or reinforcing of messages in existing PPG4, rather than being new policies.
52. In relation to the proposal to remove the need test, the summary of consultation responses showed that respondents generally agree that the need test had not worked well in practice, and that the changes would maintain the focus on town centre investment, noting that a strong impact test was crucial to ensuring that proposals for out of centre development are properly assessed for their impact on town centre vitality and viability.
53. Many respondents to the PPS6 consultation document in July 2008 expressed concerns that the absence of draft practice guidance made it difficult to comment on the policy proposals, particularly the new impact test, noting that guidance is crucial to effective and consistent implementation of the proposed changes. The Government consulted on draft practice guidance alongside draft PPS4 and the final PPS will be supported by practice guidance which will, amongst other things, set out how impact considerations can be applied in practice.

## Why is government intervention necessary?

54. The changes are intended to meet the commitments made in the Government's white paper *Planning for a Sustainable Future*.

## Economic development

55. The Barker Review found that the benefits associated with economic development were not always appropriately considered in respect to plan making and considering planning applications. The Government committed to revise PPG4 to ensure that the planning system provides a positive approach to economic development. The planning system should facilitate and promote sustainable development by making suitable land available for development in line with environmental, social and economic objectives to improve people's quality of life. This proposal is to update planning policy to ensure it takes into account the economic costs and benefits of development alongside the social and environmental impacts.

## Town centres

56. In relation to town centres the Government's commitment was to improve the effectiveness of policy, focusing in particular on revisions to the policy framework for considering proposals for development outside town centres. The Barker review concluded that the need test has proved, in some respects, to be a blunt instrument and can have the unintended effect of restricting competition and limiting consumer choice. In addition, there is often limited supporting analysis in impact assessments of how impact on town centres has been considered and in many cases assessment focuses narrowly on trade diversion effects and on specific businesses in town centres without proper consideration of the wider impacts on their vitality and viability. The need test is removed from the policy framework and replaced with an improved impact test. This improved impact test will provide a clearer, more robust and holistic policy framework for assessing the impact of development proposals, allowing local authorities to better respond to the challenges outlined above.

## Overview of option

57. Final PPS4 takes forward the policy approach set out in draft PPS4, published in May 2009, having regard to consultation responses (including comments on the consultation stage impact assessment) to both documents and current and likely future market conditions.

## Economic development

### ***Implement new policy in respect to planning for sustainable economic growth.***

58. The aim of the new policy is to provide an overarching positive framework to planning for sustainable economic development, consisting of the following policy elements:
- *appropriate weighting given to economic development:* when drawing up plans, regional planning bodies and local planning authorities should give appropriate weighting to the economic benefits that developments may bring, such as employment and regeneration, in addition to considering social and environmental factors
  - *using evidence to plan positively, recognising the needs of business:* regions should ensure they work with local authorities preparing local economic assessments to prepare a proportionate and robust evidence base to support their plans, taking account of the current economic climate as well as the likely future direction of local and wider economies. This will involve understanding the needs of business so they can plan appropriately

- *delivering a supply of land for economic development*: local authorities should ensure a good supply of land which provides for the differing needs of business whilst being flexible enough to respond to changing market conditions, including new sectoral requirements. This means taking a robust approach towards allocating employment land, avoiding designating or retaining sites for single or restrictive uses if there is no realistic prospect of it being used as such during the plan period
  - *importance of joint working*: encouraging joint working across local authorities and between tiers of government and, where appropriate, undertaking joint housing and employment land reviews to help identify the most appropriate use for land
  - *identifying suitable locations*: including encouraging mixed-use development and a stronger emphasis on regeneration, particularly in deprived areas
  - *efficient and effective use of land*: this requires a positive approach to:
    - the re-use of heritage/listed buildings for economic development
    - changes of use where there is no likelihood of demonstrable harm. This may involve taking into account changing working patterns and advancements in information and communication technologies and
    - preparing locally specific parking policies, rather than simply following national maxima levels as currently set out in Annex D of PPG13: *Transport*
  - *securing a high quality and sustainable environment*: recognising the importance of good design for both sustainable economic development and securing low carbon emissions and
  - *managing development*: local authorities should adopt a positive approach towards planning applications for economic development, using robust evidence to weigh up the costs and benefits of development. In particular, they should support proposals which foster a strong and diverse rural economy
59. In rural areas, subject to the need to protect the countryside, the general policies for economic development set out above should apply to planning for development as they do in urban areas. This will include:
- supporting development which enhances the vitality and viability of market towns and other rural service centres
  - supporting small scale economic development where it provides the most sustainable option in villages or other locations that are remote from local service centre and
  - promoting farm diversification for business purposes by providing opportunities for non-agricultural enterprise which support job creation and economic activity consistent in scale with the rural location



## Town centres

### ***Policy changes in respect to planning for town centres***

60. PPS4 maintains the town centre first approach through the requirement for applicants to look for the most central sites first (the sequential approach). Applicants will continue to have to demonstrate that there are no more central sites which can accommodate their proposed development. Similarly, the impact test will continue to be applied to retail and leisure development or proposals for other main town centre uses over 2,500 square metres (in an edge-of-centre or out-of-centre location, which are not in accordance with an up-to-date development plan) unless authorities set specific thresholds in their plans. Ahead of any local threshold being set, it could also be applied to smaller developments which are likely to have a significant impact on smaller town centres, depending on the relative size and nature of the development in relation to the centre.
  
61. The key change to town centre policy remains the replacement of the current need and impact tests with an improved impact test which, supported by good practice guidance, will continue the strong focus on the town centre first policy.
  
62. The scope of the new impact test is wide ranging, bringing together the range of impacts which need to be considered, including:
  - the full range of economic, social and environmental (including town centre) impacts
  - taking more account of consumer choice and retail diversity and
  - the need to assess impacts arising from the scale of a proposal as well as transport and accessibility considerations
  
63. The new test identifies two categories of key impacts that retail, leisure and office development must be assessed against in light of local circumstances:
  - general impact measures that all applications must be considered against; and
  - specific town centre impacts that unplanned, out of centre development must be tested against.
  
64. The changes will provide a more effective policy framework by:
  - removing the need test and replacing it with a more transparent framework which clearly sets out the considerations which local planning authorities and regional planning bodies must take into account in respect to plan-making and assessing planning proposals for new development, particularly if they are not in accordance with an up to date development plan and on sites outside town centres and

- being clear that local planning authorities should refuse planning applications that cannot demonstrate that there are no sequentially preferable sites, or which would have a significant adverse impact on any one of the key impact considerations

## Sectors and groups affected

65. The policy potentially has an impact on the following:
- local planning authorities and regional planning bodies
  - businesses of all sizes
  - commercial developers and
  - the general public, as potential employees and customers, and who may be affected by the results of development proposals

## Cost-benefit analysis

### ***Quantifying Impacts***

66. It is not possible to develop an accurate quantification of the impact of the new policy. Planning policy is not implemented by central Government and is not prescriptive like other regulations. In order for the Government to fulfil its devolutionary commitment, local authorities have primary control over plan making and development control decision making. Planning policy statements are important considerations for plan making and development control but it is for regions and local authorities to apply them in the light of their circumstances. Therefore, delivery of the policy, and the costs in doing so, will depend on how regional and local planning authorities deliver it in light of their local circumstances and development opportunities.
67. In terms of assessing overall impact, it is important to bear in mind that:
- the PPS maintains the principles of previous PPG and PPSs and does not revisit the fundamental objectives of the policy
  - whilst clearly important, land use planning is only one of many factors that influence economic development
  - the costs and benefits of changes in land use flowing from planning decisions are highly dependent on the location, quality and context of the land in question
  - the fluid nature of the general economy at present makes it difficult to forecast with any accuracy which sectors will drive economic recovery
  - the detailed impact considerations for town centres are not new. They are either continuations of current policy in PPS6 or highlighting policy requirements in PPS1 and PPS1 *Climate Change* supplement

- it is expected that the impacts of the changes will differ from centre to centre and location to location. Impacts arising from a proposal may differ widely depending upon the existing provision of retail, leisure and other local services in town centres, how current and future economic conditions affect a locality, and the varying timescale over which new development is brought forward

68. These factors make such impacts difficult to quantify. That said, the proposal is expected to bring overall benefits to the general public, regions and local authorities, commercial developers and businesses, as described below.

## Benefits

### **Economic development**

69. Most of the benefits that will be derived from the policy, as set out below, flow from its positive nature which requires regions and local authorities to plan proactively for sustainable economic growth in regional spatial strategies and local development frameworks, based upon robust economic evidence. In this way, the planning system can provide certainty for business in terms of ensuring a good supply of land which provides for the differing needs of business. Linked to this, the approach provides flexibility for regions and local authorities to respond to rapidly changing market conditions, as are currently being experienced, so that they can help to stimulate growth as economic conditions improve.
70. Whilst specific benefits of the policy proposals are set out in detail below, overall, the approach will support the Government's objectives for economic development, particularly:
- raising the productivity growth rate: improving the supply of land for economic development should enable firms to operate more productively by allowing them to operate from sites which better suit their requirements. In particular, this could facilitate the agglomeration of firms, which in turn enhances the productivity of firms and workers
  - building prosperous communities: linked to above, by facilitating innovation and providing job opportunities through an improved supply of land for economic development, the policy will help to stimulate growth and generate wealth as economic conditions improve. By providing certainty for business, it can improve the economic performance of local areas, cities, sub-regions and regions, helping to increase national economic output
  - delivering more sustainable patterns of development: by providing land for economic development in suitable locations and encouraging the re-use of vacant land or derelict buildings, especially brownfield land
  - promote high quality, inclusive design: good design can add economic value to an area, and can create more productive working conditions and

- improve accessibility: ensuring that development is well served by a choice of means of transport, which benefits business in terms of better access to customers, suppliers or labour markets

71. The specific benefits of the approach in respect to planning for sustainable economic development are as follows:

***Appropriate weighting given to economic development***

72. The overarching benefit of the new policy will be in ensuring that economic development is fully considered and planned for – both in terms of plan-making and making planning decisions.
73. The policy requires regions and local authorities to take proper account of the costs and benefits of economic development, alongside other costs and benefits, when drawing up plans and determining planning applications. Regions and local authorities are already required to consider such material considerations under the 2004 Planning and Compulsory Purchase Act, but the policy explicitly reinforces the importance of economic considerations in planning decisions. In this way, the policy will help to support economic recovery through the benefits set out below, particularly a supply of land which will provide for the differing needs of business.

***Using evidence to plan positively, recognising the needs of business***

74. The policy requires regions and local authorities to prepare robust evidence bases when planning for economic growth, to understand existing business needs and likely changes in the market. This will allow regions and local authorities to adjust the supply of employment land to address any structural changes in market performance and demand and facilitate economic growth. Changes in the nature of the economy mean the needs of business also change, as is seen in the decline in heavy industry and the rise of the high tech and service sectors. More flexible formats from traditional land uses may be required and it may not be appropriate for office development to be located in the town centre, particularly where it is ancillary to other forms of development. Many businesses now need supporting office development. Being aware of the changing nature of the local or sub-regional economy will enable local authorities to plan for these needs.
75. Consultation responses to draft PPS4 revealed strong support for the emphasis on the need for robust evidence to underpin both plan-making and decisions on planning applications. In addition, the majority of respondents supported the market indicators set out in Annex A of draft PPS4 as potential sources of useful market information, although most felt that some changes were required to the list. Whilst regions and local authorities already collect economic evidence, the quality and content is highly variable so by recommending a set of indicators as is being, it will be easier to compare market information across local areas and regions, which should result in a more efficient use of resources.

76. The need for robust economic evidence is supported by the new economic duty to undertake local economic assessments (LEA) brought in as part of the Local Democracy, Economic Development and Construction Act 2009, which requires upper tier and unitary local authorities to assess the economic conditions of their areas in consultation with key partners, including district authorities. The duty promotes the development of shared evidence bases which regions and local authorities can draw upon to support planning for sustainable economic growth<sup>7</sup>. It will then require local authorities to bring together data, evidence, and the expertise of economic development partners to develop a sound understanding of the economic activity of the residents and firms located in their areas, and how the local economy interacts with the wider economy.

### ***Delivering a supply of land for economic development***

77. The policy asks local authorities to facilitate a good range of sites which provide for the differing needs of business and respond to changing market conditions, flowing from the policy requirements to give more weight to economic development; use evidence positively and develop more flexible approaches to the use of land. Providing a better supply of land for employment will be particularly important as the economy begins to recover, allowing planning to respond quickly and effectively to facilitate economic growth by providing land for economic sectors that are experiencing growth.
78. The policy requires a critical approach to be taken towards allocating employment land, avoiding designating sites for single or restrictive uses if there is no realistic prospect of it being used as such during the plan period. This was supported by the consultation responses to draft PPS4, who agreed that land should not be held back for specific employment uses if there is no realistic prospect of it being used as such, as it could be released for other uses, for example mixed-use development or for housing.
79. The policy also requires local authorities to plan positively for economic development in rural areas subject to the need to protect the countryside. This will mean supporting small scale economic development in villages and other locations remote from rural service centres, and recognising that a site may be acceptable for development even though it may not be readily accessible by public transport.
80. In addition, the approach should better support business growth in the form of clusters or networks of knowledge driven industry, which can lead to innovation and productivity gains. Many sectors or firms benefit from the 'urbanisation' economies of being in specialised clusters, while others benefit from sector specific 'localisation economies' of being in specialised clusters with other businesses in the same sector<sup>8</sup>. Either way, clustering

7 Further information is set out in the *Local Authority Economic Assessment Duty Impact Assessment* (CLG, December 2008)

8 CLG (2007) Economics Paper 1: *A Framework for Intervention*

allows businesses to take advantage of specialised services, infrastructure or labour markets. The policy, by requiring a more pro-active approach to providing employment land which has regard to market demand, should encourage greater economic clustering by providing suitable land and buildings<sup>9</sup>.

81. At the regional level, the policy introduces a new requirement that regional spatial strategies should set minimum job targets down to the local authority level. At the consultation stage, it was proposed that regions would set employment land targets at the local authority level. The change in the policy will still help to ensure that the regional and local tiers develop shared policy objectives in terms of economic growth, but reduce the burden on regions in allocating land targets at local level.

### ***Importance of joint working***

82. The policy encourages joint working across local authorities and, where appropriate, combining or undertaking together employment land reviews with strategic housing land availability assessments, to help identify the right supply of land. The benefit of this is that it should ensure economies of scale by making the best use of available resources across local authorities, avoiding duplication and helping to reflect more accurately sub-regional issues. It should also result in greater consistency in the collection and interpretation of economic data and intelligence, which in turn should lead to more joined up policy making. These benefits are supported by the LEAs, which promote the development of shared economic evidence bases across local authorities, which in turn should strengthen sub-regional working and lead to greater co-ordination of policy making.

### ***Identifying suitable locations***

83. Linked to requiring local authorities to plan for a good range of sites for employment, the policy also promotes mixed-use developments, with fewer sites being designated for single or restricted use classes. This focus on mixed-use will allow the market to bring forward proposals which better reflect the need for homes, jobs and services to be close to one another. The policy also asks local authorities to consider the potential for regeneration in their plans and to prioritise deprived areas for development. This should provide social, economic and environmental benefits for local communities in such areas, as well as encouraging the use of brownfield land for development.

### ***Efficient and effective use of land***

84. Again, linked to the requirement to provide a good supply of land for economic development by identifying suitable sites, the policy will ensure the efficient use of land, including encouraging the re-use of vacant land or derelict buildings. In particular, a positive approach towards the re-use

<sup>9</sup> Graham, D.J. (2006) *Wider Economic Benefits of Transport Improvements: Link Between Agglomeration and Productivity – Stage 2 Report*, London DfT

of heritage/listed buildings for sustainable economic development will help to bring back into productive use buildings which may otherwise not fulfil their potential. It can also have wider benefits in that it can help to regenerate an area and provide an attractive working environment, including prioritising the re-use of brownfield land, which in turn has environmental benefits, as around 32 per cent of all waste is generated by demolition and construction<sup>10</sup>. In addition, local authorities should take a positive approach to changes of use where there is no likelihood of demonstrable harm.

85. The policy also aims to encourage local authorities to use land efficiently by building upon the benefits of technological developments, such as increased investment by high technology firms. In a 2004 survey of 2000 workplaces, 55 per cent of employees said that ICT was essential or very important in their job<sup>11</sup>. On a related point, the DTI Annual Small Business Survey 2006-07 shows that 34 per cent of all business start ups are now home based. The policy recognises that new ways of working such as live/work or the use of residential properties for home working have an impact upon spatial planning which should be considered when planning for economic development.
86. The approach to car parking supports the more efficient use of land by allowing local authorities to set their own maximum car parking standards for non-residential development, having regard to nationally set sustainability criteria. Patients and visitors to hospitals should also benefit from local planning authorities giving greater attention to their needs in setting parking policies for hospitals. This increased devolution to local authorities was strongly supported by consultation responses to draft PPS4, providing that it does not result in unacceptable environmental and social costs. Linked to this, whilst the approach could result in local authorities choosing to compete with each other in terms of the provision of parking spaces in town centres and elsewhere, this is addressed by retaining the requirement for maximum rather than minimum standards, and setting clear criteria in respect to setting maximum standards.
87. The approach allows local authorities to set stricter policies in appropriate locations which reduce car use and encourage more sustainable travel patterns. Conversely, where authorities set higher car parking maxima reflecting local circumstances, businesses may benefit by being able to attract workforces more easily.

### ***Securing high quality and sustainable environments***

88. The proposals require local authorities to promote good design when planning for sustainable economic growth. This should help to reduce the costs associated with bad design such as higher crime rates, low productivity and poor health.

<sup>10</sup> *Key facts about waste and recycling* (DEFRA, ODPM, Environment Agency, Water UK, 2004)

<sup>11</sup> See the DTI employer survey of 2000 workplaces (2004)

89. CABE research on the value of developing, owning and operating a typical office over the 25 years of a traditional occupational lease shows that, excluding land, 6.5 per cent of the total goes on construction cost; 8.5 per cent goes on furnishing, maintaining and operating the facility, and 85 per cent goes on the salary costs of the occupiers. Despite the modest proportions spent upon construction, a well designed working environment can have a positive impact upon local economic circumstances by helping to attract firms to an area, and there is evidence that the quality of premises can be an important reason for relocation. In addition, the existing building stock in the UK is responsible for 40 per cent of carbon emissions, so there are potentially large benefits to be realised through better building design in terms of reducing carbon emissions.

### ***Managing development***

90. The policy asks local authorities to adopt a positive and constructive approach towards planning applications for economic development. Drawing upon robust economic evidence and other information, they should consider economic development proposals favourably unless the economic, social and environmental costs are likely to outweigh the expected benefits, including the long term benefits.
91. This evidence based approach should enable local authorities to develop more positive and flexible approaches to planning applications which come forward which may not be in line with their plans. The Barker review identified the rejection of proposals primarily on the basis that they do not fit with intermediate or out of date plans as being a restriction upon development that would be acceptable if fully considered. Following the evidence based approach should decrease the number of unnecessary restrictions on development, and may help to reduce the number of planning appeals and applications referred to the Secretary of State for consideration.
92. The policy highlights that lack of accessibility by means other than the car should not always prevent applications for development in remote rural areas from being acceptable, particularly where they promote and sustain the viability of such areas. The policy should also help to protect economic uses in rural communities by requiring consideration of the impact of their loss on the supply of economic sites in that community.

### **Town centres**

#### ***More transparency and certainty***

93. The impact criteria, against which plans should be developed and proposals should be assessed, are clearly expressed in the revised national planning policy. For the first time they are supported by practice guidance illustrating how local authorities can apply such considerations. This increased clarity should result in more transparent policy frameworks in plans.



94. The greater transparency afforded by the new policy, particularly its clarity about how planning applications that fail the sequential approach, or have a significant adverse impact, should be treated should lead to greater certainty for businesses and particularly help in choosing whether to make planning applications for development not in accordance with up to date development plans, on sites outside town centres. Although in the short term, wider economic conditions may cause an overall slowdown in development proposals, the changes will help to support economic recovery, as greater certainty will encourage development proposals to come forward when economic conditions improve.

### ***A more holistic assessment***

95. The impact test brings together a range of impact considerations to create a more holistic test which local authorities should apply in respect to both plan-making and assessing planning proposals, helping to ensure decisions with more efficient outcomes by taking full account of the range of potential impacts of development.
96. The impacts of a more holistic assessment are considered under three headings:
- effect on future levels of development
  - promoting greater choice for consumers and
  - encouraging sustainable development

### ***Effect on future levels of development***

97. In the short term, it is likely that the overall amount of new development in town centres will remain limited as investor confidence continues to be affected by the current economic climate and reduced access to credit.
98. However, as confidence returns to the retail market over the medium term, we expect the amount of development going into town and edge of centre locations to increase. Local authorities should look forward and plan proactively for the expansion of their centres and allocate sufficient sites for future needs, while rigorously testing the impact of unplanned proposals. The increased transparency of the policy framework used by local authorities in making decisions about development outside town centre locations which is not in accordance with the development plan will provide certainty for town centre investment, particularly when supported by practice guidance and the continued requirement for developers to look for the most central sites (the sequential approach).
99. The more holistic impact test will be used to rigorously test unplanned proposals. It is reasonable to expect that the absence of the need test could lead to development proposals coming forward which would not have been promoted previously. It will be for investors to establish whether they think a development is needed or not but a proposal (in an edge-of-centre or out-of-centre location, and which is not in accordance

with an up-to-date development plan) will be subjected to a rigorous examination of its positive and negative impacts. Where previously a development proposal might have been refused on the basis of need alone, local authorities will now have to consider the specific location and impacts of such proposals.

100. The removal of the need test could also lead to some additional unplanned proposals coming forward in edge-of-centre locations where town centre capacity is limited. The sequential approach and strengthened impact test will ensure that development that could be more centrally located or which could have a significant adverse impact in respect to one or more of the key impact considerations does not go ahead.

### ***Promoting greater choice for consumers***

101. The policy emphasises the need for local authorities to consider consumer choice in respect to both plan making and determining planning applications. In terms of plan making, the policy requires local authorities to plan for a range of shopping, leisure, tourism and cultural services in terms of the range of goods and stores that are available to consumers, and identify sites for varying uses and store types, having regard to consumer choice and promoting competition.
102. In respect to planning applications, as part of the impact test, local authorities will be required to consider the impact of proposals on consumer choice. This highlights the importance of providing for consumer choice in town centre development schemes and seeking to prevent proposals that would harm consumer choice. Whilst current market conditions are leading to a marked slowdown overall in development proposals in the short term, the policy will help to safeguard town centre viability and vitality and promote improved consumer choice as market conditions improve.

### ***Encouraging sustainable development***

103. The policies support sustainable development and creating better places by requiring local authorities to consider as part of the impact test:
- the design quality of development proposals – the strengthened test explains that proposals may be refused on the grounds of failing to secure a high quality and inclusive design
  - whether the proposal has been planned over the lifetime of the development to limit carbon dioxide emissions and minimise vulnerability and provide resilience in respect to climate change<sup>12</sup>
  - the accessibility of proposals by a choice of modes of transport including walking, cycling, public transport and the car

<sup>12</sup> This is a requirement of existing policy – see the *Planning and Climate Change Supplement to Planning Policy Statement 1* (CLG, 2007)

- the impact on economic and physical regeneration in the area including the impact on deprived areas and social inclusion objectives and
- the impact on local employment

## Costs

104. As already explained, the requirements in relation to economic development in the new PPS are not new policies as such, but are more changes of emphasis or reinforcing of messages in existing PPG4. On this basis, we therefore consider that commercial developers, businesses, regions and local authorities are unlikely to face any extra costs, in net terms, from implementing the changes. For example, regions and local authorities are already required to collect evidence about economic circumstances in their area. In particular, commercial developers and businesses of all sizes will not face any extra costs from implementing the policy.
105. Whilst there may be some familiarisation costs, predominantly for regions and local authorities, the scale of this is extremely difficult to assess because it depends upon the existing approach to planning for economic development, particularly the quality of economic understanding already present. Moreover, any such costs will be quickly offset by savings derived from presenting the Government's policies for economic development in an integrated, streamlined way, as explained in Section 1.

## ***Using evidence to plan positively***

106. Some consultation responses to draft PPS4 felt that a proportionate approach to evidence would be required, expressing concerns at the potential financial and practical impact upon local authorities of the requirements in respect to economic evidence bases, with some noting that authorities may not have sufficient in-house expertise.
107. Economic data and market information is already widely used in respect to planning, particularly when preparing development plans. This reflects a requirement in Section 13 of the Planning and Compulsory Purchase Act 2004 that local authorities keep under review matters which may be expected to affect the development of their area or the planning of its development, including the principal economic characteristics.
108. Nevertheless, it is likely that implementing the new approach will require additional data collection and analysis for many authorities. However, regions and local authorities will be able to draw upon new comprehensive sources of local economic evidence linked to the economic duty, which will require upper tier and unitary local authorities to undertake LEAs. This will provide a comprehensive source of economic evidence, and may in some instances lead to reduced costs to regions and authorities in developing evidence bases for planning for economic development purposes, particularly where the duty results in joint working

across authorities as expertise and the cost of collecting market information could be shared.

### ***Delivering a supply of land for economic development***

109. The requirement that regional spatial strategies should set minimum job targets down to the local authority level could have resource implications for some regions. However, this policy will not have as great an impact as the proposal that was consulted on for regions to set employment land targets at local level. There is already a policy expectation that regions identify general locations and criteria to meet business needs linked to their strategic role, and some regions already set targets at the local authority level. In addition, the proposed LEAs should keep any additional costs linked to this requirement to a minimum. As already explained, LEAs may lead to reduced costs to some regions and local authorities in developing evidence bases for planning for economic development purposes.

### ***High quality environment***

110. Where the policy promotes the design and environmental quality of buildings, there will be benefits to society, particularly in terms of minimising carbon emissions. In terms of any potential costs relating to high quality, low carbon specification commercial development, these are not new considerations as they are set out as existing policy in the climate change supplement to Planning Policy Statement 1: Delivering Sustainable Development. That said, costs of meeting design and environmental quality standards may vary significantly depending on the type of development, the carbon saving technology used and the extent of carbon savings made. For example, building an office to a low carbon specification can be less costly than building a warehouse to the same low carbon specification<sup>13</sup>.

### **Town centres**

111. We consider that commercial developers, businesses, regions and local authorities are unlikely to face any extra costs, in net terms, due to the changes to the PPS:

- the streamlining of planning for town centres policy and integration with other planning policy related to economic development, will provide resource and user savings as outlined in Section 1 which will outweigh any initial familiarisation costs
- costs for local authorities and regions will be minimised by publishing supporting good practice guidance alongside the final policy, which will illustrate how local authorities can apply the changes in a proportional, cost effective manner and

<sup>13</sup> *Definition of zero carbon homes and non-domestic buildings: consultation*  
<http://www.communities.gov.uk/corporate/publications/consultations/>

- there should be cost and resource savings linked to the removal of the need test and the greater clarity about how planning applications that contravene the sequential approach and impact test should be decided

112. The impact test does not propose substantive new requirements when considering impact in respect to plan making and assessing planning proposals. As Annex B shows, the impact test draws together the impact considerations from PPS6 and other PPSs, principally PPS1, into one place rather than introducing new considerations. Therefore, the proposals should not increase the overall costs of assessments or impose additional burdens on business or local authorities. In addition, the proposals make clear that the scope and level of detail of any impact assessment should be proportionate to the nature and detail of the proposed development.
113. However, many respondents to the PPS4 consultation document noted that the need for robust evidence and market information could have data and resource implications. This need is addressed by the new local economic assessment duty<sup>14</sup> to undertake local economic assessments, which requires lower tier and unitary local authorities to assess the economic conditions of their areas in consultation with key partners, including district authorities. The practice guidance helping implement the duty makes clear that this assessment will help local authorities and regions to develop cost effective, proportionate evidence bases for their planning decisions.

### **Costs to developers**

114. Developers will have to meet the costs of an impact assessment accompanying a planning application, where it is required. Our analysis indicates that the average cost for such an assessment is likely to be between £25,000 and £30,000. However, costs may be lower when applied to proposals on edge or out of centre sites which are below 2,500 sqm as the detail in an impact assessment should be proportionate to the size of the development. This cost is unlikely to be influenced significantly by whether an assessment relates to a capacity analysis to demonstrate a need for development (as is required currently) or whether the wider impacts of a proposal are being assessed. This is because there is already a requirement to consider impact under existing PPS6 policy. Responses to the PPS6 consultation document did not challenge these estimates. As Annex B shows, the test will not lead to substantive new requirements in respect to considering the impact of development proposals, meaning that it should not significantly increase the costs of assessments.
115. In addition, the impact test should reduce costs for developers by providing clearer criteria to be considered when preparing a planning application. This should reduce the numbers of planning appeals and challenges to decisions, thereby saving costs to developers.

<sup>14</sup> Under Part 4 of the Local Democracy, Economic Development and Construction Act 2009

**Costs to local planning authorities and regional planning bodies**

116. The changes should not result in overall resource or cost increases to authorities in respect to plan-making and the consideration of planning applications. The changes seek to make policy simpler and clearer by removing the need test and setting out a strengthened, consolidated impact test, together with more effective use of pre-application discussions. As Annex B shows, the test will not lead to substantive new requirements in respect to considering impact in terms of plan making or considering development proposals, meaning that it should not significantly increase the costs of assessments. The increased clarity about the requirements that development proposals need to meet should lead to a reduction in the numbers of planning appeals and challenges to decisions, thereby saving costs to planning authorities.

# Other impact tests

## Small firms impact test

### **Economic development**

117. The policy should, linked to the development of a robust economic evidence base, result in a good supply of land suitable for economic development which caters for a broad range of business types, including small firms. It should also result in more positive plan policies, particularly at the local level, which specifically recognise, and provide for, the needs of small business in terms of infrastructure, labour force, land assembly and so on.

### **Town centres**

118. As discussed in Annex A, small shops and independent retailers are experiencing difficult trading conditions caused by the economic downturn. Many of the respondents to the PPS6 consultation document stressed the need for a stronger policy approach to small shops, independent retailers and small business.

119. Whilst the changes cannot mitigate the impact of wider economic conditions currently being experienced in the retail sector, they will provide an effective policy framework for new development as market conditions improve by encouraging local authorities to develop flexible approaches when preparing plan policies. Specifically, the increased emphasis upon retail diversity and consumer choice in the changes allows local authorities, through their plan-making and development control responsibilities (and by making effective use of other tools available to them) to create the conditions which encourage a broad range of retailer representation within town centres, with opportunities for both small and large retailers. This could be achieved through local authorities identifying sufficient site allocations for a range of development in their plans; specific plan policies aimed at small shops and independent retailers; and seeking a mix of units in new development which provide for smaller retailers.

120. The revised policy framework will continue to allow local authorities to consider town centre viability and vitality when assessing the impact of development, including the effects on small shops and independent retailers. When considering proposals which are not in accordance with an up-to-date plan on sites outside town centres, local authorities will continue to be required to assess a range of impacts, particularly the impact upon existing and committed investment in a centre, the impact on current in-centre trade and turnover, and the promotion of town centre vitality and viability including consumer choice and the range and

quality of the retail offer. Where there is clear evidence that a proposal is likely to have a significant adverse impact on a town centre related to one or more of the key impact considerations, for example in respect to existing small shops and independent retailers, this will justify the refusal of planning permission.

121. The impact test would, like the existing test, apply only to development where a planning application is needed and then only if the development is not in accordance with an up to date development plan and is on a site outside a town centre. Comprehensive assessments will only generally be needed if a scheme is over 2,500 square metres, although they can be required for developments of less than 2,500 square metres which are likely to have a significant impact on smaller town centres<sup>15</sup>. As smaller firms may be better able to find suitable sites in town centres, they are less likely to be affected by the need to undertake an impact assessment.

## Competition assessment

### **Economic development**

122. The proposals will improve competition and enterprise by ensuring a good supply of land that is responsive to market demand. This will allow new firms to enter markets and challenge existing firms. Whilst it is possible that the requirements for high quality, low carbon specification could lead to increased build costs in some circumstances, these are not new considerations relating to the approach, and would only be significant for firms requiring specialised premises where alternative locations are scarce.

### **Town centres**

123. The Barker review noted that local authorities refusing planning permission on the basis of absence of need was likely to result in more limited choice and higher prices of goods in stores. The review also noted that the current policy in PPS6 requiring the demonstration of need can have unintended effects, including adverse impacts on competition. The Competition Commission's investigation of the grocery market identified evidence that the current need test may be, or may become, a barrier to entry in many local areas when the available capacity has been absorbed by new development.
124. The removal of the current need test will remove identified barriers and, in principle, facilitate a greater likelihood of entry by operators who may not otherwise have been able to enter a local market where identified local need is taken up by existing incumbents and/or unimplemented planning permissions. In addition, the strengthened approach to plan making requires local authorities and regions to consider the promotion of choice and competition when developing policies. Additionally at the development control stage, the new impact test will promote competition

<sup>15</sup> The policy allows authorities to set specific thresholds in their plans



by enabling a more thorough assessment of the impact of development upon consumer choice and retail diversity. Where development is permitted, this would be likely to increase competition, resulting in greater consumer choice, and potentially reducing prices. However, local authorities would also be able to turn down development where it would have a significant adverse effect on a struggling town centre, particularly where the town centre would be adversely affected by loss of trade or turnover, or where there are other significant negative impacts related to other key impact considerations.

125. Taking account of these considerations the proposal is expected to enhance competition, with no significant redistributive effects, and will improve entry to local markets.

## Legal aid

126. There will be no legal aid impact.

## Sustainable development, carbon assessment, other environment

127. The principle of sustainable economic growth underpins the PPS. Its emphasis on high quality design, including taking the opportunities for low and zero-carbon commercial development as practicable, should play a part in promoting an attractive and inclusive built environment and addressing climate change issues.
128. The policy requires specific consideration as to whether a proposal is of high quality design and how it addresses climate change issues. It also requires the extent to which a proposal will affect traffic and congestion to be addressed, as well as its ability to promote linked or multi-purpose trips which are likely to lead to more sustainable outcomes.
129. The positive approach to applications relating to economic development as well as the removal of the need test, may lead to an overall increase in development once economic recovery is underway. However, the criteria against which applications for economic development will be assessed, and the impact test for proposals for town centre uses will require a thorough examination of the environmental and sustainability implications of a proposal.

## Health impact assessment

130. The changes should have some beneficial impact on health. The proposals prioritise deprived areas for regeneration investment and through encouraging new economic and town centre developments, there will be benefits through improved access to food and other local goods and services at competitive prices.

131. This is reinforced by the emphasis in the new impact test on promoting consumer choice and an improved retail offer in terms of the range and quality of goods. This is in line with the Cabinet Office paper *Food matters: Towards a strategy for the 21st century*<sup>16</sup> which recommends strategic objectives for the government with regard to food which include “fair prices, choice, access to food and food security through open and competitive markets” (where this refers both to the supply chain and to competition in the retail market) and “a further transition to healthier diets” which includes increasing consumption of fruit and vegetables.

## Race, disability, gender and other equality

132. There will be no significant impact on any of the equality strands although by promoting new working practices like live/work (or the use of residential properties for homework), the policy will support those who have a need or preference to work from home, for example, women with families or single parents.

133. Our town centre policies might affect black and minority ethnic communities through their impact on the retail sector. A Centre for Retail Research survey in 2006 estimated that there are 68,000 black and minority ethnic retailers in the UK, and 4,000 wholesalers, employing 373,000 people and having a turnover of around £33bn (nearly 12 per cent of UK retail sales), whilst serving a key role in meeting the needs of different black and minority ethnic groups<sup>17</sup>.

134. Convenience stores are the most likely types of existing black and minority ethnic enterprises to experience some effect from the removal of the need test from planning policy. The 2006 survey estimated that around 50 per cent of black and minority owned retail enterprises were in the convenience and specialist food shops or supermarket sectors.

135. Given that black and minority ethnic communities tend to be clustered in urban areas, it is likely that a high proportion of black and minority ethnic retailers will tend to be located in these areas as well. However, we do not know their precise spatial distribution, and how many are operating in town centres (particularly those centres which may have fragile health). It is therefore not possible to quantify the potential numbers of such businesses who may be affected by any policy refinements.

136. We do not however consider that the policy proposals will have a negative effect overall on black and minority ethnic businesses. The Competition Commission investigation found no significant link between large and small grocery retailers and the strengthened impact test should continue to protect black and minority ethnic retailers in the same way that it protects other retailers in circumstances where edge of centre and out of town development would damage existing businesses. Moreover, to the

<sup>16</sup> [http://www.cabinetoffice.gov.uk/strategy/work\\_areas/food\\_policy.aspx](http://www.cabinetoffice.gov.uk/strategy/work_areas/food_policy.aspx)

<sup>17</sup> *Diversity in Shopping: A Report on UK Black and Minority Ethnic Retail Businesses*, Centre for Retail Research (2006) <http://www.retailresearch.org/downloads/PDF/BMEretailersATM%20report.pdf>

extent that the proposals lead to more development overall, and given the emphasis in the new impact test on consumer choice and retail diversity, there will be new opportunities for businesses of all types.

## Human rights

137. There will be no human rights impacts.

## Rural proofing

138. The policy takes a positive approach to economic development of an appropriate scale in rural areas. The policy respects the need to protect the countryside but recognises that the economic downturn is having a real impact on rural areas. Rural businesses and agriculture are integral to the economy in this country. PPS4 provides a framework that allows for a better balanced approach to economic development in rural areas.

139. The policy asks local authorities to plan positively for economic development in rural areas subject to the need to protect the countryside and proposes a number of requirements in this respect, including:

- encouraging new uses for vacant or derelict buildings in rural areas including the conversion of existing buildings in the countryside
- identifying local service centres as preferred locations for new development
- supporting development which enhances the vitality and viability of market towns and other rural service centres
- supporting appropriate small-scale economic development in villages or remote rural locations
- promoting farm diversification for business purposes by providing opportunities for small scale non-agricultural enterprise and
- supporting equine enterprises and tourism in suitable locations where they benefit rural business, communities and visitors whilst maintaining environmental quality and countryside character

140. The policy applies to villages, market towns and local centre shops, requiring authorities to protect and strengthen existing shops and services where any deficiencies are identified and to ensure their importance to the local community is taken into account when considering any development proposal that would result in their loss. In so far as local authorities will need to consider the impacts of development on the local economy this may lead to local positive benefits, for example, for farmers and local suppliers. In preparing these policy revisions, the Government has had regard to the findings of the Matthew Taylor Review of the Rural Economy and Affordable Housing.

## Enforcement, sanctions and monitoring

141. The policy will not have any direct statutory effect on business. As with all planning policy statements, regions, local authorities, commercial developers and business will be required by law to have regard to any revised policy, once finalised. Local authorities will be required to take the policy into account in formulating development plan policies and it may be material to deciding planning applications.
142. Regions and local authorities are already required to submit annual monitoring reports to the Secretary of State. Among the matters which these reports should cover is performance against defined core output indicators, which includes town centre development. Where policies are not being implemented, the reasons why and the measures to secure implementation, including through the review of the regional spatial strategy and/or local development documents.
143. Guidance on monitoring is set out in local development framework and regional spatial strategy practice monitoring guidance. The core output indicators of direct relevance to measuring the implication of town centre policies are the overall amount of completed retail, office and leisure floorspace and how much of this takes place in town centres.
144. The Government will continue to monitor and evaluate the impact and effectiveness of this policy in terms of the vitality and viability of town centres, drawing upon annual monitoring reports and other quantitative and qualitative evidence.

## Implementation and delivery plan

145. In line with the responses to the PPS6 consultation document, many respondents to draft PPS4 commented on the significance of capacity, resource and skills issues arising from the changes. To address these concerns, there will be a widespread 'roll-out' of the revised policy with a wide range of stakeholders, including commercial developers, business, regional and local authorities, to build capacity and promote the robust implementation of the policy and its accompanying good practice guidance.

## Post-implementation review

146. The Government will continue to monitor the implementation of the policy, and consider the need for further review, linked in particular to the competition test and the competition appeals tribunal judgement.

## Specific impact tests: checklist

Type of testing undertaken	Results in Evidence Base?	Results annexed?
Competition Assessment	Yes	No
Small Firms Impact Test	Yes	No
Legal Aid	Yes	No
Sustainable Development	Yes	No
Carbon Assessment	Yes	No
Other Environment	Yes	No
Health Impact Assessment	Yes	No
Race Equality	Yes	No
Disability Equality	Yes	No
Gender Equality	Yes	No
Human Rights	Yes	No
Rural Proofing	Yes	No

# Annex A: Analysis of town centre trends and market conditions

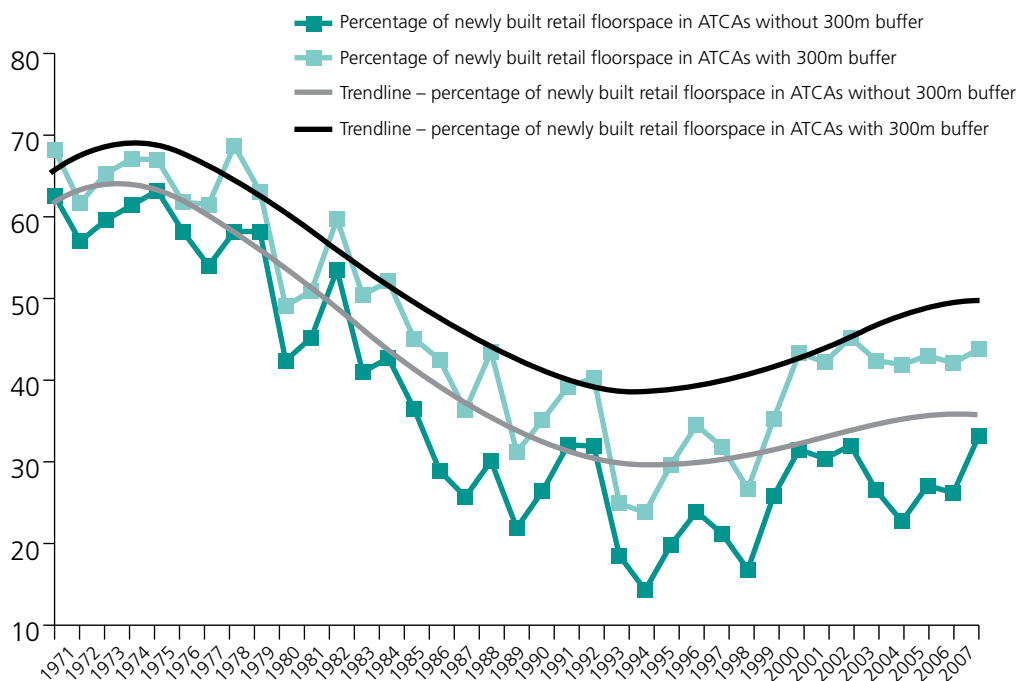
147. This Annex discusses trends in town centre development and then goes on to consider the implications of the current economic situation for town centre policy by examining the effect of slowing economic growth on the retail sector and on existing trends in retail development.

## Town centre trends

### **Current town centre development**

148. The headline indicator of success has been the proportion of new retail floorspace being developed within and on the edge of town centres. Figure 1 shows that the proportion has increased from a low of below 25 per cent in 1994 to 44 per cent by 2007. It is evident from this that both PPG6 and PPS6 have halted and partially reversed a long term trend toward retail development outside town centres. Analysis from 2008 by the British Council for Shopping Centres<sup>18</sup> suggests that of the shopping centre developments in the pipeline up to 2012, well over half will be town centre developments as opposed to out of town developments. Reflecting the BCSC analysis, it is expected that town centre and edge of centre sites will account for an increasing proportion of retail development in the future.

**Figure 1: Proportion of New Build Retail Floorspace in Town Centres 1971–2007**



Source: CLG Planning Statistical Release (October 2009)

**Regional variations**

149. There are, however, regional variations in town centre development. The figures in table 1 show that the proportion of new development in town centre and edge of centre locations varies substantially across the regions. London, for example, achieves the highest proportion of all regions. The West Midlands and North West also have a higher proportion than other regions. The regional figures also vary considerably from year to year. It is difficult therefore to generalise about the location of new developments across regions, and to predict where future development will be located.

**Table 1: Proportion of retail development occurring in town centres and edge of centre locations by region (average 2003-2007)**

Region	Proportion of new development in town centres and edge of centre locations (%)
North East	35
North West	46
Yorkshire and the Humber	33
East Midlands	44
West Midlands	48
East of England	42
London	47
South East	43
South West	27
England	44

Source: CLG Regional Statistics based on Planning Statistical Release (October 2009)

### Capacity for town centre development

150. Our analysis shows that there may be significant capacity to accommodate new development in and on the edge of town centres. We estimate that there could be some 900 hectares of land potentially available for development in town centres, including vacant and derelict sites. There could also be a further 4,300 hectares of such land on the edge of town centres<sup>19</sup>. Such sites would be in addition to any other land identified as a result of town centre expansion by local authorities or by the market, although in some cases there may be physical rather than planning issues which could prevent them being brought forward for development.

151. We also need to recognise that in some instances, such as historic centres and smaller centres, there will be limited capacity for the implementation of new development within existing centres. However, in such cases we would expect local authorities to proactively expand town centre boundaries to accommodate the need for identified growth, consistent with current policy in PPS6.

<sup>19</sup> Statistics from the National Land Use Database of Previously-Developed Land (NLUD-PDL) based on information collected in 2005



## Trends in floorspace

152. Over the ten years to 2007, town centre shopping sales experienced significant rises. There has also been consolidation in the retail market, with traditional town centre stores and floorspace declining whilst floorspace has increased in town centre shopping centres/malls. Between 1997 and 2007, town centres recorded a net loss of almost 12,600 shops<sup>20</sup>. Overall, there has also been a drop in floorspace which partly reflects significant efficiency gains, as the newer, shopping centre-based stores helped town centres to increase sales densities by approximately £100 per square foot.
153. Despite these apparent losses, there is evidence that more recently (between 2000 and 2005) the loss of shops and floorspace in traditional town centre locations appears to have slowed. The BCSC notes that this may be because town centre policy takes up to a decade to take effect (as some pre-PPG6 schemes from the early 1990s were still being completed in 2000), and that the full effect of the Government's town centre first policy is only now becoming evident.

## The UK economy and the retail sector

154. Over the past 18 months, the world economy has experienced significant slowdown, and as a result, growth prospects have sharply declined. Against this backdrop of global economic change, including constrained credit conditions, economic growth in the UK economy has slowed significantly.
155. These difficult economic conditions have been reflected in the retail sector. It is expected that it will continue to be affected in the short term by reduced consumer confidence as unemployment is expected to keep rising in 2010 and consumer credit remains constrained. Although the effects on different retail sectors may vary, tough trading conditions as a result of declining consumer spending are likely to continue to affect much of the retail market, including larger national chains, small shops and independent retailers. Forecasts produced by the Local Government Association<sup>21</sup> suggested that the performance of the food retail sector between 2008 and 2010 may be affected less than other sectors of the retail market. Recent data on volume of retail sales shows how sales fluctuated at the beginning of 2009, but have shown steadier growth towards the end of the year<sup>22</sup>.

20 UK Town Centre Retailing (Verdict, 2008)

21 LGA *From recession to recovery: the local dimension* (November 2008)

22 ONS National Statistics, Retail Sales, <http://www.statistics.gov.uk/cci/nugget.asp?ID=256>

Figure 2



156. 2008 and 2009 have seen the demise of some well-known names on the high street, whilst many small shops are also experiencing challenging trading conditions. Depending on how long these trends continue, vacancy levels in town centres are likely to increase further, which may provide opportunities for large retailers with low cost bases to buy up failing competitors and expand their customer base. In addition, tough trading conditions are likely to lead to further consolidation in the retail market in the short term, with traditional town centre stores and floorspace declining whilst floorspace increases in town centre shopping centres/malls.

157. Current market conditions pose particular challenges to small shops and independent retailers. Recent years have seen significant closures of certain types of small shops and independent retailers, as noted in both the Competition Commission working paper report on small shops<sup>23</sup>, and the analysis undertaken by the Parliamentary All Party Small Shops Group<sup>24</sup>. This decline in numbers is likely to be exacerbated by current economic conditions, although we note the conclusion from the Competition Commission that while sympathetic, their evidence does not show that independent retailers have been in terminal decline, or that it is impossible for them to compete with large retailers. We note in this context that the New Economics Foundation's *Clone Town Britain* report, for example, flags the dangers of a failure to achieve a balance between multiple retailers and independent retailers, and the consequences that this can have for vitality and viability.

158. Restricted access to credit may continue to restrict investment in retail property. These trends are also likely to affect other town centre

<sup>23</sup> Working paper on entry and exit of small and specialist stores (Competition Commission, 2007)

<sup>24</sup> High Street Britain: 2015 (All-Party Parliamentary Small Shops Group, 2006)

development including offices, leisure, cultural and other local service facilities. Estimates indicate that approximately 486,000 m<sup>2</sup> of floorspace in town centre developments currently in the pipeline will be built each year between 2009 and 2012<sup>25</sup>. However, under current economic conditions it seems likely that there will continue to be slippage of development in the pipeline, with some schemes that were set to complete in the next couple of years being rescheduled due to uncertainty in the sector.

159. It is also likely that there will be a continued slowdown in development proposals in the short term, combined with further closures of retail, leisure and service facilities in some areas. Although the changes cannot mitigate the impact of wider economic conditions currently being experienced, they will provide local authorities with an effective policy framework through which to plan for town centres and support economic recovery. This in turn will provide developers with certainty which should encourage development proposals to come forward once the economic climate becomes more positive.
160. It is vitally important that any planned investment and investor confidence in both small and large proposals, particularly in medium-sized and smaller centres, continues into the future and is not undermined by any weakening of the Government's town centre planning policy. The new impact test will allow local authorities to make a rigorous assessment of the impacts of any proposals not in accordance with the development plan, in out of centre locations. If there is a significant adverse impact with respect to any of the key impact considerations the proposal can be refused by the local authority. In addition the policy maintains the requirement for applicants to look for the most central sites (the sequential approach).
161. Retaining or improving retail diversity and consumer choice and protecting town centre vitality and viability may also be more challenging in the short term. The inclusion of retail diversity and consumer choice as a consideration in the impact test should encourage development which supports a good retail mix. The impact test will also require local authorities to consider the effects of new development upon existing town centre trade and turnover. This will enable local authorities to make decisions appropriate to their local circumstances when considering development proposals.

# Annex B: Comparison of existing and impact test

162. The tables below compare the new impact test with the existing impact test in PPS6 in respect to development management (but of relevance to plan-making activities also). It demonstrates that the test does not lead to substantive new requirements in terms of considering impact, whether it is in respect to development management or plan-making. By drawing together existing aspects of impact, rather than introducing new considerations, the proposal will not increase the overall costs of assessments or impose additional burdens on business or local authorities.

## Impacts

Impact test	Components of test	Existing PPS6 Impact test: DC components (paragraphs 3.20-3.23 of PPS6 unless otherwise specified) or other national policy requirement	Comments
<b>General impacts</b>	Whether the proposal has been planned over the lifetime of the development to limit carbon dioxide emissions, and minimise vulnerability and provide resilience to, climate change.	In keeping with the key planning objectives and paragraph 10: decision making principles of Planning Policy Statement: <i>Planning and Climate Change</i> .	Not a new requirement.

Impact test	Components of test	Existing PPS6 Impact test: DC components (paragraphs 3.20-3.23 of PPS6 unless otherwise specified) or other national policy requirement	Comments
	<p>The accessibility of the proposal by a choice of means of transport including walking, cycling, public transport and the car, the effect on local traffic levels and congestion (especially to the trunk road network) after public transport and traffic management measures have been secured.</p>	<p>Developments should be accessible by a choice of means of transport, including public transport, walking, cycling, and the car (taking full account of customers' likely travel patterns).</p> <p>In assessing new developments, local planning authorities should consider:</p> <ul style="list-style-type: none"> <li>● whether the proposal would have an impact on the overall distance travelled by car; and</li> <li>● the effect on local traffic levels and congestion, after public transport and traffic management measures have been secured. (para 3.27)</li> </ul>	<p>Not a new requirement. Accessibility and related issues are currently outside of the impact test but are identified as one of the five key development control tests.</p>
	<p>Whether the proposal secures a high quality and inclusive design which takes the opportunities available for improving the character and quality of the area and the way it functions.</p>	<p>Required in the key principles in paragraph 13 of Planning Policy Statement 1: Delivering Sustainable Development</p> <p>Requirement to consider high quality and safe environment, including well-designed public spaces and buildings, when considering planning applications is set out in paragraphs 2.19 and 2.20.</p>	<p>Not a new requirement.</p>
	<p>The impact on economic and physical regeneration in the area including the impact on deprived areas and social inclusion objectives.</p>	<p>Requirement to consider economic growth/physical regeneration is set out in paragraph 3.28, cross referenced to Chapter 2.</p>	<p>Not a new requirement. Economic/physical regeneration is currently outside of the impact test but is required to be considered under 'local issues and material considerations' in paragraph 3.28.</p>

Impact test	Components of test	Existing PPS6 Impact test: DC components (paragraphs 3.20-3.23 of PPS6 unless otherwise specified) or other national policy requirement	Comments
	The impact on local employment.	Requirement to consider employment in respect to assessing planning applications is set out in paragraph 3.28, cross referenced to Chapter 2.	Not a new requirement. Employment is currently outside of the impact test but is required to be considered under 'local issues and material considerations' in paragraph 3.28.
<b>Town centre impacts</b>	The impact of the proposal on existing, committed and planned public and private investment in a centre or centres in the catchment area of the proposal.	Likely effect on future public or private sector investment needed to safeguard the vitality and viability of the centre or centres.	Not a new requirement.
	The impact of the proposal on town centre vitality and viability, including local consumer choice and the range and quality of the comparison and convenience retail offer.	<p>Impact of proposal on the vitality and viability of existing centres within the catchment area of the proposed development, including likely cumulative effect of recent permissions, developments under construction and completed developments.</p> <p>In particular, local planning authorities should consider the impact of the development on the centre or centres likely to be affected, taking account of:</p> <ul style="list-style-type: none"> <li>● the likely impact of the proposed development on trade/turnover and on the vitality and viability of existing centres within the catchment</li> <li>● changes to the range of services provided by centres that could be affected</li> <li>● likely impact on the number of vacant properties in the primary shopping area</li> </ul>	Not a new requirement.

Impact test	Components of test	Existing PPS6 Impact test: DC components (paragraphs 3.20-3.23 of PPS6 unless otherwise specified) or other national policy requirement	Comments
<b>Town centre impacts (continued)</b>		<ul style="list-style-type: none"> <li>● potential changes to the quality, attractiveness, physical condition and character of the centre or centres</li> <li>● the implications of proposed leisure and entertainment uses for the evening and night time economy of the centre.</li> </ul>	
	The impact of the proposal on allocated sites outside town centres being developed in accordance with the development plan.	In particular, local planning authorities should consider the impact of the development on the centre or centres likely to be affected, taking account of the extent to which the development would put at risk the spatial planning strategy for the area and the strategy for a particular centre or network of centres, or alter its role in the hierarchy of centres.	Not a new requirement.
	In the context of a retail or leisure proposal, the impact of the proposal on in-centre trade/turnover and on trade in the wider area, taking account of current and future consumer expenditure capacity in the catchment area up to five years from the time the application is made, and, where applicable, on the rural economy.	Likely impact of the proposed development on trade/turnover within the catchment area of the proposed development.	Not a new requirement. Changes clarify this applies to retail/leisure uses (e.g. not office space).
	If located in or on the edge of a town centre, whether the proposal is of an appropriate scale (in terms of gross floorspace) in relation to the size of the centre and its role in the hierarchy of centres.	Required to consider whether development is of an appropriate scale when assessing proposed developments (paragraph 3.4). Further guidance on appropriate scale of development is set out in paragraphs 3.12 and 2.41–2.43.	Not a new requirement.

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