

<b>Title:</b> Amendments to the Town and Country Planning (Environmental Impact Assessment) Regulations 2011 <b>IA No:</b> RPC13-FT-CLG-1822  <b>Lead department or agency:</b> Department for Communities and Local Government  <b>Other departments or agencies:</b>	<b>Impact Assessment (IA)</b>		
	<b>Date:</b> 27/02/2015		
	<b>Stage:</b> Validation		
	<b>Source of intervention:</b> Domestic		
	<b>Type of measure:</b> Secondary legislation		
<b>Contact for enquiries:</b> Tom Simpson, PIE, DCLG, Fry Building, 2 Marsham Street. 0303 444 1704			
<b>Summary: Intervention and Options</b>			<b>RPC Opinion:</b> Awaiting Scrutiny

Cost of Preferred (or more likely) Option			
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2009 prices)	In scope of One-In, Two-Out? Measure qualifies as
£20.8m	£20.8m	£-1.90m	Yes   Out

**What is the problem under consideration? Why is government intervention necessary?**  
 Environmental impact assessment is a requirement of European law, which impacts in particular on the planning system. The domestic regulations transposing the directive set size thresholds for certain project types above which local planning authorities are required to 'screen' proposals to determine whether they are likely to have significant effects on the environment and should be subject to an environmental impact assessment. There is concern that the thresholds for projects in urban areas, in particular, have been set at too low a level resulting in many proposals for development being screened and in some cases made subject to an assessment unnecessarily. This adds unnecessary costs and delays to the planning system.

**What are the policy objectives and the intended effects?**  
 The objective is to reduce the burden on local planning authorities and developers and to speed up the delivery of homes and other urban developments without reducing the protection of the environment. Raising the screening thresholds will take many projects which are not likely to have significant effects out of the environmental impact assessment process altogether. This will increase certainty for both developers and local planning authorities and could reduce the number of legal challenges. All projects will continue to be subject, as appropriate, to the strong environmental protection provisions of the National Planning Policy Framework and relevant environmental legislation.

**What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)**  
 The following options were considered:  
 Option 1: (chosen option) Amending regulations to reduce the number of smaller urban projects which are not likely to give rise to significant environmental effects but which are screened unnecessarily to determine whether they should be subject to environmental impact assessment.  
 Option 2: Revise the guidance (an alternative to regulation) to ensure local planning authorities take a proportionate view when considering whether a proposed project should undergo an environmental impact assessment, and where one is required, limit the scope of assessment to those aspects of the environment that are likely to be significantly affected. This option would not solve the problem that too many projects are screened unnecessarily.  
 Option 3: Do nothing. Doing nothing would not resolve existing concerns.

**Will the policy be reviewed?** It will not be reviewed. **If applicable, set review date:** Month/Year

Does implementation go beyond minimum EU requirements?	No				
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	<b>Micro</b> Yes	<b>&lt; 20</b> Yes	<b>Small</b> Yes	<b>Medium</b> Yes	<b>Large</b> Yes
What is the CO <sub>2</sub> equivalent change in greenhouse gas emissions? (Million tonnes CO <sub>2</sub> equivalent)			<b>Traded:</b> N/A	<b>Non-traded:</b> N/A	

*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

Brandon Lewis

Date: 27/02/2015

# Summary: Analysis & Evidence

# Policy Option 1

## Description:

### FULL ECONOMIC ASSESSMENT

Price Base Year 2014	PV Base Year 2014	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: £5m	High: £36.5m	Best Estimate: £20.8m

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	<£0.1m (£12,100)	1	<£0.1m (£12,100)
High	<£0.1m (£48,000)		<£0.1m (£48,000)
Best Estimate	<£0.1m (£24,000)		<£0.1m (£24,000)

#### Description and scale of key monetised costs by 'main affected groups'

The only monetised cost is the familiarisation cost for developers who need to become familiar with changes in the scope of the application of the policy. Reducing the regulatory requirement for screening projects is beneficial for businesses.

#### Other key non-monetised costs by 'main affected groups'

None. There may be a perception that the proposals will reduce the protection of the environment because fewer projects would be subject to assessment. However, the changes seek only to reduce unnecessary screening of projects which are not likely to have significant effects. Planning applications for projects which will no longer be screened will still be subject to consultation and will continue to be subject, as appropriate, to the strong environmental protection provisions of the National Planning Policy Framework and other relevant environmental legislation.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional	£0.6m	£5m
High	Optional	£4.2m	£36.6m
Best Estimate		£2.4m	£20.8m

#### Description and scale of key monetised benefits by 'main affected groups'

It is estimated that both developers and local planning authorities will benefit equally from cost savings from the proposed changes to the screening thresholds - although our calculations of the total benefit only include the benefits to developers. For housing development, the savings per year will be between £500,000 and £3,800,000 for both developers and local authorities. For commercial development, the savings will be between £74,000 and £400,000 for each group. Statutory consultation bodies will also benefit. (Figures are rounded to the nearest £100,000 after calculations – hence some calculations may

#### Other key non-monetised benefits by 'main affected groups'

The proposed changes should speed up the planning application process for those projects that would no longer need to be screened and particularly those that are unnecessarily subject to a full environmental impact assessment or are subject to legal challenge. This will help deliver homes and other urban development. It will also free up local planning authority time enabling them to focus more on those projects which are likely to have significant environmental effects.

#### Key assumptions/sensitivities/risks

Discount rate (%) 3.5%

The scale of the benefits is based on the estimated number and costs of screenings which are undertaken each year by local planning authorities in England. The analysis supporting the estimates has been informed by research undertaken for the European Commission and the Department.

### BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OITO?	Measure qualifies as
Costs: £0.0022m	Benefits: £1.90m	Net: £1.90m	Yes	OUT

# Evidence Base (for summary sheets)

## Problem under consideration

Environmental impact assessment is a procedure required by a European directive (Directive 2011/92/EU) to assess the likely significant effects of certain projects on the environment. Where an assessment is required, the developer must provide specified information to the relevant competent authority (in most cases the local planning authority) which enables the authority to make an informed decision on whether to grant or refuse development consent (e.g. through granting or refusing planning permission).

The directive identifies particular project types which are considered likely to have significant effects in all cases and all such proposals must be subject to environmental impact assessment. These project types are listed in Annex I to the directive and include larger power stations, chemical plants and long distance railways. Other project types, which are listed in Annex II, are only considered likely to give rise to significant environmental effects in certain circumstances depending on their size, nature and location. These include urban development projects and smaller infrastructure projects. The directive allows European Union member states to determine through the setting of thresholds, criteria and case by case examination whether projects listed in Annex II are likely to give rise to significant effects on the environment in which case they must be subject to assessment.

The directive has been transposed into English law through separate regulations for each consenting regime. Most projects in England are consented through the planning system and, where relevant, are subject to the Town and Country Planning (Environmental Impact Assessment) Regulations 2011 (the '2011 Regulations'). Many of the largest projects are consented through the nationally significant infrastructure planning regime and are not subject to the 2011 Regulations and are outside of the scope of the current proposals.

The list of projects set out in Annexes I and II of the directive have been replicated in Schedules 1 and 2 of the 2011 Regulations respectively. The approach taken in England to determine whether Schedule 2 projects should be subject to assessment has been to set 'exclusion' thresholds for each project type below which significant effects are not considered likely. For example, the exclusion thresholds for urban development projects and industrial estate development are 0.5 hectares. Projects which exceed the relevant threshold have to be screened by the local planning authority for likely significant effects and the need for formal assessment. The exception is projects which are wholly or partially within sensitive areas as defined in the 2011 Regulations (such as National Parks, Areas of Outstanding Natural Beauty, Sites of Special Scientific Interest and Scheduled Ancient Monuments) which all have to be screened irrespective of size. Other projects do not need to be considered further for environmental impact assessment.

The screening for likely significant effects normally takes place at an early stage in the development of a project proposal and in most cases should be a relatively quick process (no more than 2 to 3 hours of local planning authority time). However the screening process can be subject to legal challenge. We believe that concern about the risk of legal challenge has led some local planning authorities to require environmental impact assessment for projects which are not likely to give rise to significant effects. This has resulted in some screening exercises being more onerous than they need to be; assessments being required even though significant effects on the environment are not likely; and some developers undertaking full assessments voluntarily to avoid the risk of legal challenges later in the application process. This is unnecessarily adding to the costs of some proposals and delaying the decision making process.

The Government is committed to removing gold plating of European directives and unnecessary bureaucracy which is creating barriers to growth. It considers that some of the screening thresholds in Schedule 2 are unnecessarily low, leading to too many unnecessary screenings, environmental impact assessments and legal challenges. Raising the screening thresholds for certain project types while ensuring that they remain below the level at which significant effects may be likely will take more projects out of the scope of environmental impact assessment altogether, while remaining compliant with the requirements of the directive. The Government announced in the 2012 Autumn Statement that the thresholds would be reviewed to assess the scope for raising thresholds to reduce the numbers of project which are brought into the environmental impact assessment process unnecessarily.

### **Rationale for intervention**

The Government is concerned that the unnecessarily low screening thresholds for urban development are adding unnecessary burdens on developers and local planning authorities and slowing down the delivery of homes and other urban development while delivering no additional environmental benefits. The thresholds are set out in Schedule 2 to the 2011 Regulations, which will need to be amended to bring forward the proposed changes.

### **Policy objective**

The objective is to speed up the planning system and deliver more homes and other urban development, and at the same time reduce the cost burdens of unnecessarily screening projects which because of their nature, scale and location are not likely to give rise to significant environmental effects.

### **Description of options considered (including do nothing)**

- The following options were considered:

Option 1: (chosen option) Amending regulations to reduce the number of smaller urban projects which are not likely to give rise to significant environmental effects but which are screened unnecessarily to determine whether they should be subject to environmental impact assessment.

Option 2: Revise the guidance (an alternative to regulation) to encourage local planning authorities to (i) take a proportionate view when considering whether a proposed project should undergo an environmental impact assessment, and (ii) where one is required, to limit the scope of assessment to those aspects of the environment that are likely to be significantly affected. This option would not solve the problem as guidance alone is not likely to be sufficient to address the over cautious approach to screening or remove the risk of legal challenge.

Option 3: Do nothing. Doing nothing would not resolve existing concerns.

### **Monetised and non-monetised costs and benefits of each option (including administrative burden)**

#### **Option 1 (preferred option)**

##### *Introduction*

In developing our policy proposals consideration has been given to the types of project which are most frequently subject to screening because of their size relative to the existing screening thresholds and the number of environmental impact assessments that are carried out each

year. An assessment was also made of the screening directions made by the Secretary of State to understand the number and types of project which are most frequently referred to the Secretary of State for a direction and the outcome of the decision. While we have figures for the number of environmental impact assessments that are carried out each year, it is not possible to determine the number of environmental impact assessments which have been undertaken unnecessarily. We identified a number of environmental statements which concluded that there were not likely to be any significant effects. However, this could be because an assessment was not actually necessary, or because the design of a project was modified as a result of the assessment to mitigate any significant effects.

### *Number of screenings each year*

Most screening decisions are made by local planning authorities. Data on the number of screenings undertaken by local planning authorities each year are not collected centrally, although based on research published by the European Commission it is estimated to be in the region of 2700 annually<sup>1</sup>. This figure represents all screenings not just those involving urban development projects (Table 1 below illustrates the range of project types which are subject to screening).

### *Screening Directions from the Secretary of State*

If a local planning authority fails to issue a screening opinion within 3 weeks or a developer disagrees with the opinion of the local planning authority that an assessment is necessary, the developer can request that the Secretary of State issues a screening direction. Third parties can also request a screening direction. The Secretary of State can also make a screening direction on their own volition, and direct that a proposal requires an environmental impact assessment even though it does not meet the thresholds or criteria in Schedule 2. Screening directions are administered by the National Planning Casework Unit on behalf of the Secretary of State.

An analysis of screening directions determined by the National Planning Casework Unit between 2011 and 2014 is presented in Table 1. It lists projects by type and for each project type the number which were determined to require environmental impact assessment, the number that did not require an assessment, those that were withdrawn and those that the National Planning Casework Unit decided not to determine. The latter category often relate to third party requests for a screening direction which had insufficient grounds to support a claim of likely significant effects, and in some cases, where a local planning authority had determined that an assessment was not required but the developer sought the Secretary of State's confirmation that an assessment was not necessary.

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<sup>1</sup> GHK (2010) 'Collection of information and data to support the impact assessment study of the review of the Environmental Impact Assessment Directive – Final Report'.

**Table 1. Summary of outcome of requests for screening directions 2011 to 2014**

Type	Category	Environmental Impact Assessment Required	Environmental Impact Assessment Not Required	Withdrawn	Not Determined	Total	% Requiring Environmental Impact Assessment
Dwellinghouse development	10 ( b )	22	86	9	11	128	17
Dwellinghouse development with other urban development	10(b)	7	8	1	0	16	44
Other urban development	10(b)	11	34	3	7	55	20
Industrial estates	10 ( a )	1	8	0	1	10	10
Rail	10 ( d )	1	1	0	0	2	50
Airport	10 ( e )	0	1	0	1	2	0
Roads	10 ( f )	0	3	1	0	4	0
Waste water	10 ( i )	0	5	1	0	6	0
Coastal works	10 ( m )	1	1	0	0	2	50
Agriculture	1 ( c )	3	5	2	1	11	27
Minerals	2 ( a )	11	3	2	4	20	55
Gas exploitation	2 ( e )	0	1	0	0	1	0
Solar	3 ( a )	25	33	4	3	65	38
Wind turbines	3 ( i )	64	101	8	5	178	35
Motor racing	11 ( a )	0	1	0	0	1	0
Waste	11 ( b )	14	22	1	5	42	26
Tourism/Leisure	12	4	11	1	0	16	25
Modifications	13	2	4	0	0	6	33
Total		166	328	33	38	565	29

The National Planning Casework Unit dealt with 565 requests for screening directions between 2011 and 2014. A total of 494 screening directions were issued. A further 71 requests were either withdrawn (33) or not determined (38). Of the 565 requests, 35% (199) involved urban development projects. Wind farms accounted for 32% (178) and solar farms 12% (65). There were 9 screening directions issued for industrial estate development, of which only one was determined to require environmental impact assessment. Overall only 20% of the requests for a screening direction for urban development projects were determined to require an environmental impact assessment.

#### *Analysis of projects subject to environmental impact assessment*

An overview of 769 environmental statements for Schedule 2 projects submitted to the National Planning Casework Unit between 2010 and 2014 indicates that 48% relate to urban development projects (Table 2). Industrial estate development was the second most frequent

infrastructure project subject to an assessment, although only representing 3% of assessments.

**Table 2. Summary of project types subject to environmental impact assessment**

Project type	Schedule 2 Reference	Number of Environmental Impact Assessments
<b>Infrastructure projects</b>		
Urban development projects	10 (b)	370
Industrial estate development	10 ( a)	24
Roads (not Schedule 1)	10 (f)	22
Railways (not Schedule 1)	10 ( d )	9
Airfields (not Schedule 1)	10 ( e )	5
Harbours and ports (not Schedule 1)	10 ( g )	5
Coastal works	10 ( m )	5
Intermodal transshipment facilities	10 ( c )	4
Dams (not Schedule 1)	10 ( i)	4
Inland waterways (not Schedule 1)	10 ( h )	3
Transfer of water resources (not Schedule 1)	10 ( o )	2
Motorway service areas	10 (p)	2
<b>Other projects</b>		
Wind turbines	3 (i)	74
Production of electricity, steam etc. (not Schedule 1)	3 (a)	61
Quarries (not Schedule 1)	2 (a)	55
Disposal of waste (not Schedule 1)	11 ( b )	34
Holiday villages and hotels outside urban areas	12 ( c )	15
Changes and extensions	13 ( a )	14
Marinas	12 ( b )	10
Agriculture	1	6
Golf courses	12 ( f )	5
Permanent camp sites	12 ( e )	4
Marine dredging	2 ( c )	4
Food industry	7	4
Surface installations for coal etc.	2 ( e )	3
Industrial installations for carrying gas	3 ( b )	3
Production and processing of metals	4	3
Mineral industry	5	3
Theme parks	12 ( d )	2
Underground mining	2 ( b )	2
Deep drilling	2 ( d )	2
Surface storage of fossil fuels	3 ( e )	2
Hydroelectric energy production	3 ( h )	2
Chemical industry (not Schedule 1)	6	2
Waste water treatment (not Schedule 1)	11 ( c )	1
Ski-runs, lifts etc.	12 ( a )	1
Underground storage of gases	3 ( d )	1
Textile, leather, wood paper industries	8	1

### *Proposed changes to certain screening thresholds*

The figures above illustrate that urban development projects are the category of development which is most frequently subject to environmental impact assessment and also a category which the Secretary of State has frequently directed is not likely to give rise to significant effects and does not need to be subject to assessment. The focus of the proposals is therefore on this category as it is here that any changes will have the most impact.

The changes we have proposed (see Table 3) will reduce the number of projects that are screened. This will bring savings to both developers and local planning authorities, and will free up local authority time so that they can focus on those projects which are likely to have significant environmental effects. We have also considered the thresholds against the relevant selection criteria set out in Annex III to the environmental impact assessment directive, and in coming forward with higher screening thresholds we have been careful to ensure that they take account of possible cumulative effects of a number of similar sized projects coming forward at the same time. As now, projects that are determined likely to have significant environmental effects should be subject to an environmental impact assessment.

**Table 3. Proposals to amend screening thresholds**

Infrastructure project category	Existing threshold	Proposed new threshold
10(a) Industrial estate development projects	The area of the development exceeds 0.5 hectare	The area of the development exceeds 5 hectares
10 (b) Urban development projects including the construction of shopping centres and car parks, sports stadiums, leisure centres and multiplex cinemas;	The area of the development exceeds 0.5 hectare	(i) The development includes more than 1 hectare of urban development which is not dwellinghouse development; or (ii) the development includes more than 150 dwellings; or (iii) the overall area of the development exceeds 5 hectares.

### *Impact of proposed changes*

To help assess the potential impact of our proposals in the absence of detailed data on the number and nature of screenings undertaken by local planning authorities, use has been made of data collected by the Department on the number of housing schemes of different sizes that are granted planning permission each year to estimate how many projects should have been subject to screening because they are likely to have exceeded the 0.5 hectare screening threshold. A similar approach was taken for commercial development.



### *Housing- number of applications.*

Because the housing data collected for the Department are based on the number of units within a development rather than the site area, it has been necessary to estimate site size by assuming an average housing density. It would have been disproportionate to have commissioned research to obtain exact data, so for the purpose of this exercise we took an average density of 30 units per hectare to be a reasonable estimate. We have therefore taken the figure of 15 units to represent an average site area of 0.5 hectares. However, it is recognised that in some urban areas, particularly where there are high rise developments, the density of housing will be much higher than the average.

We used housing data for the period 2003 to 2012 as it was the most up to date available at the time of the analysis. The average number of housing developments permitted each year over this period which included more than 15 units was around 2150 (see Figure 1 below). We therefore took this 10 year average (i.e. 2150 developments) to be a reasonable estimate of the average number of housing developments which exceeded 0.5 hectares each year and which should have been screened. We took a similar approach to estimate the number of developments which exceeded 5 hectares. A new, higher threshold of 5 hectares would equate to developments which include more than 150 units. The average number of housing developments permitted each year over the period 2003 to 2012 which exceeded 150 units was around 240. Raising the screening threshold as proposed would therefore reduce the number of screenings from around 2150 to 240 each year - a reduction of around 1910 screenings a year (see Figure 1).

To estimate the impact on businesses in the future, we need an assumption about the future number of planning applications. We considered using the Department's standard approach to determining the future profile of planning by uprating the number of planning applications in the most recent year by GDP growth (see the Impact Assessment : RPC14-FT-CLG-2147(2)). However, when comparing the estimated profile from the Department's standard approach with the 10 year average profile the biggest difference in the number of applications identified when using the two methods was within the group of applications involving 16 to 30 units. Using the 10 year average, there were 866 applications per year on average in the size range 16 to 30 units (see the second column in Figure 1 below) whereas using the GDP inflated figure the equivalent number would be only 617 applications. In the past 10 years, there were 7 years where the number of planning applications was above 617 with a peak at 1228 applications in 2005. So the figure of 617 seems to be too low for the specific group of applications involving 16 to 30 units. This may be a result of differing distributions of application sizes between years – not normally a consideration for policies that work on a per application basis. Since this policy relates to thresholds the Department considered it more appropriate to use the 10 year average to estimate the number of applications in different groups.

By way of a sensitivity test, taking the figure for 2012 and uprating it to 2023 (i.e. 10 years from 2014) in line with GDP growth, this method had a small impact on the figures with slightly fewer projects below 200 units and slightly more above. Using the uprated data, the low bound estimate would drop by 6% and the upper bound estimate by 17%. The best estimate total benefit present value would drop from £20.8m<sup>2</sup> to £17.5m.

### *Housing – screening thresholds*

The initial proposal was to set the new screening threshold for housing at 5 hectares. However, a number of respondents to the public consultation commented that in high density urban areas, particularly where there are tower blocks, it would be possible to have many thousands of

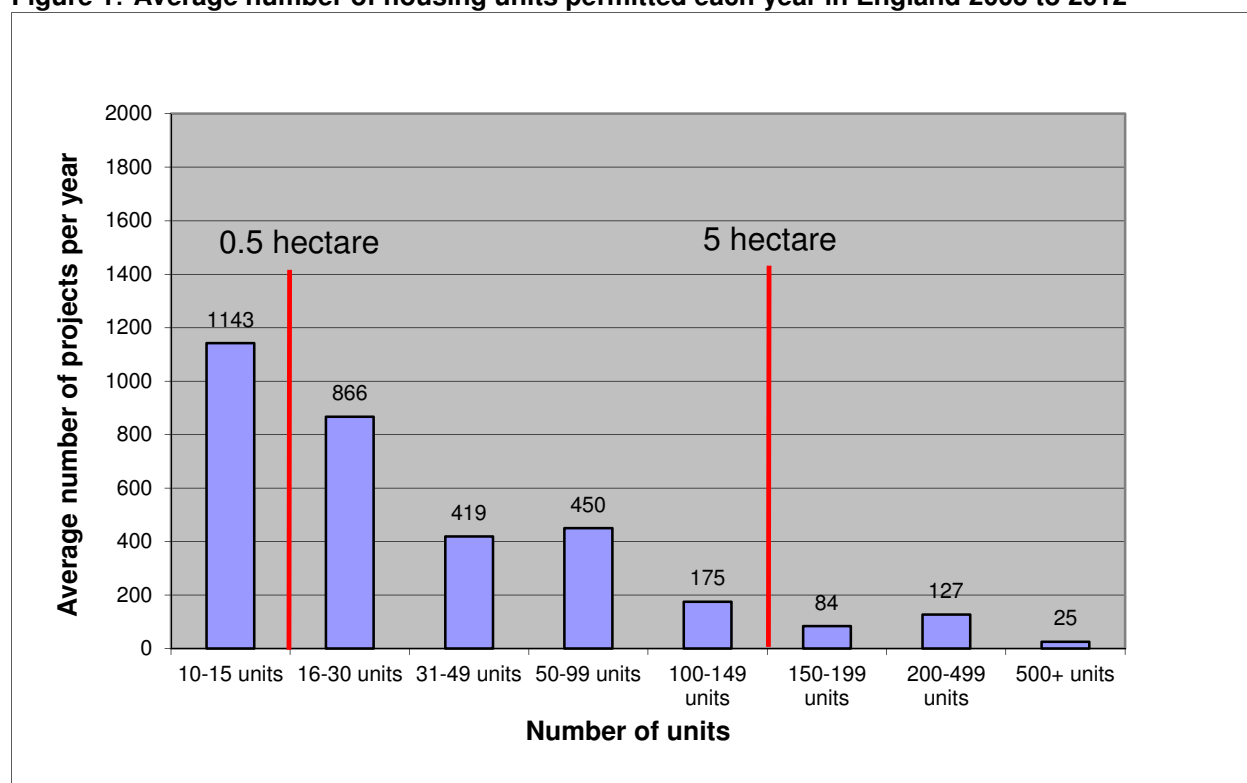
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<sup>2</sup> See page 12 for a discussion of the calculation of the £20.8m

dwelling units within a 5 hectare site. The likelihood of significant environmental effects in such circumstances could not be discounted. Some respondents suggested a threshold based on the number of units would be more appropriate. We concluded that it was appropriate to use both metrics and propose to set the threshold as ‘not exceeding 5 hectares or 150 dwellings’. Because the method of estimating the impacts explained above was based on using an average housing density of 30 dwellings per hectare, and therefore equated a 5 hectare site to 150 units, adding a threshold to include the ceiling of 150 dwellings does not change the overall estimate of the benefits. However, the effect of introducing a threshold based on the number of units in addition to a threshold based on site area could result in a smaller reduction in the number of screenings compared with just using a threshold based on site area<sup>3</sup>.

The assumption for the average density of 30 dwellings per hectare is based on departmental data which shows that the long term average is close to 30 dwellings per hectare. In recent years, the average density has been higher than this – at about 43 dwellings per hectare. We have reflected this in the low estimate of benefits (see the Summary: Analysis & Evidence on page 2) by assuming a housing density of 50 dwellings per hectare (i.e. 25 dwellings per 0.5 hectares). At this density, housing schemes with less than 26 units would fall below the existing 0.5 hectare threshold and would not be subject to screening. This would affect projects in the 16-30 unit group and it is estimated that at a density of 50 dwellings per hectare only 310 of the 866 applications in that group would exceed 0.5 hectares and require screening each year<sup>4</sup>. This would reduce the estimate of the total number of projects which exceed the existing screening threshold from 2150 to 1590 per year. Raising the screening threshold to 5 hectares or 150 units would still mean that only around 240 projects would be screened each year in the future. The estimated reduction in the number of screening would therefore be around 1350 per year if the average housing density was 50 dwellings per hectare.

**Figure 1. Average number of housing units permitted each year in England 2003 to 2012**

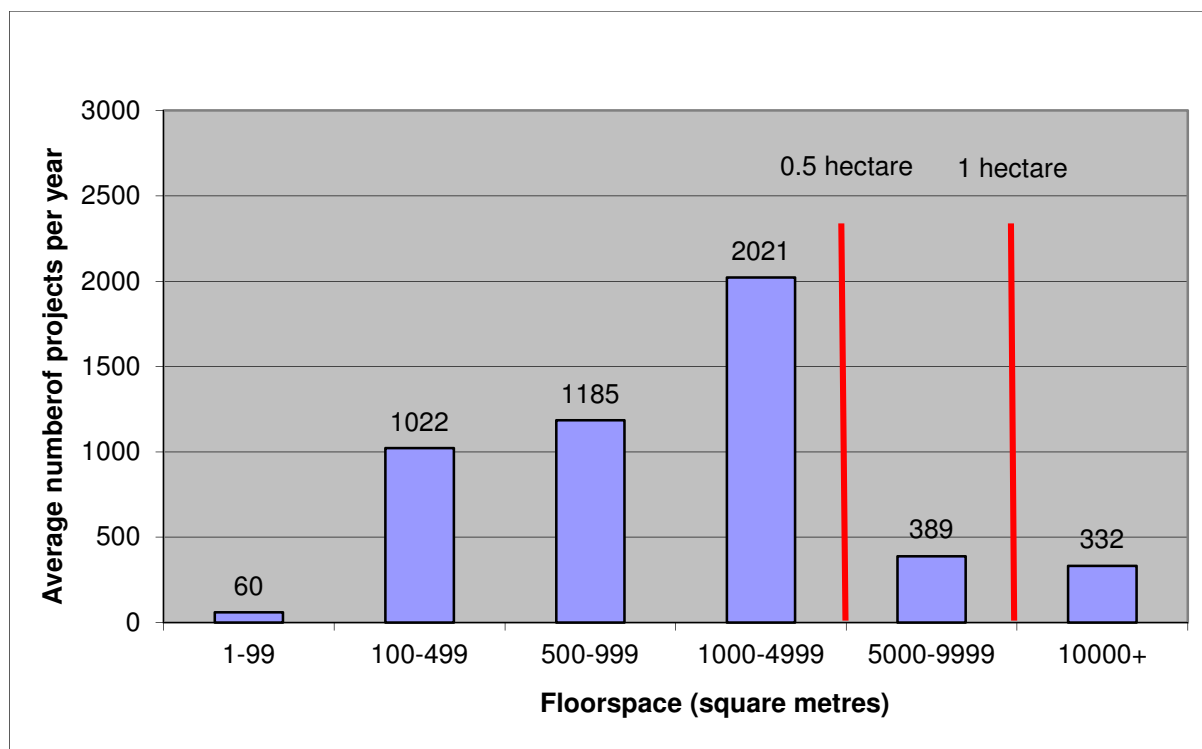


<sup>3</sup> For example, a proposal for 160 units on a 4.5 hectare site would be screened under our modified proposals, but would not be to be subject screened if the only threshold was 5 hectares.

<sup>4</sup> We assume that the number of planning applications is uniformly distributed across the range of 16 to 30 dwellings per application. Assuming 50 dwellings per hectare means 16 dwellings represent 0.32 hectare and 30 dwellings represent 0.6 hectare. The proposed cut-off point is 0.5 hectares, which means 35.7% of sites in the range 16 to 30 dwellings per hectare would be affected by the policy. The remaining 64.3% would not be affected as they would be too small to require an Environmental Impact assessment in the counterfactual. 35.7% of the 866 planning application represents 310 applications.

Increasing the size thresholds for commercial development is likely to have less effect on the number of screenings each year than for residential developments, although increasing the threshold could potentially reduce the number by several hundred each year<sup>5</sup> (see Figure 2).

**Figure 2. Average size of commercial projects permitted each year in England 2003-12**



### *Industrial estate development*

Based on the number of requests for screening directions for industrial estate development (Table 1) and taking account of the number of assessments actually conducted (Table 2), the effects of our proposed changes on this sector are likely to be small and much less than for urban development projects.

### Costs and benefits of the preferred option

The majority of screening costs fall to developers and the local planning authority. The cost for a developer to prepare and submit the relevant information and for the local planning authority to undertake a screening exercise is estimated to vary from approximately £380 to £2,000 for each party depending on the complexity of the proposal<sup>6</sup>. Based on our analysis above, raising the thresholds for housing as proposed would reduce the number of screening by around 1900 each year. The equivalent reduction in the number of screenings of commercial projects is estimated to be around 200 each year. This would suggest that cost savings to both developers and local planning authorities from raising the thresholds for housing would be between £500,000 and £3,800,000 per year and for commercial development of between £76,000 and £400,000. There is also a non monetised cost saving in the time taken to undertake screening which can take several weeks.

Data are not collected on the site area of commercial developments (which would include, for

<sup>5</sup> Because of the problem of not being able to relate floor space to a particular site area it is difficult to give more than a general indication of the reduction in screenings that are likely.

<sup>6</sup> Addison & Associates with Arup. Research on the Costs and Benefits of Environmental Impact Assessment. Research for the Department for Communities and Local Government

example, external landscaping and car parking areas) nor the relationship between site area and commercial floor space which will also vary depending on the number of storeys, and it would be disproportionate to try to obtain it. For the purposes of this assessment we have therefore assumed that 50% of commercial developments are on one storey and 50% are on two and have excluded consideration of external features such as landscaping areas. There are on average just under 400 projects a year which have a commercial floor space of between 5,000m<sup>2</sup> and 10,000 m<sup>2</sup>. Assuming half of these are on one storey would mean that around 200 developments will have a footprint of over 5,000 m<sup>2</sup> (i.e. 0.5 hectare).

We are unable to assess the areal extent of commercial areas so have focussed the assessment on how sensitive the benefits (i.e. cost savings) are to changes. Even if we assumed that all commercial development was on one storey (i.e. which would mean that there were 400 projects a year with a footprint of over 0.5 hectares) this would only increase the overall cost savings by 9% (from the lower estimate of £800,000 to £880,000 and at the higher end from £4,200,000 to £4,600,000) because there are many more planning applications for housing than for commercial development. Hence we have concluded that the assumptions made do not have a major impact on the Equivalent Annual Net Cost to Business (EANCB).

This benefit would not only be from excluding certain size development proposals from the screening process, but could also reduce the number of environmental impact assessment cases being required unnecessarily. For the developers of projects that would otherwise have to go on to undertake unnecessary environmental impact assessments, the savings would be larger, saving potentially £10,000s and many months for each project. There would also be more certainty for developers and end-users and a potential reduction in legal challenges. These benefits have not been quantified as they are an indirect effect of the changes to the thresholds. In addition, the evidence of unnecessary assessments being undertaken is anecdotal and is not robust enough to be used in this impact assessment. It would also be disproportionate to commission research in this area to find out relative to the size of this policy. These benefits have therefore not been quantified. Nevertheless, they would be on-going.

**Net annual savings (present benefit) are expected to be between £0.5 million and £3.6 million per annum (best estimate £2.08million).**

There should not be any monetised or non-monetised costs of the proposals as we are intending to remove an unnecessary burden in the consenting process. The only potential cost would be to the Department (and the National Planning Casework Unit in particular) as it is possible that there will be more third party requests to the Secretary of State for screening directions. Such requests would need to justify why significant effects are likely before the National Planning Casework Unit undertook a screening exercise.

### **Familiarisation cost**

Under the current regime, a developer would normally submit information to a local planning authority for a screening prior to a formal planning application. At this stage the planning authority would inform the developer of the need for an environmental impact assessment.

Under option 1 (i.e. the chosen option), if the developer was unfamiliar with the process on environmental impact assessment, they would incur the costs of preparing the information for a pre-application screening. The planning authority would inform the developer that neither screening nor an environmental impact assessment is needed. However, as the developer was unfamiliar with the process these costs would be incurred in the counterfactual and so are not additional.

For developers who are familiar with the environmental impact assessment process, they would now have to consult the latest guidance and regulations because they will want to minimise any chances of doing an environmental impact assessment unnecessarily. However, given the relatively large cost of completing an environmental impact assessment unnecessarily, developers would arguably consult the guidance even if they were familiar with it to prevent unnecessary costs being incurred. With this assumption there would be no additional

familiarisation costs.

However, to be cautious we have estimated a familiarisation cost for those developers who previously did not need to consult the guidance but now have to. In the unpublished 'Conditions' triage impact assessment, the Department estimated there to be a small familiarisation cost for a change in the scope of the application of the process where the process itself did not change— as is the case in this impact assessment.

In the 'Conditions' triage impact assessment it was assumed that an applicant would spend 30 minutes becoming familiar with the new scope (in comparison, it takes 3 to 4 hours to become familiar with an entirely new planning policy). As with other impact assessments, we used the median wage of "construction project managers and related professionals"<sup>7</sup> which is £23 per hour with overheads consistent with the Green Book guidance. For consistency with these impact assessments we have applied the same methodology. Therefore assuming an applicant spent 30 minutes familiarising themselves with the changes the estimated wage cost would be around £11.50. Multiplying this figure by the number of projects which are currently screened (i.e. around 2,100 applications) would give a familiarisation cost of about £24,000. In practice, many of the developers of projects of a size affected by the changes will make multiple planning applications each year. They will only need to become familiar with the change once. Many developers are also likely to be members of trade associations (such as the Home Builders Federation) which are likely to inform their members about the changes. Hence our estimate is cautious.

In the low scenario for costs we have reduced the familiarisation time to 15 minutes and in the high scenario increased it to one hour. In those scenarios, familiarisation costs are respectively £12,000 and £48,000.

## **Option 2**

The guidance on environmental impact assessment was revised in March 2014 and emphasised that local planning authorities should take a proportionate view when considering whether a proposed project should undergo an environmental impact assessment and, where one is required, should limit the scope of assessment to those aspects of the environment that are likely to be significantly affected.

While it is too soon to assess the impact of the revised guidance, guidance alone will not reduce the number of projects which are screened by local planning authorities. Revising the thresholds is also necessary to avoid the over cautious approach to screening that results in unnecessary assessments being carried out. Option 2 would not therefore solve the problem.

## **Option 3**

There are no new or additional costs and benefits arising from the do nothing (baseline) option as this option would not change the current position and would do nothing to resolve existing concerns. None of the benefits from the reduced costs associated with fewer screenings would arise from this option.

## **Risks and assumptions**

The identified benefits are based on many assumptions including the range of costs for developers to prepare and submit information to enable the local planning authority to screen the proposal and for the authority to undertake the screening exercise. The data are based on the available figures for the cost of screening a range of different project types not just those which are subject of our proposals (e.g. housing schemes may be simpler and quicker to screen than, for example, a proposal for a water treatment plant). There are also limitations in using the

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<sup>7</sup> According to the Annual Survey of Hours and earnings updated with Office of Budget Responsibility (OBR) earnings growth forecast to 2014.

Department's data on housing and commercial approvals to estimate the number of projects that are subject to screening.

### **Direct costs and benefits to business calculations (following One-In Two-Out methodology)**

The proposal recasts European Union regulation to remove 'gold plating'. It amends the existing regulations to reduce the scope of the environmental impact assessment regime and reduce the number of proposed development projects which go through the environmental impact assessment process unnecessarily. This will have clear benefits to developers by reducing time and resource burdens and increasing certainty. This is therefore classed as an OUT.

### **Specific Impact Tests**

#### Equalities Statement

An equalities statement has been produced and no negative impacts on any Protected Group have been identified.

#### Small firms

Some Schedule 2 development may be undertaken by small and medium sized enterprises. They are likely to benefit from the changes to the thresholds. It is possible that some smaller consultancy firms may be affected by the reduction in the number of environmental statements which are produced.

#### Justice Impact Test

We have considered the need for a justice impact test and have concluded that the only relevant impact would be if the proposal were to result in, create or increase applications to the courts or tribunals, including judicial review. We think there is the potential that the change to the regulations may lead to some legal challenges in the short term. We consider that the change to the regulations will reduce the number of challenges in the longer term as there should be a reduction in the number of screenings which are amenable to challenge.