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# Planning for Sustainable Economic Renewal



Research Report to the  
Welsh Government  
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## Wales Planning Policy Development Programme

This research was prepared for the Welsh Government by Roger Tym & Partners in association with Asbri Planning.

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## EXECUTIVE SUMMARY

### Introduction

1. This study was commissioned by the Welsh Government with two objectives. Firstly, it is to evaluate how well the planning system serves national economic development objectives. Secondly, it is to scope out new national planning policy and guidance to ensure that local planning policies and planning decisions support these economic objectives more effectively.
2. The study complements an earlier piece of work, produced by GVA Grimley for the Welsh Government, which reviewed the planning application process in Wales and recommended wide-ranging changes. It deals only with planning for economic land uses and it focuses especially on the B use class, comprising industry, warehousing and offices, often known to planners as 'employment uses'.

### National Policy

3. The Welsh Government's policies on sustainability and economic development set out important principles on the Government's economic objectives, the role of the planning system in delivering these objectives, and how they should be integrated with social and environmental objectives. In particular, the documents, recognise economic well-being as one of the three dimensions of sustainability. Accordingly they set two broad economic objectives, which are broadly to increase:
  - *Wealth creation* (total output, total incomes, economic growth), typically measured by GDP or GVA, either total or per head of population;
  - Employment and earnings.
4. The most recent document, *Economic Renewal: a new direction*, also sets out a definite view of how public policy can contribute to these objectives. It holds that an efficient economy is largely driven by market forces and competition; government should not 'try to second-guess the action of markets', but should focus its intervention on doing things that markets cannot do, or cannot do well – which includes correcting market failures and pursuing social justice. Consistent with this approach, *Economic Renewal* sets out a clear-cut principle that Wales should be 'a more attractive place to do business'.
  - Creating a generally business-friendly environment;
  - Prioritising certain sectors and activities, which are believed to make an especially critical contribution to economic growth.
5. *Economic Renewal* also discusses how land-use planning specifically can contribute to economic well-being, broadly by being simpler, more transparent, less restrictive and generally more business-friendly.

### **National Planning Policy**

6. The economic objectives and principles of the Welsh Government's economic development policy are not yet effectively translated into national planning policy.
7. Chapter 7 of *Planning Policy Wales*, which is the key document in this respect, does not consider the role of planning or its relationship to the market. Nor does Chapter 7 provide a clear definition of the Welsh Government's economic objectives, and hence of the benefits that would count against these objectives. Possibly as a consequence of this, Chapter 7's discussion of development control focuses on the adverse impacts of economic development. It makes almost no reference to the economic benefits which may count against these adverse impacts.
8. As well as principles and objectives, national planning documents are deficient in terms of practical guidance. Chapter 7 sets out many requirements relating to both development plans and development control, but it leaves out much of the guidance that authorities need to produce the Economy section of Local Development Plans. For example, it does not show how local planning authorities should determine how much land should be allocated for employment, how to manage the release of unwanted employment sites to other uses, or how to align employment with housing in the interests of more sustainable travel.
9. As well as *PPW* and selected TANs, we have reviewed the Wales Spatial Plan, which according to *PPW* should provide a strategic framework to guide future development, integrating the different land uses. In our view, the Spatial Plan does not fulfil this role, because it does not make specific proposals on the broad location or geographical distribution of development, investment and growth. The proposed national infrastructure plan might provide an alternative spatial framework.

### **The Local Authority Case Studies**

10. To understand how local planning authorities deliver economic development policies, we carried out case studies of five authorities between November 2010 and January 2011.
11. The case study authorities are geographically spread across Wales and cover a mix of urban and rural areas. The discussion at our three consultation workshops suggests that our findings on these five authorities are representative of the position in Wales as a whole. The case study findings are also consistent with our wider experience as planning consultants in Wales.
12. Our case studies suggest that local planning in Wales may be less supportive of economic growth and less technically robust than national policy wants it to be. In terms of broad visions and headline objectives, local plans are generally economy-friendly and consistent with the Welsh Government's economic objectives. But at a more detailed level, the plan's definitions of economic objectives, and the benefits that count against these objectives, are not sharp enough to provide a solid basis for policies and development control decisions relating to economic development.

Without clear objectives it is difficult to make good decisions, because what we decide depends critically on what we are trying to achieve.

13. Where economic development has adverse environmental impacts, requires infrastructure investment or competes with housing or other land uses, the objectives set out do not provide enough guidance to weigh up economic benefits against these considerations. Nor are objectives specific enough to help set land provision targets, to determine priorities between different types of economic development or to find the right balance between local and strategic priorities.
14. There are also technical deficiencies in planning for economic development. Thus, economic development policies in the local plans we studied do not follow the detailed requirements in sections Planning Policy Wales Chapter 7, and are not always based on robust evidence and logical analysis. There are also difficulties relating to statutory consultees: often local authorities are not well equipped to weigh the advice of these single-issue bodies against the positive benefits of proposed development.
15. Our study of a sample of case files suggests that the deficiencies of plans are translated into development management decisions. The difficulties relate mainly to proposals which do not fit into local plan's proposals map. For the reasons discussed earlier, it is difficult for local authorities to weigh the benefits of such proposals against negative considerations and the merits of competing land uses. The result is that planning for economic development is more rigid and less responsive to change than it could be. The solution can be provided by criteria-based policies, which state under what circumstances the economic benefits of development outweigh any adverse impact. But to underpin such policies we need a clearer understanding of the economic benefits of development.

### **The Way Forward: Some Key Issues**

16. To develop proposals for a more economy-friendly planning system, we first consider three basic issues: the definition of 'economic development', the economic objectives of planning and the need for strategic planning, covering areas larger than local authorities.
17. The report discussed these issues with reference of to economic theory and the experience of England, Scotland and Northern Ireland. It concludes that
  - National and local planning policy should deal with the whole economy, not just the traditional employment uses, recognising that all economic activities create wealth and jobs.
  - National planning policy should set out economic objectives for the planning system, based on the principles that planning should seek not to constrain the nation's economic growth; it should aim to create good environments for business and meet the market demand for land; and where development proposals are inappropriate or unsustainable planning should aim not to stifle development, but rather steer it to more sustainable locations.

- Effective planning for the economy needs a strategic layer, above the level of individual authorities. If we plan for the economy nationally and regionally as well as locally, planning will be more effective in steering development and investment to the most efficient and most sustainable locations, regardless of which local authority area they are in.

## Recommendations

18. We have six recommendations for improvement to planning for economic development in Wales:
  - i Amendments to *Planning Policy Wales*, including a new version of Chapter 7: Supporting the Economy - which, to emphasise its positive approach, might be renamed Planning for Economic Growth;
  - ii A new Technical Advice Note (TAN), with a similar title, supported by a new online data source, and a review of other relevant TANs;
  - iii Dissemination and training, addressing both local authorities and the private sector, to embed the new policies and approaches in these documents;
  - iv Strengthened links between land-use planning and economic development policies and interventions;
  - v New arrangements for strategic planning across local authority boundaries;
  - vi The Welsh Government should undertake a review of the impact of planning policy and related regulation on the viability of development.
19. The main principle behind these recommendations is that planning should aim not to constrain the nation's economic growth. But this study has not looked at all the ways in which this could happen. It has excluded consideration of the planning application process, which is covered by an earlier review.

## Planning Policy Wales

20. Below, we make recommendations to Chapter 7 of *PPW, Supporting the Economy*, which deals with economic land uses generally and the B-class uses in particular. The objectives and principles we have proposed will also have implications for Chapters 10-12, which deal with other economic land uses – including retail and town centres – and with infrastructure. It would be beyond our brief to propose changes to these other chapters.
21. New national policy on planning for economic development should provide a definition of economic development, a clear statement of the economic objectives of planning, guidance on Local Development Plans and development management policies. Below, we provide first-draft policies on these questions.



### *What is Economic Development?*

- Economic land uses (or the economy) comprise the activities that generate wealth, jobs and incomes, and economic development is development that provides space for these activities.
- Economic land uses among other things include the B classes uses (offices, research and development, industry and warehousing), retail, leisure, public services and many other economic activities.
- Chapter 7 covers all economic land uses but also includes particular policies on the B-class uses, which comprises the traditional employment land uses. Particular policies on other economic sectors are in Chapter 10 (Retail and Town Centres), Chapter 11 (Tourism, Sport and Recreation) and Chapter 12 (infrastructure and Services) of *PPW*. Policies for economic land uses in rural areas, covering all sectors, are in TAN 6.

### *Objectives*

22. As a first draft, we should suggest the following statement on the economic objectives of planning:
  - a) The Welsh Government wants planning positively to support economic and employment growth alongside social and environmental sustainability
  - b) To this end, planning should aim to ensure that the growth of output and employment in Wales as a whole is not constrained by a shortage of land for economic uses.
  - c) Local planning authorities should aim to provide the land that the market demands, except where there are good reasons to the contrary, which may include the considerations in the next paragraph.
  - d) Local planning authorities should guide and control economic development to correct market failure and promote social and environmental sustainability. In particular, it should aim to:
    - Co-ordinate development with infrastructure provision;
    - Support priority sectors and clusters, as identified in national and local economic policies;
    - Align jobs and services with housing so as to reduce the need for travel, especially by car;
    - Promote town centres as the main location for retail, leisure and other economic uses that attract large numbers of people;
    - Promote the re-use of previously developed land;
    - Deliver physical regeneration and employment opportunities to disadvantaged communities;
    - Promote the vitality, diversity and environmental quality of towns and villages;
    - Deliver agreed economic and spatial strategies.

- e) In applying these and other considerations, local planning authorities should aim to steer economic development to more appropriate locations, rather than prevent or discourage such development.

#### *Local Development Plans*

23. *PPW* should say that, among other things, Local Development Plans should:
- Set out an economic vision and strategy for the area, including broad objectives for employment change by broad sector and land use;
  - Provide targets on land provision for the B-class uses, showing net change in land/floorspace for offices and industry/warehousing separately
  - For the B-class uses, include policies relating to existing employment sites:
    - To encourage the regeneration and re-use of sites which are still suitable and needed for employment
    - To control and manage the release of unwanted employment sites to other uses
  - Subject to other priorities and considerations, provide the right amount of land and the right qualitative mix of sites to meet the market demand for economic land uses;
  - Focus especially on providing land for priority economic sectors;
  - Give priority to development that will deliver physical regeneration in run-down areas;
  - In safeguarding existing sites and providing new sites, prioritise sites that deliver appropriate job and training opportunities to disadvantaged communities;
  - Concentrate development that attracts large numbers of people, including retail and offices, in city, town and village centres (cross-reference to Chapter 10);
  - Include criteria-based policies to deal with development not specifically mapped in the development plan and help respond to unexpected change;
  - Work with neighbouring authorities to plan strategically for employment land (to be reworded, depending on whether a strategic planning layer is introduced).
24. Local authorities should be encouraged to keep development plans under review and update them when relevant circumstances change, and in particular when major shifts in the economic and market climate make existing policies irrelevant or impractical.

#### *Development Management Policies*

25. *PPW* should say that local planning authorities should adopt a positive and constructive approach to applications for economic development. In determining applications for economic land uses, authorities should take account of the likely economic benefits of the development. In assessing these benefits, key factors include:
- The numbers of jobs expected to be accommodated on the site;

- Whether, should the development not go ahead, it is likely that these jobs would not be exist in Wales at all;
- Whether, and how far, the development will help redress economic disadvantage or support regeneration priorities, for example by enhancing employment opportunities for deprived communities or upgrading the environment in run-down areas;
- Any contribution to the development of priority sectors and clusters as identified in economic strategies, including green industries;
- Any contribution to wider spatial strategies, for example for the growth or regeneration of certain areas.

26. *PPW* should also advise that applications for economic land uses which are not in accordance with the development plan should be approved if the economic benefits of the development outweigh any adverse impacts.

### Technical Advice Notes

27. A new TAN will be an essential delivery tool for the new *PPW*, helping local authorities produce robust evidence bases and sound policies for economic development in general and the traditional employment uses in particular. The document will tell local planning authorities, developers and businesses what they should do in practice to deliver the principles set out earlier, and therefore it will make planning more effective and more economy-friendly. It will also make planning more consistent, more logical and cheaper, because planning authorities and applicants will have easy access to ready-made methods and techniques, rather than constantly re-inventing the wheel.
28. As a minimum, a new TAN should cover the following headings:
- Objectives and principles
  - Planning for the economy
  - Planning for employment land
29. Under each heading, the TAN should advise authorities how they should proceed and why. The advice should not be unduly prescriptive: the idea is to give authorities a starting point, or default approach, which they may depart from if they wish, as long as they still conform to national policy as set out in *PPW*.
30. The most technically challenging issues, on which the TAN needs to focus, include:
- The Economy*
- Understanding economic objectives, economic benefits, the roles of planning and the market;
  - Forecasts and targets: the difference between the two, how economic forecasts are done, what they mean, their limitations, how to adjust them and how not to;
  - Additionality, deadweight and displacement
    - Where additionality is relevant, how to make a broad assessment of it

- Defining and measuring economic impacts
  - How should applicants demonstrate the impact of proposals to develop land for economic uses, or conversely to transfer land currently in economic use to other uses

#### *Land and Property*

- Qualitative site appraisal
  - Focus on fitness for purpose/market potential rather than prestige (occupiers are interested in value for money; the sites most in demand are often the less prestigious ones).
  - Look closely at those existing employment sites, to identify which are still required for employment and which are no longer fit for purpose and should be released for other uses.
- Stocks and flows
  - Distinguishing between the stock of land and change in that stock;
  - Distinguishing gross and net change
  - Dealing with loss of existing sites as well as development of new sites
- Providing enough land to allow for competition and choice.
- Property market analysis
  - What evidence to use, how to analyse it, what it means
  - How to combine short-term market analysis with long-term forecasting.
- How to plan strategically and work co-operatively with neighbouring authorities.
- Monitoring
  - Keep under review the big assumptions underpinning your strategy
  - If the world has changed, review the strategy.

31. The temptation to make the TAN long and complicated should be resisted. Local authorities and planning applicants need a concise, practical document that people without specialist knowledge of economics can understand and use. A final draft of the TAN should be piloted in two or three local authorities to test its fitness for purpose in different circumstances (large and small authorities, urban and rural areas). Experience suggests that this pilot stage is important. Without it, any errors or imperfections in the draft would be difficult and expensive to correct.
32. As discussed earlier, planning for economic uses would be very much improved if local authorities had access to a central information source to provide property market data and economic and demographic forecasts. Ideally this information would be offered online, linked to *PPW* and the new TAN. The site could be managed either by local authorities collectively or by the Welsh Government. It should focus on quality rather than quantity, providing a small volume of data that are closely aligned to what authorities need (as specified in the TAN), simply presented and well supported by definitions and explanatory notes.

33. As well as a new TAN on planning for the economy, there should be a review of the TANs that relate to the role of statutory consultees, to ensure that their technical content is up to date and clear, and that they emphasise that their assessment and advice must be proportionate to the scale and nature of proposed developments. To ensure that this happens in practice, statutory consultees should be involved early and actively in plan-making and development management casework, in close dialogue with local authorities. The more closely these organisations work with planning authorities, the more their advice will respond to the wider planning agenda.
34. All the other TANs that relate to economic land uses should be reviewed in due course, to ensure that they reflect the new approach to planning for economic growth.

### **Dissemination and Training**

35. For maximum effect, new national policy and guidance will need to be actively promoted through a programme of dissemination and training, addressing both local authorities and the private sector.
36. If possible, local authorities, working collectively, should lead the dissemination and training programme. This would help ensure that they own the new system and it becomes embedded in the culture and day-to-day ways of working. Professional bodies such as the RTPI may also play a key role. The process of dissemination to the private sector would help authorities engage local businesses, landowners and developers in the planning process.

### **Strengthen Links with Economic Development**

37. Planning for the economy would be more effective if land-use planning was more closely linked to economic strategies and interventions, and economic development teams played a greater role in land-use planning. The new TAN should promote this. In particular, it should encourage authorities to make the most of the new and emerging national initiatives that aim to promote local economic development, including Enterprise Zones, Tax Increment Finance and Local Development Orders.
38. The new TAN should also suggest that Economic Development Officers input into Local Development Plans and are routinely and formally consulting on planning applications that relate to economic land uses – not only in relation to new development, but also when there are proposals to redevelop employment land for other uses.
39. Where demand is deficient and the property market is weak, planners and economic development teams should work together to maximise opportunities for growth. Economic development departments may put forward ‘candidate sites’, so that the Local Plan makes provision for future economic development. Planning should use Area Action Plans, development briefs and the like to stimulate demand and encourage development.

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40. As part of the dissemination programme, local authorities should be encouraged to share good practice in linking economic and spatial strategies and in joint working across departmental boundaries.

### Strategic Planning

41. Planning for economic land uses would be much more effective if there were a strategic layer above the Local Development Plan. There is a wide range of options for filling the 'strategic planning gap' – which of course affects other areas of planning beside economic development. A limited reform would be to place on authorities a duty to co-operate, as is currently proposed in England. More ambitiously, a higher tier of planning, above the LDPs, could be established, if not across Wales as a whole then for selected areas such as the main 'city regions' – where the need for strategic planning is greatest.
42. Central and local government could work together to define the joint planning areas, set the ground rules and develop practical ways of working. Strategic plans should be merged with, or closely linked with, strategic infrastructure planning.

### Development Viability

43. Another weighty issue that is beyond our scope relates to the impact of regulatory burdens and developer contributions on the viability of development. If low-carbon requirements, developer contributions, infrastructure tariffs and the like make certain types of economic development unviable in certain places, economic growth may be seriously constrained regardless of what national planning policy says. The impact of these factors is a critically important question, which lies on the boundary of planning policy and tax policy. It should be investigated separately.



## 1 INTRODUCTION

- 1.1 This study was commissioned by the Welsh Government with two objectives. Firstly, it is to evaluate how well the planning system serves national economic development objectives. Secondly, it is to scope out new national planning policy and guidance to ensure that local planning policies and planning decisions support these economic objectives more effectively.
- 1.2 The study follows an earlier piece of work, produced by GVA Grimley for the Welsh Government in June 2010, which reviewed the planning application process in Wales and recommended wide-ranging changes. It takes forward one of GVA Grimley's recommendations, that the Welsh Government should produce a new policy statement on the importance of economic development, and it aims to complement that earlier research by focusing on planning policy rather than process.
- 1.3 As required by the Welsh Government's specification this study deals only with planning for *economic land uses* and it focuses especially on *the B use class*, comprising industry, warehousing and offices, often known to planners as '*employment uses*'. (Chapter 3 will define these categories and how they relate to 'economic development'.) It is through allocating land and managing development for these land uses that planning most directly impacts on the economy. Of course planning for other land uses also impacts on the economy: for example, housing land allocations influence labour supply. But these impacts are weaker and more indirect, and we do not consider them in this study.
- 1.4 Also as required by the specification, we have approached the study in two phases, firstly to evaluate how the planning system is performing at present, and secondly to develop proposals for improvement.
- 1.5 Below, the first phase, evaluation, is reported in Chapters 2 and 3. Chapter 2 reviews national policy and Chapter 3 looks at local planning, through case studies of five local planning authorities. The second phase is covered by Chapters 4 and 5, which provide five recommendations for a more effective planning system.
- 1.6 As part of the research we ran three consultation workshops across Wales, bringing together planners, economic development officers, business occupiers, property interests and environmental groups. The main lessons we learnt from these discussions are summarised in the concluding sections of Chapters 2 and 3. A fuller report of the workshops is at Appendix 1.
- 1.7 The study's Research Steering Group contributed a wealth of information and ideas to the study. Group members are listed at Appendix 2.





## 2 NATIONAL POLICY

### Introduction

- 2.1 In this chapter we will review policy relating to economic development in Wales, considering in turn:
- Policy relating to sustainable development in general, to see how economic performance fits into the wider national agenda;
  - National economic development policy, to see what they say about the Welsh Government's economic objectives and the role of planning in delivering these objectives;
  - Those aspects of national planning policy that relate to economic land uses, to see how they take forward these economic objectives.

### Sustainable Development

- 2.2 The Welsh Government is one of a few governments in the world that has a legal duty to promote sustainability. The duty has been in force since 1998 and is now set out in the Government of Wales Act 2006 as follows:
- 'The Welsh Ministers must make a scheme ('the sustainable development scheme') setting out how they propose, in the interests of their function, to promote sustainable development.'*
- 2.3 The Act does not define sustainable development. But a definition is provided in Chapter 4 of *Planning Policy Wales (PPW)*, entitled *Planning for Sustainability*:
- 'Sustainable development in Wales means enhancing the economic, social and environmental well-being of people and communities, achieving a better quality of life for our own and future generations in ways which:*
- *Promote social justice and equality of opportunity; and*
  - *Enhance the natural and cultural environment and respect its limits – using only a fair share of the earth's resources and sustaining our cultural legacy'.*
- 2.4 Section 4.4.2 of the same chapter, headed *'Key policy objectives'*, includes two references to economic objectives indicating that:
- *'Planning policies and proposals should', among many other things, 'promote quality, lasting' environmentally-sound and flexible employment opportunities';*
  - *The three 'priorities for rural areas' include 'a thriving and diverse local economy, where agriculture-related activities are complemented by sustainable tourism and other forms of employment in a working countryside'.*
- 2.5 So, as defined by Planning Policy Wales, sustainable development means the well-being of present and future generations, and this well-being has three dimensions – economic, social and environmental. Similar definitions are found in other official documents in Wales and elsewhere. The economic dimension involves employment opportunities, and in rural areas it also involves a 'thriving economy' – which is not

defined further, but may be an oblique reference to the creation of incomes and wealth.

- 2.6 The economic dimension of sustainability is also considered in some detail (though much less so than environmental and social aspects) in the current sustainable development scheme, *One Wales, One Planet* (May 2009). The document sets out its vision of a sustainable economy as:

*'A resilient and sustainable economy for Wales that is able to develop whilst stabilising, then reducing, its use of natural resources and reducing its contribution to climate change.'*

- 2.7 The narrative in *One Wales: One Planet* does not discuss the economic benefits of economic activity. But, as a list of indicators to measure progress towards a sustainable economy, the document proposes:

- *'Headline indicator of sustainable development*
  - *Gross Value Added (GVA) and GVA per head*
- *Supporting indicators*
  - *Employment*
  - *Resource efficiency*
  - *Electricity from renewable resources.'*

- 2.8 So, *One Wales: One Planet* and *PPW* Chapter 4 are similar in their approach to economic development. Both suggest that employment and wealth creation are benefits of economic development, but they do so very briefly and indirectly.

## National Economic Development Policy

### Earlier Policy

#### General Economic Development

- 2.9 The Welsh Government's earlier economic policies were set out in two main documents: *A Winning Wales* (2002) and *Wales: A Vibrant Economy* (2005). *A Winning Wales* was a national economic development strategy, while *Wales: a Vibrant Economy* was labelled a consultation document, though to our knowledge the consultation was not followed by a further, more definitive publication.
- 2.10 *A Winning Wales* and *Wales: A Vibrant Economy* agreed on many issues, so we discuss them together. In the present context we are interested in three particular questions: the objectives of economic development policy; the means by which policy aims to deliver these objectives; and the particular role of land-use planning policy. In the rest of this report, we will consider how far these aspects of economic development policy have been taken forward into planning policy and planning practice.
- 2.11 In both documents, visions and objectives for economic development revolved around two measures of achievement, *economic growth* and *jobs*.

- 2.12 *Economic growth* means growth in the total *output* of the economy, i.e. the total value of goods and services produced in Wales. It is also known as *wealth creation* or *(increasing) prosperity*, and is traditionally measured by Gross Domestic Product (GDP) or Gross Value Added (GVA), either total or per head of population<sup>1</sup>. Output growth is largely driven by growth in *labour productivity*, which is output per worker, so *rising productivity* is a closely related policy objective.
- 2.13 GDP (or GVA) is widely recognised as a useful approximation of economic well-being, and by the same token GDP per head approximately measures the average person's economic well-being. But, as pointed out in the Welsh Government documents and elsewhere, GDP is only a partial (or narrow) indicator. One obvious reason for this is that it excludes the social and environmental dimensions.
- 2.14 But even as a measure of narrowly economic well-being GDP is imperfect, partly because it only measures present, not future, wealth creation or well-being. To side-step this problem, some documents refer to 'the sustainable volume of output' or 'present and future prosperity'. In the medium term, this means that policy should aim for higher and more stable output across the business cycle, as opposed to short-lived booms followed by severe busts. If we take a long-term view, future prosperity overlaps with environmental considerations: as shown in the Stern Review<sup>2</sup>, for example, if carbon emissions and resource use continue unchecked economic growth will be drastically reduced.
- 2.15 *Jobs* are an important aspect of economic achievement because, as noted in *Wales: A Vibrant Economy*:
- 'While GDP and GVA still provide a useful ways of measuring the size of the economy, for most people in Wales employment prospects and earnings are the most relevant economic measures of their quality of life.'*
- 2.16 In real life, output, employment and earnings are of course connected, because without output growth there will be no employment growth; in fact stagnant output normally implies falling employment, because productivity (output per worker) rises over time. Similarly growing output generally leads to growing wages (in total, not necessarily for each individual), because total output by definition equals the total of incomes earned in Wales – the sum of earned incomes (wages and salaries), profit, interest and rent.
- 2.17 But also there may be conflicts between economic growth, jobs and earnings. Economic scenarios or policies that maximise growth may not maximise employment, at least in the short term. For example, if growth is concentrated in high-productivity, capital-intensive sectors, it may generate high incomes but few

<sup>1</sup> For present purposes, GDP and GVA are interchangeable. The difference between them is technical, relating to the treatment of indirect taxation. Whether particular documents use GDP or GVA usually depends on data availability.

<sup>2</sup> Nicholas Stern, *The Economics of Climate Change*, Cambridge University Press, 2006

jobs. But in the long term a high-productivity economy may still generate more jobs than a low-productivity one, because it performs better in international competition and therefore it grows faster.

- 2.18 How can the Welsh economy achieve more growth, more jobs and higher earnings? Both documents gave broadly the same answer: Wales should diversify away from declining traditional sectors into knowledge-based, high-skilled, high-value economic sectors, so it competes effectively in the global economy. For this, policy would need to encourage learning, skills, innovation, enterprise and investment including inward investment.
- 2.19 In terms of practical proposals, *A Winning Wales* and *Wales: A Vibrant Economy* were wide-ranging. Both covered the full spectrum of Government policy, focusing on positive interventions that support business, such as training, business support and provision of property and infrastructure. Of the two documents, *A Winning Wales* had the most to say about planning, proposing:
- A reform of national planning policy and local planning processes, so that planning in future would provide greater certainty and speed of response to development proposals, '*[to help] businesses respond to changing technologies and new business opportunities*';
  - A Wales Spatial Plan, which would provide a broad strategy to guide local plans and investment decisions.
- 2.20 In *Wales: A Vibrant Economy* references to planning are more limited and less specific, indicating in broad terms that planning should help create a supportive environment for business.

#### *A Green Job Strategy*

- 2.21 In 2009 the Welsh Government published a further document on economic development, *Capturing the Potential: a Green Jobs Strategy for Wales* (2009), which focused on saving natural resources and combating climate change. The document made a series of 'policy commitments' that aim to guide business support, training, public procurement and investment towards more environmentally friendly, resource-efficient, carbon-reducing solutions.
- 2.22 *Capturing the Potential* said nothing specific about the role of planning, but its discussion of general policy objectives is relevant to planning. Like *One Wales, One Planet*, which we discussed earlier, the document aimed to bring together the economic and environmental dimensions of well-being. As indicators of progress towards a sustainable economy, it proposes almost the same list as *One Wales: One Planet*:
- *Headline indicator of sustainable development;*
    - *Gross Value Added (GVA) and GVA per head;*
  - *Supporting indicators;*
    - *Employment;*
    - *Resource efficiency;*

- *Electricity from renewable resources;*
- *Ratio of CO2 emissions to GVA at current prices.*

2.23 In this choice of indicators, *Capturing the Potential*, like *One Wales: One Planet*, combined the narrow economic objective of short-term output growth with environmental objectives – which overlap with long-term economic objectives, as we discussed earlier.

2.24 The Ministerial Foreword that introduced *Capturing the Potential* also reflected on the relationship between economic and environmental objectives, noting that economic and environmental benefit could coincide, as the new environmental technologies would bring business opportunities for Welsh businesses. Where economic and environmental objectives were in conflict; the Foreword aimed to find a balance:

*'We will continue to work with our carbon-intensive industries to maintain their competitive [performance] and carbon-efficiency rather than risk their relocation to countries with less demanding standards.'*

2.25 We shall return to the question of high-level objectives in formulating our recommendations for national planning policy.

### ***Economic Renewal: A New Direction***

2.26 The Welsh Government's new economic development document, *Economic Renewal: a new direction* was published in July 2010. The strategy is introduced as a fresh approach to policy-making and delivery, aiming for a new way to lead Wales out of recession and informed by wide-ranging consultations and new evidence.

### ***Proposals***

2.27 *Economic Renewal* is not a complete break with earlier strategies. Its thinking on policy objectives and sustainable development echoes the documents discussed earlier, aiming to combine and balance the economic, environmental and social dimensions of well-being. It also starts from the same economic vision as the documents: to improve its economic performance, the Welsh economy must gain competitive advantage through exploiting knowledge, skills and innovation. Similar to earlier economic development strategies, the document aims to deliver this objective, among other things, by focusing support on knowledge activities, which are now clearly defined as comprising six key sectors: information and communications technology, energy and environment, advanced materials and advanced manufacturing, creative industries, life sciences and financial and professional services.

2.28 What, then, is different about *Economic Renewal*? For our present purposes, three themes stand out.

2.29 The first theme relates the role of government in the economy. *Economic Renewal* takes a definite view on the relationship between government and the market, arguing that an efficient economy is largely driven by market forces and competition. Government (whether national or local) should not '*try to second-guess*



*the action of markets*', but should focus its intervention on doing things that markets cannot do, or cannot do well – including correction of market failures and limiting inequalities in society. These principles are staples of mainstream economic theory. Later in this report we shall argue that they have major practical implications for land-use planning.

- 2.30 The second theme, which follows from the first, is that Wales should be '*a more attractive place to do business*'. This principle addresses business in general, with no reference to knowledge industries, green industries, small business or other priority groups. An important objective is to '*help keep business costs down, both by directly reducing the costs [of individual businesses] and by promoting competition [which ensures that the lower-cost, more efficient businesses grow]*'. Among other things, the objective is to be delivered by reducing the burden of regulation.
- 2.31 Thirdly, as one aspect of this deregulation theme, *Economic Renewal* has much more to say about land-use planning than earlier economic development strategies. Key principles include:
- '*To remain competitive, businesses in Wales must be able to invest in new development in an efficient and timely way. Government provides the framework for this new development, and needs to ensure that the planning system in Wales facilitates effective decisions and to impose costs only where these are justified by the benefits they bring to society as a whole.*'
  - '*The development management system must be proportionate and efficient, delivering timely decisions which are open, fair, consistent and transparent.*'
- 2.32 In terms of practical action, *Economic Renewal* promises a package of 'improvements to planning policy and the planning system for economic renewal', comprising:
- i Far-reaching improvements to make the *planning process* more efficient and more user-friendly;
  - ii A review of *planning policy* relating to economic development, which the present study provides;
  - iii Better alignment between planning and economic development policy, through joint working between the Welsh Government's Planning and Economic Development and Transport divisions.

#### *Evidence*

- 2.33 As noted in our introduction above, the first and second of these measures follow from GVA Grimley's *Study to Examine the Planning Application System in Wales (June 2010)*. The Study concluded that a radical overhaul of the system is not required, but improvement is needed in three areas:
- '*Managing complexity: in some cases the system is overloaded with considerations and issues, legislation, guidance, competing or conflicting interests, public involvement, legal intervention and pace of economic, technological, environmental and societal change.*

- *Reducing uncertainty – despite a system which claims to take the development plan as the primary consideration, even where a plan exists there is no certainty that conforming proposals will be treated favourably. Where there is no plan or no policy things are even less clear. From an operational perspective this uncertainty about prospects is exacerbated by significant differences as to what is required and how decisions will be taken between (sometimes neighbouring) authorities.*
- *Increasing responsiveness (of and for all parties) – to national and local objectives and requirements and to allow flexible approaches to be introduced without the need to update guidance or policy (the catch up time between the need for change arising and a response being made is currently too long).'*

2.34 As noted earlier, as well as many recommendations about the planning process GVA Grimley made a recommendation about policy – that the Welsh Government produce a statement on ‘the importance of economic development’.

2.35 The Federation of Small Businesses raised similar concerns to GVA Grimley in its report on *Small Businesses and the Planning System in Wales* (May 2009). The FSB’s research showed that many of its members had found the planning system frustrating, confusing and slow. The report calls for a range of process improvements, including better information and guidance addressed specifically to small businesses. It also proposes changes in national and local planning policies to favour small businesses, for example to allocate sites that are stated to be particularly suitable for small businesses. We will consider these proposals in formulating our own recommendations.

## National Planning Policy

2.36 Section 62 of the Planning and Compulsory Purchase Act 2004 states that local authorities when writing their Local Development Plans must have regard to ‘current national [planning] policies’. A similar requirement applied to UDPs, although they were prepared under a different legislative framework. As defined in the current guidance document, *Local Development Plans Wales* (2005), these national policies comprise *Planning Policy Wales* and *Minerals Planning Policy Wales*, supplemented by Technical Advice Notes and Circulars and by Ministerial Interim Planning Policy Statements, and the *Wales Spatial Plan*.

2.37 Of the national planning policy documents listed above, those most directly relevant to economic development are the *Wales Spatial Plan*, Chapter 7 of *Planning Policy Wales* and *Technical Advice Note (TAN) 6, Planning for Sustainable Rural Communities*. Below, we discuss these documents in turn. In the section dealing with *PPW* we also briefly summarise *TAN 3*, on Simplified Planning Zones, and the recent consultation on Local Development Orders, which deal with deregulation measures (actual and proposed) relevant to economic development.

## **The Wales Spatial Plan**

- 2.38 The *Wales Spatial Plan* was initially published in 2004 and last updated in 2008<sup>3</sup>. Paragraph 1.1.3 of *Planning Policy Wales* defines the WSP's role as follows:
- 'The Wales Spatial Plan... sets a strategic framework to guide future development and policy interventions. It integrates the spatial aspects of national strategies for social inclusion and economic development, health, transport and environment, translating the Welsh Government's sustainable development duty into practice.'*
- 2.39 The *Spatial Plan* divides Wales into six regional areas and provides a strategy for each area, which begins with a detailed description and then sets out a broad vision, comprising a mixture of general principles and geographically specific aspirations. But these strategies are not spatial strategies in the traditional sense. They do not make proposals on the future location of major development and infrastructure or the future distribution of housing, population or jobs. Therefore, in our opinion the *Spatial Plan* does not perform the function assigned to it by *PPW* and it does not have a significant role in informing local planning policy or planning decisions. As discussed in Chapter 3 below, this view is shared by our case study authorities.
- 2.40 It is also the view of the National Assembly Sustainability Committee's Inquiry into Planning in Wales (January 2011). The Inquiry reports that '... almost all the evidence we have received tells us that there is a lack of clarity in the role and role and purpose of the Wales Spatial Plan'. It concludes that that 'the Wales Spatial Plan has great potential to support an effective planning system, but this potential is clearly not being realised at the present time'. Accordingly, Recommendation 13 of the Inquiry advises that:
- 'The Welsh Assembly Government should review the role and function of the Wales Spatial Plan focusing specifically on how it relates to the development plan framework and its relevance to the determination of planning applications and appeals.'*
- 2.41 The Inquiry also notes that the Welsh Government intends to develop a Wales Infrastructure Plan, and in its Recommendation 15 it says:
- 'The Welsh Assembly Government should embed the Wales Strategic Infrastructure Plan within the Wales Spatial Plan, to avoid duplication and to ensure that it is fully taken into account in the preparation and examination of Local Development Plans.'*
- 2.42 In the Minister's response to the Inquiry<sup>4</sup>, both these recommendations are 'noted'. With reference to Recommendation 13, the Minister for Environment, Sustainability

<sup>3</sup> Welsh Assembly Government, *People Places Futures – The Wales Spatial Plan 2008 Update*

<sup>4</sup> Welsh Assembly Government Written Response to the Sustainability Committee's Report on Planning in Wales by Jane Davidson, Minister for Environment, Sustainability and Housing, March 2011



and Housing adds that ‘any future review of the role and function of the Wales Spatial Plan would most likely consider land use planning, in particular its relationship to the development plan and planning application process. Regarding Recommendation 15, she advises that ‘this is for the incoming Welsh Government to consider’ and ‘The Welsh Government is currently exploring the options for developing a strategic infrastructure plan with preliminary work underway. The relationship between it, the Wales Spatial Plan and local development plans is under consideration’.

2.43 A different kind of spatial strategy, relating to employment land uses only, was proposed in the *Property Strategy for Employment in Wales 2004-2008* (undated), produced by the Welsh Development Agency ‘for, and in close collaboration with, the Welsh Government’. The starting point for the strategy was a market-facing analysis of:

- Current and prospective occupier demand in different market sectors;
- An audit of the sites potentially available against this demand.

2.44 Based on this demand-supply analysis, the document intended to produce a prioritised schedule of employment sites and premises, which would provide a framework for the Welsh Government/WDA investment decisions; the same framework would presumably inform land-use planning, though the document does not discuss this.

2.45 An important objective of the *Property Strategy* was to avoid oversupplying employment land and property. A key objective was to prioritise sites for investment, so that the best sites would be taken forward and the less attractive ones would be withdrawn from the supply:

*‘In assessing current and potential market demand for property in Wales, it was recognised that there would be some sites that were no longer a priority for development, the ‘surplus employment sites’. As part of the WDA strategic economic development and regeneration objectives these sites will be identified and alternative uses considered to ensure the right sites are allocated in Unitary Development Plans for employment uses to meet the market needs of today and the future.*

2.46 The *Property Strategy* is now time-expired, as its title indicates, and to our knowledge it was never taken forward either as an economic strategy or a planning policy document. Indeed to be translated into planning policy it would have needed much further work, to test its proposals through consultation and against wider sustainability objectives. Nevertheless the *Property Strategy* provides useful lessons for future planning. It shows how to allocate employment land strategically, controlling territorial competition, avoiding wasteful oversupply and having regard to market potential. We shall incorporate these lessons in our proposals.

## Planning Policy Wales Chapter 7

### Policy Objectives

- 2.47 Chapter 7 of *PPW, Supporting the Economy*, was last updated in July 2010; but most of it originates in the first version of *PPW*, published in 2002. Section 7.1 deals with policy objectives for economic development and includes the following:

*'The Welsh Government is committed to building a 'vibrant Welsh economy delivering strong and sustainable economic growth by providing opportunities for all<sup>5</sup>. The approach is built around the core strengths of Wales: an increasingly skilled, innovative and entrepreneurial workforce; an advanced technology and knowledge base; strong communities; a stunning natural environment and an exceptional quality of life....*

*Developing the new economy of Wales to boost economic performance, and in so doing raise Welsh GDP per capita, will have a strong spatial dimension. The Welsh Government's objectives for economic development are to:*

- *enhance the economic success of both urban areas and the countryside, helping businesses to maximise their competitiveness;*
- *support initiative and avoid placing unnecessary burdens on enterprise;*
- *respect and encourage diversity in the local economy, for example in rural areas encouraging farm diversification and in urban areas promoting mixed use development;*
- *promote the exploitation of new technologies which can provide new opportunities; and,*
- *ensure that development for enterprise and employment uses is in line with sustainability principles and respects the environment in its location, scale and design, especially so as to address climate change.*

*All communities need new employment opportunities. Local planning authorities should formulate and implement land-use planning policies for business and other employment-generating and wealth-creating development. They should give particular regard to the needs of small and medium-sized enterprises..., to the green economy and to initiatives in the social economy which can help to promote social inclusion.'*

- 2.48 These statements echo many of the themes found in economic development documents. But in our view they do not amount to clear-cut statements of the economic objectives of Government policy, the role of planning in delivering these objectives and how planning should balance or integrate economic with social and environmental objectives.

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<sup>5</sup> *Wales: A Vibrant Economy*, op. cit.

- 2.49 Certainly *PPW* Chapter 7 has not yet responded to the agenda set out in *Economic Renewal: a new direction*. This is not surprising, since as noted earlier the chapter was mostly drafted in 2002 and so pre-dates *Economic Renewal*. Accordingly, in the first paragraph quoted above Chapter 7 refers to an earlier economic development strategy, *A Winning Wales*. (It also refers to the *Property Strategy*, although as we have seen this document was not taken forward into policy, and in any case is now time-expired).
- 2.50 But the problem runs deeper than this. In our view, one source of confusion in Chapter 7 is that it does not clearly distinguish economic objectives from other objectives, and high-level objectives (such as creating wealth or increasing GDP) with lower-level or instrumental objectives, such as ‘understanding the suitability of employment land supply’. A good example is the first sentence quoted at paragraph 2.47 above.
- 2.51 Because of this confusion, *PPW* does not provide a simple headline statement of economic objectives against which the economic benefits of development can be counted. This contrasts with other areas of national planning policy. In relation to housing, for example, Chapter 9 of *PPW* says:
- ‘The Welsh Government’s vision for housing is for everyone in Wales to have the opportunity to live in good quality, affordable housing, to be able to choose where they live and to decide whether buying or renting is best for them and their families (ref to National Housing Strategy, 2001). The objectives are to provide:*
- *homes that are in good condition, in safe neighbourhoods and sustainable communities; and*
  - *greater choice for people...’*
- 2.52 If it took a similar approach to economic development, Chapter 7 might state simply that the Welsh Government’s vision for the economy is that it should generate more wealth and more jobs.

#### *Development Plans and Development Management*

- 2.53 *PPW* goes on to a long list of more detailed policies, showing how local planning authorities should go about delivering its objectives. Section 7.2 deals with employment land allocations, Section 7.3 with promoting farm diversification and Section 7.4 with promoting the green economy, clusters and social enterprise. Much of the content of these sections is summarised in Section 7.5, headed *Development plans and the economy*. This section sets out 16 requirements that development plans should meet, including:
- *‘Set the policy context for the provision of employment, taking into account the local authority’s economic development strategies and other relevant plans and strategies, such as the Welsh Government’s economic development policies...*
  - *Identify a range and choice of sites to meet different economic and employment needs, having regard to where the private sector wants to invest, and which*

*meet, or have the potential to meet, the Welsh Government's objectives for transport and other relevant policy fields...*

- *Contain... clear criteria against which against which new economic development proposals will be assessed...*

2.54 The detailed requirements in Sections 7.5 of *PPW* are many and complicated. At the same time, they leave out important elements of the guidance that local planning authorities need to produce the Economy section of local development plans. Selected examples of significant gaps include:

- How to determine how much land, and what qualitative mix of sites, should be provided for employment;
- How to plan for the whole economy, balancing the needs of employment land uses with other economic sectors including leisure, tourism and public and personal services;
- How to align employment with housing in the interests of more sustainable travel;
- How to determine when employment sites should be released for residential or other uses;
- How to deal with cross-boundary issues and plan strategically for economic land uses.

2.55 The first question – how to set targets for employment land provision – is especially critical. Like many planning documents in Wales and elsewhere, Chapter 7 advises that local planning authorities should provide land to meet ‘need’, and

*‘In designating land for employment needs, local planning authorities should address such issues as the phasing of development and the availability of infrastructure against an agreed identified ‘requirement.’*

2.56 *PPW* does not say what ‘need’ is and how the ‘identified requirement’ for land should be determined. This is not a trivial question. ‘Need’ could mean market demand – the quantity and qualitative mix of sites that developers and occupiers collectively are prepared to take up. Alternatively, it could refer to policy aspiration – the land required to support the numbers and mix activities and jobs that the authority would like to see, for example to ensure that there are enough jobs for the local workforce, or to fulfil other economic ambitions. Both these meanings of need are commonly found in planning documents, and they have radically different implications for land allocations and development management. Chapter 7 does not help decide which is right.

2.57 Section 7.6 of *PPW*, headed *Development control and the economy*, lists eight general considerations that authorities should have regard to in determining applications for industrial and commercial uses, followed by more detailed requirements relating to specific types of development (e.g. development in residential areas, re-use of agricultural buildings) or development control tools (planning conditions/obligations, permitted development rights).

2.58 The bulk of this discussion relates to negative considerations, or negative impacts of economic development, and how development should be controlled so that its adverse impacts are avoided, compensated for and mitigated. These adverse impacts include:

*'... impact on landscape and wildlife, generation of traffic and waste, noise and odour, emissions to air, water and soil, ... impacts on community safety and health, ... [contribution to] climate change, ... [requirements for] transport and other infrastructure changes, ... [and] residential amenity especially where there is potential for noise and traffic disturbance'.*

2.59 Throughout Section 7.6 of *PPW*, there are just two sentences which relate – albeit indirectly - to the positive benefits of economic development. The first of these sentences relates to agricultural development and its reference to economic benefits is oblique:

*'Local planning authorities should adopt a constructive approach towards agricultural development proposals, especially those which are designed to meet the needs of changing farming practices...'*

2.60 The second positive reference to economic development relates to rural diversification and is slightly more direct:

*'The re-use and adaptation of existing rural buildings has an important role in meeting the needs of rural areas for commercial and industrial development, as well as for tourism, sport and recreation. Local planning authorities should adopt a positive approach to the conversion of rural buildings for re-use...'*

2.61 Both these passages imply that various kinds of economic development are a good thing (something that is 'needed'). But neither passage states the specific benefits which might make it a good thing – i.e. that it generates wealth and jobs.

2.62 There are also a few references to what one might call positive side-effects, or non-economic benefits of economic development, such as *'preservation of the buildings, enhancement of the townscape or landscape'* and *opportunities to deploy energy-saving technologies*.

2.63 There is almost nothing in Section 7.6 of *PPW* that can help planning authorities decide when the economic benefits of development might outweigh its adverse impacts.

#### *Deregulation*

2.64 Chapter 7 briefly mentions Simplified Planning Zones (SPZs), as a means to encourage development and to generate private sector interest'. SPZs are discussed in more detail in *Technical Advice Note (TAN) 3: Simplified Planning Zones* (1996). An SPZ is an area in which the local authority grants 'blanket' planning permission for specified types of development, subject to conditions or limitations which are also specified. Any conforming development started within the SPZ's life, which in the first instance is 10 years, does not require separate planning permission.



- 2.65 As a further deregulation measure, the Welsh Government in July 2010 launched a consultation on Local Development Orders (LDOs). Under LDOs, individual local authorities would have discretion to grant Permitted Development Rights for specified types of development in specified areas. The intention is to enable more strategic management of minor developments and to reduce unnecessary planning applications.

#### **TAN 6**

- 2.66 *Technical Advice Note (TAN) 6: Planning for Sustainable Rural Communities (July 2010)* provides guidance on how the planning system can contribute to sustainable rural economies, sustainable rural housing, sustainable rural services, and sustainable agriculture. The section on Sustainable Rural Economies is the most relevant to this report. It begins with some general principles:
- *‘Strong rural economies are essential to support sustainable and vibrant rural communities’..*
  - *Planning authorities should support the diversification of the rural economy as a way to provide local employment opportunities, increase local economic prosperity and minimise the need to travel for employment. The development plan should facilitate diversification of the rural economy by accommodating the needs of both traditional rural industries and new enterprises, while minimising impacts on the local community and the environment.’<sup>6</sup>*
- 2.67 Consistent with these principles, the practical guidance that follows is broadly supportive of economic development proposals in rural areas, provided that they are restricted to meeting local needs and do not have unacceptable social or environmental impact. For example:
- Development plans should identify sites for employment use, where possible on the edge of settlements;
  - They should set criteria against which authorities will determine proposals not provided for in the development plan, including ‘exception sites’ on the edge of settlements;
  - Criteria-based policies should support the expansion of established businesses, including in the open countryside provided there are no unacceptable impacts;
  - When assessing applications for re-use or adaptation of a rural building, it should not normally be necessary to consider whether the building is still needed for its existing agricultural (or other) purpose;
  - In relation to farm diversification, while initial consideration should be given to converting existing buildings, new buildings will also often be appropriate; and

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<sup>6</sup> We assume this refers to negative *impacts*, though the document does not say so. Diversification also has positive impacts on communities, and possibly on the environment, which should not be overlooked.

planning authorities should take a proportionate approach to public transport and highways considerations.

## Conclusion

### *National Economic Development Policy*

- 2.68 The Welsh Government's policies on sustainability and economic development set out important principles on the Government's economic objectives, the role of the planning system in delivering these objectives, and how they should be integrated with social and environmental objectives. In particular, the documents, recognise economic well-being as one of the three dimensions of sustainability. Accordingly they set two broad *economic objectives*, which are broadly to increase:
- *Wealth creation* (total output, total incomes, economic growth), typically measured by GDP or GVA, either total or per head of population;
  - Employment and earnings.
- 2.69 The most recent document, *Economic Renewal: a new direction*, also sets out a definite view, or model, of how public policy can contribute to these objectives. This model, which is taken from traditional economic theory, holds that an efficient economy is largely driven by market forces and competition. It infers that government should not '*try to second-guess the action of markets*', but should focus its intervention on doing things that markets cannot do, or cannot do well –which includes correcting market failures and pursuing social justice. Consistent with this approach, *Economic Renewal* sets out a clear-cut principle that Wales should be '*a more attractive place to do business*'.
- Creating a generally business-friendly environment;
  - Prioritising certain sectors and activities, which are believed to make an especially critical contribution to economic growth.
- 2.70 *Economic Renewal* also discusses how land-use planning specifically can contribute to economic well-being, broadly by being simpler, more transparent, less restrictive and generally more business-friendly.

### *National Planning Policy*

- 2.71 The economic objectives and principles of the Welsh Government's economic development policy are not yet effectively translated into national planning policy.
- 2.72 Chapter 7 of *Planning Policy Wales*, which is the key document in this respect, does not consider the role of planning or its relationship to the market. Nor does Chapter 7 provide a clear definition of the Welsh Government's economic objectives, and hence of the benefits that would count against these objectives. Possibly as a consequence of this, Chapter 7's discussion of development control focuses on the adverse impacts of economic development. It makes almost no reference to the economic benefits which may count against these adverse impacts.
- 2.73 National planning documents are more positive about economic development in rural areas than economic development in general. This preference is visible in both

Chapter 4 and Chapter 7 of *PPW* as well as *TAN6*. We understand this is because the text relating to rural areas was more recently drafted than other parts of these documents.

- 2.74 As well as principles and objectives, national planning documents are deficient in terms of practical guidance. Chapter 7 sets out many requirements relating to both development plans and development control, but it leaves out much of the guidance that authorities need to produce the Economy section of Local Development Plans. For example, it does not show:
- How to determine the quantity and qualitative mix of sites to be identified for employment - covering both existing sites to be safeguarded and new sites to be allocated;
  - How to align employment with housing in the interests of more sustainable travel;
  - How to determine when employment sites should be released for other uses;
  - How to deal with cross-boundary issues in planning for economic land uses.
- 2.75 Unlike other parts of *PPW*, Chapter 7 is not supported by a comprehensive Technical Advice Note (TAN), which could provide detailed guidance on these and other technical issues.
- 2.76 As well as *PPW* and selected TANs, we have reviewed the *Wales Spatial Plan*, which according to *PPW* should provide a strategic framework to guide future development, integrating the different land uses. In our view, the *Spatial Plan* does not fulfil this role, because it does not make specific proposals on the broad location or geographical distribution of development, investment and growth. The proposed national infrastructure plan might provide an alternative spatial framework, but we have no information about it.
- 2.77 A document produced by the Welsh Government and the Welsh Development Agency, entitled *Property Strategy for Employment in Wales 2004-2008*, provides elements of a spatial strategy for employment land uses. This was never taken forward either as an investment strategy or a land-use planning strategy, but in some aspects it might provide a useful model for a future strategy.
- 2.78 A further problem with national planning policy relates to the definition of 'economic development'. In economic development documents, such as *Economic Renewal*, the term refers to the whole economy, covering all activity sectors. But in land-use planning documents economic development is given different and inconsistent meanings. Sometimes 'economic development' in these documents refers to the 'employment' land uses – those in the B Use Class, also known as 'industrial and commercial uses'. At other times, it relates to the whole economy, including non-B land uses such as retail, leisure, tourism, education and health.
- 2.79 Planning documents, including *PPW*, often seem to imply that these two meanings of 'economic development' are interchangeable'. This is unhelpful, because the non-B uses form a large part of the economy, probably accounting for more than half of



all jobs. If policy is to be clear, it should distinguish clearly between the whole economy and the B-class uses.

- 2.80 In the three consultation workshops held as part of this study, we shared our analysis of national planning documents and asked participants for their views. Those who were familiar with the documents – mostly professional planners – felt, like us, that there were serious gaps in policy. A particular concern was the lack of clarity in defining economic objectives and the benefits that count against these objectives.
- 2.81 Some workshop participants stressed the importance of wider sustainability, embracing environmental and social objectives as well as economic ones. Others focused more closely on economic objectives, commenting that higher GDP was not a helpful objective for local planning, because it could not be measured at local level. National policy should provide more practical ways of assessing economic benefit, to help authorities weigh the merits of different kinds of development. For example, it should help authorities decide whether to prioritise sites for major inward investment or local SMEs, or how to balance short-term against long-term benefits. Economic benefit might be measured by simple indicators such as job creation and employment rates. But even these indicators were not straightforward: thus we should look at net rather than gross job creation, but this is very difficult to measure.
- 2.82 On the subject of strategic planning, many workshop participants felt that the Wales Spatial Plan was not effective, a ‘proper’ spatial strategy was needed, and this should bring together land-use planning and infrastructure. There was praise for the WDA’s *Property Strategy* and concern that nothing had replaced it.
- 2.83 Finally, the workshops queried why the study brief was restricted to the traditional ‘employment uses’ (the B use class). They noted that other economic activities were just as important in providing jobs and incomes. Thus, they noted that many rural areas in Wales were heavily dependent on tourism; retail and leisure were key sectors for SMEs; and some employment areas were increasingly sustained by non-B uses as the traditional employment uses declined. Therefore, it was argued that our study, and national planning policy, should consider the whole economy rather than focus on the ‘employment uses’.
- 2.84 In Chapters 4 and 5 below, these and other points from the workshops will be carried forward into our conclusions. But first, in the next chapter, we consider how local authorities in fact plan for the economy and how far the national policies discussed above are translated into local planning.



### 3 THE LOCAL AUTHORITY CASE STUDIES

#### Method

##### Overview

- 3.1 To understand how local planning authorities (LPAs) deliver economic development policies, we carried out case studies of five authorities between November 2010 and January 2011.
- 3.2 The case study authorities are geographically spread across Wales and cover a mix of urban and rural areas. The discussion at our three consultation workshops suggests that our findings on these five authorities are representative of the position in Wales as a whole. The case study findings are also consistent with our wider experience as planning consultants in Wales.
- 3.3 To avoid the authorities being identified, we do not refer to specific policies, applications or decisions, and we do not quote documents verbatim. Instead, we report our findings in general terms.
- 3.4 Each case study comprised three elements:
  - i A review of *local plans* – by which we mean both Unitary Development Plans and Local Development Plans - including their supporting evidence;
  - ii A review of *development management case files* for a sample of decisions;
  - iii *Interviews* with Council officers.
- 3.5 Below, we describe each element in turn.

##### Local Plans

- 3.6 Examining development plans and related documents is an essential first step in the case studies. This is because Wales has a plan-led system, which requires planning decisions to be based on the development plan.
- 3.7 For each case study authority, we reviewed available planning and economic development policies and their supporting evidence, as follows:
  - Local plans
    - Adopted development plan.
    - Supplementary planning guidance as identified by officers.
    - Emerging Local Development Plan; latest draft.
  - Evidence bases
    - Economy evidence base; e.g. employment land review.
    - Other documents; as identified by officers.
  - Economic development strategies and related documents, as identified by officers.

### **Development Management**

- 3.8 In each case study authority we asked to examine case files relating to planning applications determined in the last five years, comprising:
- The five largest applications involving mainly economic land uses;
  - A cross-section of smaller applications involving mainly economic land uses.
- 3.9 The cases sampled covered a mix of permissions and refusals and a mix of local and appeal decisions. In relation to each case, we studied all the available documentation, including the applicant's submissions, consultation responses, correspondence, officers' reports and appeal decisions. Where the authority had an evidence base such as an employment land study, we also considered how it was used, both by development management officers and by applicants. Our purpose was to establish how economic objectives and economic benefits were weighed up alongside other material considerations, and in particular how national and local policies relating to economic development were translated into development management decisions.

### **Interviews**

- 3.10 Finally, we asked to see groups of officers in each authority, comprising members of planning policy, development management and economic development teams. In some cases not all these officers were available. Our respondents added to the factual information we had gained from written documents, explained the reasons for things and discussed their opinions about the existing system and suggestions for improvement.
- 3.11 In the rest of this chapter we report on the case studies, beginning with local policy documents and going on to discuss development management. The information gained from interviews is not reported separately, but incorporated in the discussion of policy or development management as relevant.

## **Local Plans**

### **Introduction**

- 3.12 Below, we address in turn five main questions about local planning policies relating to economic development:
- i How do local plans respond to national economic development policy?
  - ii How do local plans respond to local economic development policy?
  - iii How do local plans respond to national planning policy?
  - iv What economic objectives drive local plans?
  - v How far are local plan policies logical and supported by robust evidence?

- 3.13 Like all local planning authorities in Wales, our case study authorities are in transition, moving from Unitary Development Plans (UDPs) to Local Development Plans (LDPs). These two kinds of plan are similar in essence, as both aim to provide a unified strategy for their areas. But they follow different guidance documents<sup>7</sup> and are subject to different technical requirements; especially in that LDPs have to be based on more rigorous evidence. In our discussion, as noted earlier we do not distinguish between LDPs and UDPs, but refer to both as ‘local plans’ or ‘plans’. The LDPs we have looked at are generally at an early stage of the process.

### *Local Plans and National Economic Development Policy*

- 3.14 As discussed earlier, the Welsh Government’s current economic development policy is *Economic Renewal*, published in July 2010. This document is too recent to be reflected in the local policy documents we have reviewed – which are mostly ‘old-style’ UDPs. In our case studies, therefore, we consider how far local documents take account of earlier generations of national policy, expressed in *A Winning Wales* and *Wales: A Vibrant Economy*. This approach does produce useful results, because the new documents are not dissimilar from the earlier ones, at least in terms of guiding principles and objectives. To bring our analysis up to date, in our interviews with officers we did also discuss how *Economic Renewal* could and should be incorporated in local planning going forward.
- 3.15 In the local plans we looked at, reference to local economic development documents is generally limited to the occasional ‘name-check’. Where the plans do discuss economic objectives and strategies, the reference is invariably to local economic development documents (we discuss these in a later section).
- 3.16 Officers generally tell us that the national economic development documents are not actively used when writing plans or determining applications. Town planners mostly have limited understanding of the documents and do not see them as relevant to planning. Economic development officers know much more about the documents, but this knowledge does not make its way into land-use plans.
- 3.17 The fact that national economic development documents rarely filter through into local plans is not surprising, for two main reasons. Firstly, the documents do not provide clear messages about what planning should do. Secondly, as shown in Chapter 2 above, there is no strong requirement for local planning authorities to have regard to national economic documents; the main channel that carries the Welsh Government’s policies to local planning authorities is meant to be national planning documents, especially *PPW*.
- 3.18 Some planners are also reluctant to take account of national economic policy because they feel that it changes too often. In their view, mentioning documents

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<sup>7</sup> *Unitary Development Plans Wales*, 2001; *Local Development Plans Wales*, 2005

which are out of date or superseded can 'date' the development plan and undermine its weight.

### ***Local Plans and Local Economic Development Policy***

#### ***Local Economic Development Strategies***

- 3.19 Some of the local plans we looked at rely on economic development strategies, drafted by economic development officers (EDOs), to provide much of the economic content of the plan. Often the plans quote or cross-refer to economic strategies.
- 3.20 In principle, this approach is helpful, because it integrates local economic objectives into planning policy. But in practice it carries risks. Economic development strategies are not part of the development plan, so they cannot carry the same weight in decision-making process as development plan policies. There is also a risk that economic development strategies are not updated, which could jeopardise the integrity of the development plan and create a policy void. In our case studies we did see one plan where policy cross referred to an old (time- expired) economic development strategy document.
- 3.21 Looking forward, local authorities in Wales are no longer required to prepare economic development strategies, so those that do exist are not being kept up to date.

#### ***New Documents***

- 3.22 Some authorities are replacing their economic development strategies with other locally specific documents, such as regeneration strategies.
- 3.23 In one of our case study authorities, officers told us they intended to progress the regeneration strategy and new LDP side by side. In another the regeneration strategy was leading, but was expected to inform the LDP and would probably be cross-referred to new planning documents.
- 3.24 These new strategies may help introduce economic objectives, both national and local, into planning policy. But they cannot be relied on to do this consistently, because not all authorities are preparing these new strategies, and no standards are set on how they should be approached and how they should relate to Local Development Plans.
- 3.25 From our interviews it is unclear how these new documents will relate to land-use plans. One officer expressed concern that the standard of evidence required for the regeneration strategy may not meet the standards required for planning evidence bases.

### ***Local Plans and National Planning Policy***

#### ***The Wales Spatial Plan***

- 3.26 In the local plans we have reviewed the Wales Spatial Plan is mentioned just once – as providing support for the local plan's strategy of concentrating growth in the local authority area concerned.

3.27 In our case study interview, officers typically commented that the Wales Spatial Plan did not help make local planning policy. The Plan in their view avoids dealing with critical or controversial issues. It is positive about virtually all development - 'everyone can have everything'. Our respondents argue that an effective spatial plan should say where major development and growth should (and should not) be located, and what kinds of development (both of popular and unpopular kinds) may be appropriate in different places.

*Planning Policy Wales (PPW) Chapter 7*

3.28 An important question for our review of local plans is how far they reflect the policies in Chapter 7 of *PPW: Supporting the Economy*. In posing this question, we are not implying that local plans should repeat national policies<sup>8</sup>. Rather, as noted in the guidance documents referred to earlier, local plans should use national policy as a starting point and aim to deliver it through more detailed and locally specific policies. This is the kind of relationship that we looked for in our analysis. In the case of *PPW Chapter 7*, we find that the relationship is weak.

3.29 As noted earlier, Chapter 7 contains two main elements:

- A general discussion of objectives, in Section 7.1, which mixes high- with lower-level objectives and the economic with the social and environmental.
- Practical (or instrumental) policies on how local planning should go about delivering these objectives, including:
  - In Section 7.2, policies on identifying land for development;
  - In Section 7.5, 16 bullet points introduced with 'The development plan should'..
  - In Section 7.6, a long series of points relating to development management, which should also be addressed in local policy.

3.30 Some plans do not refer to Chapter 7 when introducing their economic development policies. They do not clearly identify Chapter 7 as the starting point for developing their local policies. Others do provide simple paraphrases of *PPW*, of varying clarity. But none of the plans respond clearly or in detail to either the objectives or the practical requirements summarised above. In particular, very few refer explicitly to Chapter 7, and virtually none refer explicitly to the detailed requirements set out in Sections 7.2, 7.5 and 7.6. For example, the plans do not meet the *PPW* requirement that:

*'The development plan should... contain policies setting out clear criteria against which new economic development proposals will be assessed. These should not simply list the types of development which might be appropriate but should focus on the impact of different types of development (particularly cumulative impact) and*

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<sup>8</sup> *Local Development Plans Wales* (2005) states that "while LDPs should have regard to national policies they should not repeat them, but rather explain how they apply to the local area".



*should also set standards of design and scale. The justification for any conditions or agreements should be included.'*

- 3.31 One reason for the limited impact of Chapter 7 is of course that many of the plans we have studied predate the 2010 edition of *PPW*. But it is not the only reason: the earlier edition of *PPW*, published in 2002, which as noted earlier was very similar, also receives few mentions. Our interviews with officers produced deeper reasons why *PPW* Chapter 7 is having such limited impact on local plans in Wales.
- 3.32 In general terms, the interviews show that officers find Chapter 7 difficult to deal with. While they are aware of the existence and contents of the documents, they are not clear about what it is trying to do and how they should use it.
- 3.33 With regard to the objectives of planning policy, there is a lack of shared understanding as to the Welsh Government's economic objectives, beyond broad principles. Many officers think that these objectives are no more than common sense - *'everyone knows new jobs are a good thing, do we have to say this in the plan?'*. In our view, the issue of economic objectives is not so simple; we will return to it in a separate section below.
- 3.34 Another difficulty is that planners consider Chapter 7 very complicated, especially in the lists of detailed requirements listed at Section 7.5 for example. Our respondents try to keep local plans as simple as possible. Looking forward, they generally acknowledge that the new generation of emerging plans should address Chapter 7. But they struggle to see how they could respond to such a complex document without over-complicating their plans.
- 3.35 In our opinion, much of this difficulty could be resolved by new guidance on planning for economic development. For this, a new Chapter 7 would need to be more narrowly focused on economic objectives and economic land uses, follow a clearer logical structure leading from objectives (ends) to practical policies (means) and avoid duplication, both within the document and with other national policies. For example one bullet point promotes 'environmentally sound development' and the next 'development which respects the environment'. These matters are already covered elsewhere: several chapters of *PPW* and local plans deal explicitly with the environment and environmental sustainability.

### **Local Plans and National Economic Objectives**

- 3.36 In Chapter 2 above we showed that the Welsh Government has adopted high-level economic objectives, which broadly aim for:
  - i Higher output (output, economic growth, wealth creation), measured by GDP
  - ii Higher employment
  - iii Higher earnings
- 3.37 Through our case studies, we investigated how far these objectives were reflected in existing local plans or might be reflected in future local plans.



- 3.38 As discussed in the next section, all the case study authorities set economic objectives in their adopted or emerging local plans, aiming for greater economic growth (or prosperity), more jobs, or both. But none refer specifically to the national objective of raising GDP.
- 3.39 Our discussions with officers show that, in general, GDP as a concept is poorly understood at local level. Most officers we talked to are unsure what the objective of raising GDP means to their local economies and their development plans. Many do not understand what GDP is and how planning policies can help increase it. Others point out that GDP is difficult to measure at a local level.

### **Local Plans and Local Economic Objectives**

#### *Stated Objectives*

- 3.40 All the case study authorities include economic objectives in the headline visions or strategies set out near the beginning of their plans. These objectives are for more and more diverse jobs, greater economic growth or 'prosperity', or (less specifically) greater 'economic well-being'. They are briefly stated, alongside similarly brief mentions of social and environmental objectives.
- 3.41 Some of the plans we looked at also provide more detailed versions of economic objectives, in the economic/employment section of the plan. These specific objectives are:
- To provide enough jobs for the authority's working population;
  - To provide the right land supply to meet need:
    - 'Need' in one case means jobs for the authority's residents, as above. Elsewhere, need is not defined. We cannot tell whether it means jobs for local people, the market demand for land, the space that businesses would like to occupy, or something else.
    - The emphasis is on qualitative need – providing a varied mix of sites to match different business requirements. There is no quantitative definition of need, to underpin authorities' decisions on how much land should be provided for economic or employment land uses over the plan period.
  - To provide land especially for knowledge-based, high-skill, high-value sectors;
  - To provide land especially to meet 'local needs';
  - To maintain and enhance the area's role as a strategic employment centre.

#### *Targets and Indicators*

- 3.42 Ideally, when a plan states an objective it should also state:
- An indicator or indicators which in future will show far the objective is being achieved
  - A target or targets which show what degree of achievement is proposed or hoped for.

- 3.43 Indicators and targets are often quantitative; numbers of housing units or new jobs are obvious examples. But they may be qualitative ('to redevelop the town's oldest industrial areas'), and they may indicate a direction of travel rather than a precise outcome ('to reduce the unemployment rate relative to the national average').
- 3.44 As part of our case studies we reviewed economic indicators and targets in adopted and emerging development plans. Several do provide indicators, set targets and monitor progress relating to lower-level (instrumental) objectives, such as the take-up of employment land or the available supply. But we have found no indicators or targets relating to high-level objectives such as employment. This may be because most of the plans we looked at are relatively old. But we think it unlikely that emerging LDPs will use more sophisticated indicators and targets, because the issue is technically challenging and no guidance is available, as neither *PPW* or the LDP manual advise on it.

#### *Gaps in Policy*

- 3.45 In broad terms, the objectives discussed above are perfectly consistent with the Welsh Government's policies both on economic development and planning. But in our opinion they are not specific enough to provide a solid base for policies, land allocations and development management decisions relating to economic development.
- 3.46 One aspect of this policy gap has already been mentioned: the plans do not define the 'need' for land for economic development, and hence provide no logical starting point for setting targets or making allocations.
- 3.47 A second important gap is that, from the objectives stated, we cannot infer how the planning authority should prioritise different kinds of economic development. This question arises in development management when different proposals compete for the same sites. At least as important, it arises in drawing up spatial strategies and allocating sites. At this stage, if planning is positively to support economic development authorities should be actively seeking to create business-friendly environments. For this, they need to know what kind of businesses they wish to encourage and attract.
- 3.48 Thus, as noted earlier, national and local documents encourage planners to favour knowledge-intensive sectors, because they are thought to play a special role in making the nation's economy more competitive. But knowledge-intensive sectors almost by definition employ high proportions of highly skilled people, so in poorer areas they will provide few jobs for local residents. Moreover, high-tech manufacturing, creative industries, biotechnology and the like are relatively small sectors and hotly competed for, so in some cases sites provided for these industries may remain vacant for a long time.
- 3.49 So the objective to support the knowledge economy may conflict with the equally laudable objective to provide local jobs. The local plan's statement of economic objectives should provide some guidance in resolving this conflict. In doing so, it should make sure that it weighs the benefits of routine economic activities as well

as prestige sectors. If the only economic activities mentioned in the plan are these prestige sectors, it will be easy for development control officers, applicants and inspectors to assume that the Council attaches no value to other industries and services.

- 3.50 A third policy gap relates to geography. As we have seen, it is a central objective of the Welsh Government to raise output and employment in Wales as a whole. For most local authorities, on the other hand, the corresponding objective is to raise employment in their own areas (or for their own residents, which is not the same thing, because many people travel to work across local authority boundaries). Superficially, these two objectives look perfectly compatible. But on closer inspection they are not: planning decisions which maximise local employment will not necessarily maximise national employment or national output. This conflict comes in many forms, of which we describe just two below.
- Low-density developments, such as some strategic warehousing and large high-tech manufacturing units, provide few jobs in relation to the land they use; furthermore high-tech manufacturing may provide even fewer jobs for local residents, because high-skilled specialists tend to be recruited from a large catchment area. These activities increase national output and employment by making the economy more efficient (more productive). But the benefits they produce will be spread across the country, so local benefits will be limited.
  - Similar issues apply to “bad neighbour” economic land uses, such as waste incinerators, which have to go somewhere in the national or regional interest, but which nobody wants close to them.
- 3.51 As noted earlier, local authorities may compete with their neighbours for ‘high-quality’ jobs and development such as prestige business parks and science parks. For the individual authority, the optimal strategy may be to take its chances in this ‘territorial competition’. But for the wider region and Wales as a whole the likely consequence would be a considerable oversupply of upmarket sites. Such oversupply is undesirable, because it would result in wasted infrastructure, loss of critical mass and excessive greenfield land releases, producing unnecessary threats to wildlife and landscape. From a national perspective, the optimal solution may be to identify a small number of strategic business park sites, in the most commercially attractive locations, and allocate the remaining employment sites for more routine economic development or for other land uses. But in the absence of regional or national spatial strategies there is no ready mechanism for doing this.
- 3.52 The fourth gap in policy is also the most important. Because economic objectives – and hence the economic benefits that count against these objectives – are poorly defined, it is difficult to weigh up the case for economic development in general, whether against environmental constraints, infrastructure costs or competing land uses.
- 3.53 As we shall see in our case studies of planning application files, there are many considerations that count against development, from flood risk and ecological damage to highways implications. These considerations are clearly defined and

often measurable. In nature conservation, for example, Chapter 5 of *PPW and TAN 5: Planning and Nature Conservation* defines different levels of adverse impact, based on a hierarchy of designated sites. Even beyond these designated sites, there is a substantial body of accepted technical methods for ascribing different levels of damage. In contrast, planning policy and guidance does not even define economic benefits, let alone show how to measure or rank them.

- 3.54 Similarly with regard to the main competing land use, housing, policy objectives are clearly stated in policy (as mentioned in Chapter 2 above), benefits are measured by simple indicators (total and affordable dwelling units) and there are clear-cut targets, including the requirement to provide a five-year land supply.
- 3.55 In an ideal world, economic objectives and economic benefits would be defined and measured as clearly as housing objectives and housing benefits. In practice this is probably impossible, because economic issues are more complex. But, if planning is to weigh economic benefits correctly, it does need clearer definitions and better measurements – albeit they are bound to be imperfect.

#### Conclusion

- 3.56 The local plans we have studied set economic objectives which are reasonable in themselves and consistent with the Welsh Government's policies. But these objectives are too broad to help answer the difficult and controversial questions which inevitably arise in making spatial strategies, allocating sites and making development control decisions. Where economic development has adverse environmental impacts, requires infrastructure investment or competes with housing or other land uses, the objectives set out do not provide enough guidance to weigh up economic benefits against other considerations. Nor are the objectives specific enough to help set land provision targets, to determine priorities between different types of economic development or to find the right balance between local and strategic priorities.
- 3.57 In Chapters 4 and 5 of this report, we will suggest that clearer and more purposeful national guidance could do a great deal to correct these shortfalls in current policy.

#### Local Plans and Supporting Evidence

- 3.58 We have already noted (see paragraph 3.30 et seq above) that the local plans we have studied generally do not respond to the detailed requirements set out in Chapter 7 of *PPW*. Our case studies also find that, in many cases, the economic development policies in these local plans do not relate logically to the plans' objectives.
- 3.59 To take one extreme example, as discussed earlier both national and local objectives aim to raise net employment growth – the difference between new jobs created in new and growing businesses and existing jobs lost in the closure and contraction of existing businesses. Logically, net employment growth is related to the net growth in employment space – the difference between new employment sites developed and existing employment sites lost. Yet, in all the local plans we have studied, employment land targets relate entirely to new development sites.

There are no targets relating to existing employment sites – either to encourage the reuse, improvement or redevelopment of such sites for employment, or to control their loss to other uses. This does not make sense. In order to ensure that there is enough land to meet ‘need’ (however defined), the local planning authority would need to manage existing sites as well as provide enough new land.

- 3.60 Another problem with many plans is the lack of criteria-based policies, which can be used to manage the employment land portfolio over the life of the plan, thus making the system more flexible and responsive to change. Our case studies suggested that few existing plans include criteria-based policies. Officers recognise this as a problem, which they hope to put right in the new generation of LDPs.
- 3.61 These problems are partly due to deficiencies in the planning evidence base, which should provide the analytical underpinning of the local plan. Our case studies suggest that local evidence bases are not always equal to this task.
- 3.62 The new LDPs are required to use a much higher standard of evidence than the old UDPs. Under the 1990 Town and Country Planning Act local authorities were simply required to ‘survey’ *their areas*, including the ‘*economic characteristics*’ of these areas. So plans could be progressed with very little evidence. In contrast, in the new system local planning authorities are required to demonstrate that their policies are underpinned by ‘*comprehensive and credible evidence*’. They are also required to develop robust monitoring targets to help deliver the plan and indicate where a policy shift or revision is needed.
- 3.63 Robust and detailed evidence is also required if local authorities are to deliver the detailed requirements in *PPW*, for example:
  - *‘Identify a range and choice of sites to meet different economic and employment needs, having regard to where the private sector want to invest, and which meet, or have the potential to meet, the Welsh Government’s objectives for transport and other relevant policy fields;*
  - *Contain policies setting out clear criteria against which new economic development proposals will be assessed. These should not simply list the types of development which might be appropriate but should focus on the impact of different types of development (particularly cumulative impact) and should also set standards of design and scale. The justification for any conditions or agreements should be included;*
  - *Establish criteria for key sites, where these are included, making explicit the reasons why they should be differentiated from other sites. The range of uses which are appropriate for key sites should be specified;*
  - *Contain appropriate policies in support of the development of innovative business or technology clusters and eco-industrial networks.’*
- 3.64 To meet these requirements requires sophisticated analysis. This would need to be provided as part of the planning evidence base – which is normally an employment land review (ELR).



- 3.65 Four of our five case study authorities have carried out ELRs. (The fifth authority, which has an adopted UDP, has not yet commissioned such a study but knows it will be needed to support its emerging LDP).
- 3.66 In our view, there are major problems with the case study ELRs and the way they are used. Even the most recent included no reference to national policy in *PPW*, either with regard to high-level objectives or to specific requirements that local planning should meet. They are mutually inconsistent; for example, they use quite different methods to predict the need or demand for land and assess the outstanding supply. They are often exceedingly bulky, complex and unfocused, delivering a mass of information but no definite conclusions or recommendations. In one case study authority the ELR exceeded 700 pages. In another, the document was 250 pages but required the reader to refer to many other documents.
- 3.67 Our case study authorities make little practical use of their employment land reviews. Very few of the officers we consulted understand their findings, their limitations and their practical implications. Three of the case study ELRs pre-date the recent recession, and planning officers do not understand how their findings might be affected by that recession.
- 3.68 In due course, it may be that the case study authorities will make increasing use of their ELRs, as LDPs are taken forward. But in the meantime, we note that ELRs are generally not used in making development management decisions, and we think they are not being updated to ensure that they remain relevant to the emerging plan.
- 3.69 It seems to us that the root cause of these difficulties is lack of central guidance. National documents neither require nor suggest that local planning authorities undertake an economic evidence base study or an ELR. Nor do they indicate how an ELR study should be approached. The *Local Development Plan Manual* (2005) does discuss evidence bases in general terms, noting among other things:
- ‘Numerical projections may be available on some factors, e.g. employment trends. Where these relate to a wider geographical area, it may be possible to infer the implications for the local area.’*
- 3.70 This suggests in passing that authorities consider complex economic evidence, without explaining why it is important or how they might use it. There are similar passages throughout the document.
- 3.71 In the absence of Welsh guidance, most of our case study authorities are using the 2004 ODPM guidance note<sup>9</sup>, known as the Brown Book, which may or may not have been intended to apply to Wales (the document does not say what country or countries it relates to). The Brown Book is mentioned in an end note to *PPW*

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<sup>9</sup> Office of the Deputy Prime Minister *Employment Land Reviews: Guidance Note*, December 2004



Chapter 7, but only as a reference on the particular subject of releasing unwanted employment land, rather than general guidance.

- 3.72 Several of the officers we interviewed feel that the Brown Book is more relevant to England than Wales, given its emphasis on releasing employment sites for housing. They also worry that the document may be out of date. In our view this worry is justified, given that most of the Brown Book's 'good practice' examples are now more than 10 years old. Although the document has not been formally withdrawn, it is no longer referenced in the latest English *Planning Policy Statement (PPS)4, Planning for Sustainable Economic Growth* (December 2009), and we understand the UK Government considers it out of date.

### Looking Forward

- 3.73 Most of the local plans and supporting evidence we have looked at pre-date the 2010 edition of *PPW* and the new economic development policy in *Economic Renewal*. Looking forward to the new generation of emerging LDPs, the officers we interviewed know that national policy has changed and local planning needs to change accordingly. They typically feel that this will be difficult, because national policy is complicated and it is not clear how it should be delivered in practice.
- 3.74 Our respondents point out that, unlike many other areas of planning policy, *PPW* Chapter 7 is not supported by technical guidance. In other areas of policy, their understanding is expanded by Technical Advice Notes or other supplementary texts. This allows them to understand and deliver national policy, without 'bloating' *PPW* itself. They feel that a TAN or other guidance to support Chapter 7 would be similarly helpful, especially given that economic issues are more technically challenging than many other areas of planning.

### Development Management

- 3.75 In determining planning applications, local authorities are required to have regard to the following main factors:
- Policies in the authority's development plan: decisions should be taken in accordance with the development plan unless material considerations indicate otherwise;
  - National planning policy and guidance, including *PPW*, TANs and circulars;
  - Supplementary Planning Guidance, other adopted strategies and development briefs;
  - Consultation responses received, including those from statutory consultees such as British Waterways, Countryside Council for Wales, the Environment Agency and the Health and Safety Executive.
  - Other material considerations.
- 3.76 In considering these factors, the authorities assess and then weigh, or balance, a wide range of considerations, which include among other things amenity, safety, the vitality and viability of centres, heritage, the protection and enhancement of the

ecology and landscape and the infrastructure impact of the proposed development. In our case studies, we have tried to understand how this process of assessing and weighing deals with economic objectives and the economic benefits of development.

### ***Weighing up Benefits***

- 3.77 In our study of development management case files, the first problem we encountered stems directly from the policy gaps that we discussed earlier. As we have seen, local plans typically do not provide clear definitions of economic objectives and the economic benefits of development, and their policies for economic development are few and lacking in specific detail. Therefore the plans do not provide a 'hook', or starting point, for demonstrating the merits of individual proposals. This makes it difficult to make a positive case for development, both in applicants' supporting statements and officers' reports.
- 3.78 As we previously mentioned in discussing local plans, the problem is manifested in different ways. Firstly, it is difficult to demonstrate the merits of developing land for economic uses at all. In the case files we studied, there were many factors that weigh against development, such as highways, ecology, flood risk and so forth. Consideration of these matters was strengthened by statutory consultations and firmly based in national planning policy, national guidance and/or legislation. It is through these mechanisms that national policies become material considerations that steer decisions on the ground. In the case of national economic development policies, the mechanism is largely absent, so the policies are poorly understood and not implemented on the ground.
- 3.79 In relation to other land uses, especially housing, there are clearly defined and measurable benefit of development to balance against negative factors. But in relation to economic proposals the case studies suggest that decision-making criteria are more opaque and ad hoc. In our interviews, officers note that their plans contain many policies that can be used to refuse any given economic development application, but very few positive policies that provide a robust technical basis for supporting the application.
- 3.80 The second problem is that, without clear definitions of economic objectives and economic benefits, it is difficult to weigh the benefits of particular types of economic development. One of our case files related to a major development proposal in which an international investor was planning to provide large numbers of jobs in a priority high-technology sector. The particular economic benefits of the proposal were not mentioned either in officers' reports or in the applicant's documentation, which was very extensive.

### ***Evidence Base Documents***

- 3.81 Evidence base documents should be used not only to help write plans, but also to support development management. But our case studies found little evidence of this happening in practice. In one case study authority, the development management team were unaware of the Council's employment land review. In two of the

authorities, ELRs are not published on the Web, so they are very difficult for applicants to find.

- 3.82 We noted earlier that some ELRs provide large amounts of information and no clear conclusions. This makes them difficult to use in development management, even more so than plan-making. It is beyond most applicants, and perhaps most development management officers, to deal with a 700-page technical document.

### **Statutory Consultees**

- 3.83 Local planning authorities are required to seek the advice of a number of statutory consultees, depending on the matters being considered. There are many such consultees and the rules are complex. In August 2011 the Welsh Government sought to produce a definitive list through a consultation exercise; the consultation document included a draft list showing 19 organisations, from British Waterways to the Welsh Government<sup>10</sup>.
- 3.84 Our case studies, as well as the workshop discussions and our wider experience, show that local authorities often have difficulty weighing the advice of statutory consultees against other considerations. The difficulty arises in writing local plans as well as determining applications. For example, a proposed land allocation or a development proposal may promise to create much-needed jobs in a deprived area, but a statutory consultee may object to it and request that the application be refused.
- 3.85 The problem, as seen by the authorities, is that most statutory consultees are single-issue bodies, who quite rightly concentrate on their particular areas of responsibility, whether nature conservation flood risk, forests, health and safety or highways. But in taking a decision the local authority must weigh up these factors against many others, including the positive economic benefits of development. The statutory consultees are not required to find a balance between these different considerations; this is a task for the planning authority.
- 3.86 Planning officers tell us that they are not always well equipped to find the right balance. Part of the problem is that, as discussed earlier, there are no clear principles or criteria to help authorities weight the positive economic benefits of development. But the other side of the coin is also problematic. Officers often feel that they do not have the skills and confidence to weigh up the negative factors identified by statutory consultees. The consultees' arguments may rely on complex technical analysis and/or a framework of European legislation that officers do not fully understand. In such cases, officers tell us that they tend to be cautious in disagreeing with consultees because they fear legal challenge. It is safer to follow

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<sup>10</sup> Welsh Assembly Government, Consultation Document, *Draft List of Statutory and Non-statutory Consultees in the Planning Application Process*, August 2010

the consultees' advice, even if in a wider perspective the outcome may not be the best.

- 3.87 In one of our case files, for example, a consultee advised that an application be refused because one of its adverse effects would be 'major'. In contrast, the applicant's technical evidence described the same impact as 'minor'; it also argued that the relevant TAN was technically out of date. The Council had great difficulty coming to a view, because it did not understand the technical evidence before it.
- 3.88 We are not technically equipped to judge the merits of such arguments. But our findings suggest that the TANs relating to issues covered by statutory consultees should be reviewed, to ensure that their technical content is up to date and as clear as possible.
- 3.89 In reviewing TANs, the Welsh Government should also ensure that they place enough emphasis on proportionality. The TANs should make it clear that risk assessments and the resulting advice must be proportionate to the size and significance of the proposed developments.
- 3.90 To ensure that the principle of proportionality is delivered in practice, statutory consultees should be involved early and actively in plan-making and development management casework, engaging in productive dialogue with local authorities. The more closely these organisations work with planning authorities, the more their advice will respond to the wider planning agenda. There may also be a need for dissemination and training to improve planners' understanding in this area.

### ***The Role of Economic Development Teams***

- 3.91 In our review of development plans we found that economic development officers (EDOs) were frequently more informed about the Welsh Government's economic development policies than the planning policy officers. It is not clear how this expertise would be shared in the future now Economic Development Strategies are no longer routinely produced.
- 3.92 EDOs also have a potential role in the development management process; as in-house experts. But in our case study authorities they do not always play this role.
- 3.93 Our case files suggest that EDOs are not always consulted about economic development applications, even when these applications are large and potentially controversial. When they are consulted, the approach may not be formal, in which case their opinion will not be recorded in the case file.
- 3.94 This is particularly the case where economic development and planning have been merged into a single directorate. In one authority we were told that following this re-organisation formal correspondence between officers (notes placed in case files) had ceased. From the Council's perspective, a formal record was no longer needed.
- 3.95 In some authorities, it seems that the Council's EDOs are purposely not consulted. Respondents suggested that this was because EDOs are certain to support any scheme that will deliver jobs, so it would be pointless to ask their opinion. But it

could be that EDOs are not consulted because having their positive recommendation on file would complicate the case file. If the Council decide to refuse the application, this positive advice could be used against it at appeal.

- 3.96 This informal approach to EDOs' professional opinion is at odds with other consultations, both with statutory consultees and others who engage with the planning system. The view of these organisations and individuals, unlike those of EDOs, are always formally recorded.

### *Responding to Change*

- 3.97 The problems discussed above apply particularly to proposals which do not fit into the boundaries set by the local plan's proposal map. It is difficult for applicants to demonstrate the economic benefits of such windfalls proposals, because as noted earlier old-style plans have few criteria-based policies; nor do national policy and guidance help. Typically, the applicant hit by these difficulties is an established business that wants to extend its existing site beyond the boundary of a designated employment area or settlement.
- 3.98 It could be argued that the businesses concerned should have promoted their proposals at the plan-making stage. But this is unrealistic and probably unreasonable. Occupier businesses – unlike professional property developers promoting major schemes – generally cannot predict their requirements years in advance, nor do they have the time and money to engage with the planning system for the sake of what may be a small investment. If planning permission is refused, the only choice for such businesses could be to move to an allocated site, which will often be difficult and expensive. Criteria-based policies, which replace or supplement lines on a map, could solve the problem to the benefit of the local economy.

### *Looking Forward*

- 3.99 As noted earlier in this section, many of the problems we have identified in case files relate to old plans and old evidence. The officers we consulted hope that the new LDPs will bring improvements. But they do not see how this can come about unless there are improvements in central policy and guidance.
- 3.100 Planning officers also know that in general they should work better with their economic development colleagues and take more account of economic development priorities. But this is not necessarily easy; especially in authorities where supporting planning is not recognised as a key function of the economic development team.

## **Conclusions**

### *The Problem*

- 3.101 Our case studies suggest that local planning in Wales may be less supportive of economic growth and less technically robust than national policy wants it to be. In terms of broad visions and headline objectives, local plans are generally economy-



friendly and consistent with the Welsh Government's economic objectives. But at a more detailed level, the plan's definitions of economic objectives, and the benefits that count against these objectives, are not sharp enough to provide a solid basis for policies and development control decisions relating to economic development. Without clear objectives it is difficult to make good decisions, because what we decide depends critically on what we are trying to achieve.

- 3.102 Where economic development has adverse environmental impacts, requires infrastructure investment or competes with housing or other land uses, the objectives set out do not provide enough guidance to weigh up economic benefits against these considerations. Nor are objectives specific enough to help set land provision targets, to determine priorities between different types of economic development or to find the right balance between local and strategic priorities.
- 3.103 There are also technical deficiencies in planning for economic development. Thus, economic development policies in the local plans we studied do not follow the detailed requirements in sections *Planning Policy Wales* Chapter 7, and are not always based on robust evidence and logical analysis. There are also difficulties relating to statutory consultees: often local authorities are not well equipped to weigh the advice of these single-issue bodies against the positive benefits of proposed development.
- 3.104 Our study of a sample of case files suggests that the deficiencies of plans are translated into development management decisions. The difficulties relate mainly to proposals which do not fit into local plan's proposals map. For the reasons discussed earlier, it is difficult for local authorities to weigh the benefits of such proposals against negative considerations and the merits of competing land uses. The result is that planning for economic development is more rigid and less responsive to change than it could be. The solution can be provided by criteria-based policies, which state under what circumstances the economic benefits of development outweigh any adverse impact. But to underpin such policies we need a clearer understanding of the economic benefits of development.
- 3.105 At the consultation workshops, we shared our case study analysis with stakeholders and asked them to draw their own conclusions. Many agreed that local planning lacked a clear basis for recognising and weighing the economic benefits of development, and this was a major difficulty in planning for economic land uses. There was also widespread agreement that employment land reviews and evidence bases left much to be desired, and not only because the new planning system was still in its early stages. Technical guidance from the Welsh Government would be required to correct the problem. Local authorities also missed the useful market information that used to be provided by the WDA but was no longer forthcoming.
- 3.106 The workshops also noted that problems with evidence were not restricted to local authorities. Planning applicants also needed guidance, to tell them what information they should provide to demonstrate the economic benefits of their proposals.



- 3.107 While workshop members largely agreed on the faults of local plans and development management, they disagreed sharply on the practical implications of these faults. This issue is discussed in the next section.

***Does It Matter?***

- 3.108 From our analysis of local plans and development management case files, can we infer that planning in practice stifles economic growth, or at least fails to support growth as the Welsh Government wants it to do?
- 3.109 At our consultation workshops, some participants felt strongly that planning is a severe constraint on the economy. Suggestions for putting this right include more frequent plan reviews where market circumstances change, use of criteria-based policies to manage development not specifically mentioned in the development plan, more emphasis on deregulation initiatives such as SPZs and LDOs, a presumption in favour of development, less onerous low-carbon requirements, and more flexibility in use classes to allow more mixed use development.
- 3.110 We agree that development plans should be reviewed when there are major changes in the market and should include criteria-based policies. But the other suggestions listed in the last paragraph are beyond the scope of this report. A presumption in favour would need to cover all types of development, not just the economic land uses. The merits of different types of deregulation initiative are a separate subject, which this study has not covered.
- 3.111 Similarly we have not assessed the impact of low-carbon regulation and land-use restrictions on the viability of development. Nor have we looked at the impact of developer contributions and tariffs, which is a closely related question. In our view these are critically important issues, which should be researched separately. If regulatory burdens and infrastructure costs are so high that some economic development becomes unviable, no amount of economy-friendly planning policy will bring market forces to life.
- 3.112 Other workshop delegates and some steering group members pointed out that our research does not prove that economic benefits are given insufficient weight in plan-making or development control, that applications which should be granted are being refused or that too little land is being allocated for economic development. Two arguments were used to demonstrate that planning does not restrict economic growth. Firstly, we were reminded that the current economic downturn was due to demand-side factors rather than supply constraints, and the same was true of the long-term economic disadvantage suffered by many places in Wales. Secondly, it was noted that planning was often generous in providing land for economic uses: thus, that many sites identified for employment currently lay vacant; some local plans provided far too much employment land, in some cases amounting to 50 years supply; and there were examples of employment permissions on high-priority environmental designations.
- 3.113 We agree strongly with the first of these points: it would be ridiculous to suggest that the economic downturn is caused by planning restrictions (and equally

ridiculous to expect that better planning policy will cure demand deficiency). We disagree with the second point: in our view, a gross oversupply of employment land is not evidence of good or economy-friendly planning, quite the contrary. Moreover, from the fact that planned supply is generous in some places, we cannot infer that it is generous everywhere.

- 3.114 However, this study has no evidence of its own to offer on these issues, because it has not attempted any direct assessment of the economic impacts of planning. This kind of assessment would be far beyond our study brief. Even less have we tried to determine how far any losses of output and employment may have been outweighed by social or environmental benefits of planning restrictions. This would be even more difficult, and moreover it would require value judgments which are the responsibility of democratically elected politicians.
- 3.115 In England, Kate Barker in 2006 produced a much more ambitious study to advise on how the planning system could ‘better deliver economic growth and prosperity’<sup>11</sup>. But even that study made no attempt to construct a cost-benefit analysis of planning, neither in general or with regard to any single plan or decision.
- 3.116 Rather than assess the impact of planning directly, our study, like much of Barker’s, has tried to assess the principles and rules by which planning operates<sup>12</sup>. It concluded that the system is deficient in certain respects. It may be, of course, that planning authorities make good plans and take good decisions regardless of these deficiencies. But if the ‘rules of the game’ make no difference in practice we might question why they exist at all. It seems more likely that the rules do matter, and so, because the rules are deficient, plans and decisions are not as good or as consistent as they could be.
- 3.117 In any case, even if authorities’ instinctive common sense can be relied on to ensure good *local* planning, there is no guarantee that this planning would be aligned with the Welsh Government’s objectives, which relate to Wales as a whole. For this reason, and for the sake of open government, it will be useful to improve national policy and guidance. This is a key purpose of our recommendations.

### **Potential Solutions**

- 3.118 There is a window of opportunity to improve planning for economic development over the next few years, because the Welsh authorities are working on a new generation of plans, which in most places are still at an early stage. Our analysis suggests this will need new, clearer and simpler national planning policy. At least as important, it will need robust guidance to support that policy. Our case studies and

<sup>11</sup> *Barker Review of Land Use Planning, Interim Report and Final Report*, HMSO, 2006

<sup>12</sup> There is perhaps a helpful analogy with the legal system, with which planning has many similarities. To determine if a legal decision is right, we do not attempt to measure the costs and benefits that result from that decision. Rather, we consider whether it has followed the law, and sometimes if the law itself is right.

consultations suggest that local planning authorities would generally welcome such new policy and guidance, which should include a new Chapter 7 of *PPW*, a new TAN and a review of the TANs relating to matters covered by statutory consultees. They also suggest that internal changes in some authorities, whereby economic development teams contribute more to plan-making and development control, would make for more effective planning.

- 3.119 It may be also that planning for economic development could be improved by national or regional spatial strategies that set the broad distribution of growth across Wales and its regions, establish clear spatial hierarchies, guide major developments (including unpopular ones) to the best locations, and align development with infrastructure. The WSP does not do these things. They might be done in future by the proposed infrastructure plan.
- 3.120 These and other suggestions are considered in the next two chapters.



## 4 THE WAY FORWARD: SOME KEY ISSUES

### Introduction

- 4.1 So far, this report has been an examination of the existing planning system. The remainder of the report turns to proposals for the future. In this chapter, we develop these proposals based on discussion of three key issues: the definition of economic development, the economic objectives of planning and the need for strategic planning. In Chapter 5 we will carry forward this discussion, together with earlier analysis, into a series of practical recommendations.
- 4.2 Throughout the discussion below, we draw lessons, both about good and bad practice, from recent experience in the other countries of the UK. In England, some of the reforms we describe, and in particular the introduction of Regional Spatial Strategies in 2004, are in the process of being reversed by the Coalition Government; this does not make them any less relevant to our discussion.

### What is Economic Development?

#### *'Employment Uses' and the Whole Economy*

- 4.3 As mentioned in Chapter 2, 'economic development' and related phrases are used inconsistently in planning. The word 'economic' in this context has two different meanings:
  - Sometimes it relates to the whole economy – the sum total of activities that produce goods and services and generate employment.
  - At other times, it means the 'B-class uses' – those land uses traditionally known as 'employment' and classified to classes B1, B2 and B8 of the Use Classes Order, comprising industry, warehousing, offices and research & development.
- 4.4 There is a second layer of confusion, whereby the word 'development' is also used in two ways. For most people, it refers to economic growth or economic progress generally. But for planners 'development' takes on the meaning it has in planning legislation, and so it refers to the provision of space for economic land uses, through construction or (less often) change of use.
- 4.5 For our purposes, the first layer of confusion is the more problematic. As we have seen, the two meanings of 'economic', sometimes called 'employment', are often used interchangeably, suggesting that the B-class uses *are* the economy. This is misleading. The non-B sectors - which include retail, leisure, tourism, education and health among other things, form a large part of the whole economy. We estimate that these sectors at present account for around half of total output and jobs in

Wales, and that the share has been growing as manufacturing has declined<sup>13</sup>. And of course the non-B sector creates wealth, jobs and incomes like the traditional employment sectors.

- 4.6 Despite these facts, there is a widespread view that the non-B economic uses, and the jobs they generate, are somehow not 'real', or at any rate less important, than the traditional employment uses. One reason for this is the assumption that non-B-class jobs are typically less skilled and lower paid than those in traditional employment sectors. At least equally important, the view that non-B-classes jobs are inferior is also based on economic theory that divides the national (or local, or regional) economy into two types of sector, or industry.
- 4.7 The first group comprises *base industries* - those whose products are internationally traded (or traded between regional or local economies). The theory holds that, if Wales (or a given region or local authority area) does not provide the space these industries want, they will simply operate elsewhere. This can happen in one of two ways:
  - It may be that firms which are refused planning permission or cannot find the right site choose to locate outside Wales (or the region or local area);
  - Alternatively, firms may stay put, because they have links to particular areas; but because they cannot get the space they need they may fail to expand, be forced to contract or operate inefficiently, so that some of the output they would have produced in Wales (or in the region or local area) will be produced by competitors elsewhere.
- 4.8 Either way, the failure to provide the right sites will have reduced the nation's (region's, local area's) total output, or GDP, and its employment. Conversely, if Wales does provide the right space for economic base industries, this will result in national and employment additional to what would happen otherwise.
- 4.9 The second group is formed of *non-base (or local) industries*, such as retail, which have to locate in the same country (or region, or local area) as their consumers, and hence depend on domestic (or regional, or local) demand. If planners deny these industries a particular site or location, in general they will find an alternative in the same geographical area and the area's total output and employment will not be affected.
- 4.10 The view that the traditional employment uses are more important largely rests on the assumption that industrial space, warehousing and offices house base industries, while other economic land uses equate to local industries. Although this assumption is not reliable, as we shall explain, there is a valid insight behind it. It is

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<sup>13</sup> The shares of the B and non-B sectors cannot be measured precisely, because official employment and output data are not broken down by land use.

true that manufacturing, historically the main B-class use, produces internationally traded goods and in many cases is internationally footloose; in contrast, services like retail are tied to more local demand.

- 4.11 But in modern economies the dividing line between base and local industries is blurred, and it does not neatly coincide with the line between the B-class uses and the rest of the economy. For example, much of the tourism sector – which is a service industry and operates in non-B space – to a significant extent is an export industry. Conversely, in some areas much of the activity occupying industrial space is local distribution, which is both a B-class use and a non-base sector dependent on local demand.
- 4.12 Another complication is that ‘economic baseness’ and additionality depend on the spatial scale being considered. Retail, for example, trades across local authority boundaries, but it does not trade internationally. So providing a site for a new supermarket in Merthyr Tydfil may increase the output produced in the town, if it encourages some local residents to do their shopping in the town when otherwise they would have gone elsewhere, perhaps to an out-of-town supermarket in a neighbouring authority. But it will make no difference to the total output produced in Wales, because the town’s residents will still shop in Wales whether the new supermarket is built or not.
- 4.13 To sum up, it is not necessarily the case that development for the traditional employment uses contributes more to the economy, or is more likely to generate additional wealth and jobs, than development for other economic land uses. Therefore, if planning is to support economic growth and jobs, plans and strategies should deal with the whole economy rather than focusing on B-class jobs. Where different economic uses compete for the same land, either at the point of plan-making or development management, authorities should not automatically give priority to the employment uses. Rather, decision should be made on merit in each particular case; and, given that the issue is complex, technical guidance should be provided to help authorities deal with it.
- 4.14 Although no particular economic land use is necessarily more important or more valuable than others, there will always have to be some separate policies for these different uses, because different considerations apply to them and affect them in different ways. For example, planning for retail and certain leisure uses is dominated by the objective of putting town centres first, for very good reasons relating to economic efficiency and environmental sustainability.
- 4.15 There are also technical reasons for treating different economic uses differently, in that future land requirements are calculated in different ways for different types of use. To derive demand or need for B-class uses (‘employment land’), the accepted method is to begin from employment forecasts or targets, estimate the numbers of jobs that will be based in industrial, warehouse and office space and then use density ratios to translate these jobs into space. For other economic land uses, other methods are applied. For retail and some leisure uses, for example,



floorspace requirements are derived from forecasts of consumer expenditure. For many local services, including schools and primary medical care, land is provided as part of housing developments. Strategic service establishments, such as universities, hospitals and tourism projects, are planned for on a one-off basis.

- 4.16 So in some ways planning should deal with the whole economy, but in other ways it needs to separate the different economic land uses. Before suggesting how this should be done in development plans and evidence bases, in the next section we briefly consider how *PPS4* tried to address the issue in England.

### *Experience in England*

- 4.17 Until recently, the English planning system dealt with economic land uses much as the Welsh system does now. National and local policy mostly confused the traditional employment uses and the whole economy as discussed in the last section.
- 4.18 The New Planning Policy Statement (*PPS*)4, *Planning for Sustainable Economic Growth*, aims to put an end to this. The substantive part of the statement starts with a section headed 'What is Economic Development, which reads in part:

*'For the purpose of the policies in this PPS, economic development includes development within the B use classes, public and community uses and main town centre uses [defined later as retails, selected leisure/sport recreation uses, offices, arts, culture and tourism]. The policies also apply to other development which achieves one of the following objectives:*

- *Provides employment opportunities*
- *Generates wealth or*
- *Produces or generates an economic output or product'.*

- 4.19 This definition is clumsy, due partly to multiple repetitions<sup>14</sup> and partly to the ambiguous word 'development'. For greater clarity, we could define terms as follows:

- *Economic land uses (or the economy)* comprise the activities that generate wealth, jobs and incomes;
- *Economic development* means economic performance, covering economic and employment growth and perhaps related factors like productivity, entrepreneurship, skills etc.

- 4.20 The above definitions come naturally to economists. But the second one would create difficulties for planners, because they currently use 'economic development' to refer to two different things: firstly *economic performance* as above, and secondly *construction or change of use ('development')* that provides space for economic

<sup>14</sup> In the present context 'wealth', 'output' and 'product' mean the same, as do 'produce' and 'generate'.

land uses. If the vocabulary is to be rationalised, planners will have to drop this latter meaning in favour of ‘development for economic uses’.

- 4.21 Regardless of the semantics, the central messages are clear:
- i To support sustainable economic growth we need to plan for the whole economy, not just the B-class uses;
  - ii For planning purposes, it is helpful to split economic sectors into four main blocks: the B use classes, main town centre uses, public/community uses and the rest. (The first two categories overlap, as offices are both a B-class and a town centre use).
- 4.22 In the remainder of the PPS, the sector coverage of policies varies. Some policies relate to the whole economy, some to town centre uses only, some to economic uses other than town centre uses. In relation to rural areas only, a few policies or sections of policies deal with other specific sectors, ranging from tourism – which gets the whole of Policy C7 to itself – to equine enterprises, which is discussed in one paragraph at Policy EC6g.
- 4.23 While it considers different economic land uses quite closely, *PPS4* says nothing about conflicting priorities, where different uses compete for the same sites – either at the site allocation stage or in development control. This is a large gap, because planning authorities often need to set priorities between competing land uses, for example when planning for retail and offices in town centres, or responding to applications for non-B economic uses in employment areas. We will address the issue in our recommendations for Wales.
- 4.24 In terms of its practical impact, our working experience suggests that *PPS4* has made a significant difference to local planning. Authorities are now more likely to plan for the whole economy and to consider the non-B economic uses as a valuable part of that economy. We consider that this change provides a helpful model for Wales.

### Conclusions

- 4.25 Based on the discussion above, we suggest that a new version of *PPW* Chapter 7 should state clearly at the outset that it deals with the whole economy, comprising all activities that generate wealth (output), income and jobs in Wales. The document should first set out objectives and principles relating to the whole economy and then branch off into separate sections covering separate types of economic land use, such as the B class uses, retail and town centre uses, and tourism. The traditional employment (B-class) uses could be discussed in Chapter 7 as they are now; retail, town centre uses etc would stay in their own separate chapters, to which Chapter 7 would cross-refer.
- 4.26 Local planning authorities could be encouraged to use a similar approach in Local Development Plans and the evidence bases that support them. Within the strategy section of the plan, there should be general policies to deal with the economy, including broad objectives and priorities, employment forecasts/targets for different

sectors and a spatial strategy covering the key economic land uses. Separate policies should then deal with the different blocks of economic activity, including the B-class uses, retail and town centres and any other sectors which are important to the local economy.

- 4.27 A plan structured along these lines will need two kinds of evidence base: a broad overview of the local economy and more specific analysis of different sectors, including the B-class uses, retail and possibly others. For convenience, we suggest that the employment land review could be the 'mother document': its first section would provide an overview of the economy, its second section would focus down on the B-class uses to consider the demand and supply of employment land, and its third section would propose a spatial strategy for all economic land uses. As well as the employment land analysis in the second section, the strategy would be informed by other evidence, including retail and infrastructure studies. A new Technical Advice Note could usefully guide authorities on implementing these recommendations.
- 4.28 In this report, we take a similar approach. At the level of objectives and principles, our analysis and recommendations deal with all economic land uses. But when considering more specific issues of land allocation and development management we narrow our focus to the B-class uses, as required by the study brief. A study that considered these specifics for all economic land uses would be unmanageably large.

### The Economic Objectives of Planning

- 4.29 In discussing the economic objectives of planning, we set the scene with a little economic theory about the role of planning in the economy. We then discuss recent attempts in other countries of the UK to formulate economic objectives for planning. Readers with no interest in economics might prefer to go directly to paragraph 4.67 below.

#### Theory

- 4.30 The evaluation in Chapters 2 and 3 found that national and local planning documents were unclear about economic objectives; and hence they did not provide a good enough basis for plan-making and development control decisions. By contrast, national economic development documents set out more robust objectives – including, in *Economic Renewal* (2010), clear-cut principles about the role of government intervention in the economy.
- 4.31 In this section, we aim to define a specific role for land-use planning in delivering these national economic objectives, consistent with *the Economic Renewals* general view of the role of Government. This amounts to setting economic objectives for planning. It should help underpin more effective plan-making and development control, because, as we suggested earlier, in order to take good decisions one needs to know what one is trying to achieve.

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- 4.32 We take as our starting point the traditional economic theory of market failure and government intervention which underpins the approach of an *Economic Renewal* (see paragraph 2.29 above). This theory is a staple of undergraduate textbooks, always for economists and sometimes for town planners. Briefly summarised, it holds that the market, when left to its own devices, maximises economic efficiency and hence the economy's total output (GDP, economic well-being, economic growth etc). But this is only true in a theoretical world in which markets work perfectly. In real life, there are market imperfections, or *market failures* – which mean that the market will not maximise total output, unless the failures are corrected by government. Correcting market failure provides much of the rationale for many kinds of government intervention, including land-use planning.
- 4.33 On this basis government has a large job to do, because markets fail often and badly. While in some cases market failures can be corrected by a touch on the levers, in other cases markets work so badly that the more efficient solution is to replace them entirely with other mechanisms.
- 4.34 Different types of policy intervention correct different kinds of market failure. As noted in countless textbooks, one role for land-use planning is to control environmental and amenity impacts, so that smoky factories do not locate next to people's homes for example. Less obviously, one of planning's main tasks is to address failures of information and foresight – providing certainty, looking to the long term and integrating different land uses or developments into a coherent whole. Another essential task is to deal with the adverse effects known in the jargon as 'external costs', which include congestion, pollution, health risks and also climate change - described by Lord Stern as the largest market failure of all.
- 4.35 It is often assumed that policy intervention to correct market failure is always negative, to stop things happening. This is wrong. Many planning interventions are positive, to do things which the market fails to do. Examples include initiatives to regenerate old employment areas or develop new ones, using Area Action Plans for example. These interventions are especially worthwhile where demand is deficient and property markets are weak. They make the economy more productive and more efficient by repairing failures of information, co-ordination and foresight.
- 4.36 In the theory, even if markets work perfectly and so produce the highest possible wealth in total, there is no reason why they should produce a fair distribution of that wealth, or indeed the costs of generating it. Therefore, besides correcting market failure, a second rationale for government intervention in the economy is to promote social justice, also known as fairness or inclusion. Planning does this, for example, by steering development and jobs to disadvantaged areas.
- 4.37 All this abstract theory has concrete and practical implications for land-use planning, and particularly the planning of *economic* land uses.
- 4.38 Most obviously, the theory suggests that planning should let market forces have their sway, unless market failure or social injustice provides a good reason to intervene. Market failure and social injustice aside, planning should aim to meet the
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market demand for land: that is, it should release for development the quantity and qualitative mix of land which business want to occupy, landowners want to provide and developers want to build on, at mutually satisfactory prices and rents. If planning does that, the economy's total output will be as high as it can be.

- 4.39 All this could be taken to mean that planning should be abandoned in favour of a development free-for-all. This would be quite wrong, because as we have seen planning is needed to deal with market failure and social injustice, and these imperfections are hugely prevalent – often more the rule than the exception. But the theory does suggest that planning should give some credit to market forces as drivers of economic efficiency and wealth creation; and if it does stop businesses, landowners and developers doing things they want to do, it should have clear reasons for doing so.
- 4.40 Perhaps less obviously, the theory suggests that it is not the planners' job laboriously to calculate the costs and benefits of proposed developments. This is part of what *Economic Renewal* is trying to convey when it says that government should not second-guess the action of markets, but should focus its intervention on things that markets fail to do. The market is a decentralised decision-making system in which prices act as the transmission mechanism.
- 4.41 So, for any proposed development, the balance of costs and benefits is already 'in the price'. If the development is commercially viable, and if there is no market failure, it should automatically result in that use of the site which makes the best possible contribution to the economy. The second 'if' is of course a very big one, as previously noted. Where prices are distorted by market failure – for example, polluters do not pay for the damage they cause - the market will produce sub-optimal outcomes. But still planning should aim to correct the distortions, rather than replace the market altogether.
- 4.42 A final implication from the theory is that the economic benefits of development, being channelled through market mechanisms, cannot be readily traced back to their source, nor do they necessarily arise in the same place. To illustrate through an often-quoted example, a development of large-scale strategic warehousing may deliver few visible benefits in its immediate locality, if it provides few jobs in relation to land area. But the development may generate substantial benefits: modern logistics lowers distribution costs and improves the supply of goods, so raising the economically sustainable level of output and employment in the economy as a whole. These benefits mostly accrue to people who live a long way from the new warehousing, and the link between the new development and the resulting benefits is 'in the price': it operates through market mechanisms but is not visible either to the naked eyes or to planners' analyses.
- 4.43 The analysis above may be difficult to understand or accept in a planning context. Its practical relevance should become more obvious from the next three sections, in which we discuss attempts to formulate economic objectives for planning in the other countries of the UK. These experiences are interesting for two reasons.



Firstly, the fact that in the last two years all three countries have addressed the issue in new planning policy suggests that it is important and urgent. Secondly, they provide lessons for Wales on how this should (and should not) be done.

### *Experience in England*

#### *The Barker Review*

- 4.44 In England, economic arguments similar to the above were rehearsed at length in the 2006 *Barker Review of Land-Use Planning*, already mentioned in Chapter 2. Barker, echoing the economic theory discussed earlier notes that planning has a very positive role:

*'The planning system can help stimulate investment through providing greater certainty of land use, encouraging a more efficient use of infrastructure, providing for infrastructure and public goods, and aiding place-shaping and regeneration that can improve the fabric of our towns and cities.'*

- 4.45 But Barker also maintains that, in making plans and responding to development proposals, planning fails to weigh economic benefits at their true value. The underlying idea has already been discussed in the last section: planning does not know how to measure the benefits of economic development, because they are mediated through market mechanisms and do not occur in the same places. Barker adds that planning is biased against many types of development, because some of their adverse effects - such as impacts on amenity and transport infrastructure - are visible, geographically concentrated and immediate, in contrast, economic benefits may be untraceable, geographically diffuse and long term.
- 4.46 Barker's summary of her key recommendations is reproduced overleaf. Among other things, the review proposes:
- That planning should be more positive about economic development – so when a planning application is in accordance with an up-to-date development plan it should normally be approved, and when it is not covered by an up-to-date development plan it should be approved unless its adverse impacts are likely to outweigh its benefits;
  - That planning should be more responsive to market signals – so, for example, *'if the price of land for industrial use is substantially below the price of land for commercial use, this is a market signal that the industrial land could be more productively used for commercial purposes'*;
  - *'A strengthening of the consideration given to economic factors in planning policy, so that the range of direct and indirect benefits of development are fully factored into plan-making and decision-making along consideration of any potential costs'*.
- 4.47 With regard to the third point, we note for further reference that 'costs' in this context refers to adverse external impacts of the development, such as environmental damage, rather than the normal costs of development and occupation.

## **The Barker Review: Key Recommendations**

- Streamlining policy and processes through reducing policy guidance, unifying consent regimes and reforming plan-making at the local level so that future development plan documents can be delivered in 18-24 months rather than three or more years;
- Updating national policy on planning for economic development (PPS4), to ensure that the benefits of development are fully taken into account in plan-making and decision-taking, with a more explicit role for market and price signals;
- Introducing a new system for dealing with major infrastructure projects, based around national Statements of Strategic Objectives and an independent Planning Commission to determine applications;
- Promoting a positive planning culture within the plan-led system so that when the plan is indeterminate, applications should be approved unless there is good reason to believe that the environmental, social and economic costs will exceed the respective benefits;
- In the context of the Lyons Inquiry into Local Government to consider enhancing fiscal incentives to ensure an efficient use of urban land, in particular reforming business rate relief for empty property, exploring the options for a charge on vacant and derelict previously developed land, and, separately consulting on reforms to Land Remediation Relief;
- Ensuring that new development beyond towns and cities occurs in the most sustainable way, by encouraging planning bodies to review their green belt boundaries and take a more positive approach to applications that will enhance the quality of their green belts;
- A more risk-based and proportionate approach to regulation, with a reduction in form-filling, including the introduction of new proportionality thresholds, to reduce the transaction costs for business and to increase the speed of decision-making;
- Removing the need for minor commercial developments that have little wider impact to require planning permission (including commercial microgeneration);
- Supporting the 'town-centre first' policy, but removing the requirement to demonstrate the need for development;
- In the context of the findings of the Lyons Inquiry into Local Government, to consider how fiscal incentives can be better aligned so that local authorities are in a position to share the benefits of local economic growth;
- Ensuring that Secretary of State decisions focus on important, strategic issues, with a reduction by around 50 per cent in the volume of Secretary of State call-ins;
- Ensuring sufficient resources for planning, linked to improved performance, including consulting on raising the £50,000 fee cap and allowing firms to pay for additional resources;
- Enhancing efficiencies in processing applications via greater use of partnership working with the private sector, joint-working with other local authorities to achieve efficiencies of scale and scope, and an expanded role of the central support function ATLAS;
- Speeding up the appeals system, through the introduction of a Planning Mediation Service, better resourcing, and allowing Inspectors to determine the appeal route. From 2008-09 appeals should be completed in 6 months; and
- Improving skills, including through raising the status of the Chief Planner, training for members and officers, and wider use of business process reviews.



#### PPS4

- 4.48 In due course, the *Barker Review* was taken forward into national policy through the new *PPS4* (December 2009), which we have already quoted. The PPS follows Barker in taking a positive approach to economic development. Its main policies are set out in three sections, dealing respectively with the Government's objectives, plan-making policies and development management policies. The opening sentences of these three sections read respectively:

*'The Government's overriding objective is sustainable economic growth'<sup>15</sup>.*

*'Regional planning bodies and local planning authorities should ensure that their development plan:*

- a) *Sets out a clear economic vision and strategy for their area which positively and proactively encourages sustainable economic growth...*

*'Local planning authorities should adopt a positive and constructive approach towards planning applications for economic development. Planning applications that secure sustainable economic growth should be treated favourably.'*

- 4.49 But in its more detailed discussion of objectives, *PPS4* is much like its Welsh equivalent, *PPW* Chapter 7, discussed earlier. Similar to Chapter 7, *PPS4* lists a series of 'objectives for planning' which is a general list of good things, but does not amount to a clear-cut statement of *economic* objectives or what planning should to further these objectives.

- 4.50 *PPS4* implements many of Barker's practical recommendations, for example in removing the retail needs test and maximum parking standards for non-residential development. (Further Barker recommendations were implemented through other routes, for example a new system to deal with major infrastructure projects.) It also tries to take forward Barker's central messages about the relationship between planning and the market, the use of market signals and the weight of economic benefits. But the message is diluted almost beyond recognition. It is found at Policy EC11, which reads in its entirety:

*"In determining planning applications for economic development (other than for main town centre uses) which are not in the development plan, local planning authorities should:*

- a) *Weigh market and other economic information alongside environmental and social information;*

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<sup>15</sup> Growth that can be sustained and is within environmental limits, but also enhances environmental and social welfare and avoids greater extremes in future economic cycles'.

- b) *Take full account of any longer-term benefits, as well as the costs, of development, such as job creation or improved productivity including any wider benefits to national, regional and local economies...';*
- c) *Consider whether those proposals help to meet the wider objectives of the development plan.*

- 4.51 Points a) and b) of policy EC11 are clearly based on the Barker recommendations. But in our view they do not successfully translate this recommendation into planning policy. From an economist's perspective, we think that the words do not convey Barker's message. From a planners' perspective, we know from experience that they do not provide a clear or helpful decision rule.
- 4.52 Part of the problem is in the drafting. 'Weigh market and economic information' is not a successful translation of Barker's injunction to 'respond to market signals'. Costs' in context means 'adverse external impacts of the development', but is more likely to be understood as 'the applicant's development costs'.
- 4.53 Altogether, Policy EC11 seems to suggest that planning decisions should be based on a complex cost-benefit analysis, double-guessing the applicant's view of the economic costs and benefits of the development. This would be quite contrary to Barker's message, that the calculation of most costs and benefits should be left to the market, and planning should focus on correcting for market failure, including any adverse external impacts that the development may have.
- 4.54 So our reading of Policy EC11 is that it does not convey Barker's message clearly, and it does not tell local planning authorities what to do in a language they can understand. This is confirmed anecdotally by our discussions with planners in England and by local documents we have read. In our experience, planners simply do not understand how they are expected to weigh costs and benefits in the way described by the policy. Many are especially puzzled by the reference to productivity, wondering how they can measure the impact of a development on productivity and what planning has to do with productivity anyway.
- 4.55 To sum up, *PPS4* states loudly and clearly that planning should support sustainable economic growth, and it introduces some practical measures to help make this happen. But it does not take forward effectively Barker's key principles about the relationships of planning and the market and the weighing of economic benefit. These are also the key principles behind *Economic Renewal*. Later in this report we will suggest how they can be used more effectively in Wales, to underpin a robust statement of the economic objectives of land-use planning. But first we look at recent experience in Scotland and Northern Ireland

### *Experience in Scotland*

- 4.56 Scotland's overarching statement of national planning policy is *Scottish Planning Policy (SPP)*, published in February 2010. The document is similar in intent to *PPW*, but about four times shorter, so it provides far less detail.

- 4.57 Under the heading ‘Sustainable Economic Development’, SPP provides a reasonably clear and definitely positive account of the economic objectives of planning - including, in its last sentence, a broad view of how planning should respond to the market.

*‘Increasing sustainable economic growth is the overarching purpose of the Scottish Government... The Government Economic Strategy sets out how sustainable economic growth should be achieved, and identifies five strategic priorities that are critical to economic growth – learning, skills and wellbeing; supportive business environment; infrastructure development and place; effective government; and equity. The planning system should proactively support development that will contribute to sustainable economic growth and to high quality sustainable places. Achieving sustainable economic growth requires a planning system that enables the development of growth enhancing activities across Scotland and protects and enhances the quality of the natural and built environment as an asset for that growth. Planning authorities should take a positive approach to development, recognising and responding to economic and financial conditions in considering proposals that could contribute to economic growth.’*

- 4.58 Later in the document a ‘subject policy’ on economic development says more about what local authorities are required to do – though again little detail is provided:

*‘Authorities should respond to the diverse needs and locational requirements of different sectors and sizes of businesses and take a flexible approach to ensure that changing circumstances can be accommodated and new economic opportunities realised. Removing unnecessary planning barriers to business development and providing scope for expansion and growth is essential. The planning system should support economic development in all areas by:*

- Taking account of the economic benefits of proposed development in development plans and development management decisions,
- Promoting development in sustainable locations, particularly in terms of accessibility,
- Promoting regeneration and the full and appropriate use of land, buildings and infrastructure,
- Supporting development which will provide new employment opportunities and enhance local competitiveness, and
- Promoting the integration of employment generation opportunities with supporting infrastructure and housing development.

*The planning system should also be responsive and sufficiently flexible to accommodate the requirements of inward investment and growing indigenous firms.*

*Planning authorities should ensure that there is a range and choice of marketable sites and locations for businesses allocated in development plans, including opportunities for mixed use development, to meet anticipated requirements and a variety of size and quality requirements.*

*Marketable land should meet business requirements, be serviced or serviceable within 5 years, be accessible by walking, cycling and public transport, and have a secure planning status. The supply of marketable sites should be regularly reviewed. New sites should be brought forward where existing allocations do not meet current and anticipated market expectations. Where identified sites are no longer considered appropriate or marketable, they should be reallocated for another use through the development plan. The specific needs of different businesses should be taken into account in development plans and development management decisions, including the importance of access to the strategic road and rail network and opportunities for transport by water for manufacturing, warehousing and distribution uses.*

*Development plans should support small business development and growth and promote opportunities for low impact industrial, business and service uses which can co-exist with housing and other sensitive uses without eroding amenity. Planning authorities should adopt a flexible approach to working from home where the amenity of surrounding properties will not be significantly affected. The tourism industry is one of Scotland's largest business sectors and planning authorities should support high quality tourism related development, including the provision of appropriate facilities in key locations across urban and rural Scotland. Some specialist activities such as research and development and knowledge-driven industries require locations where there is high environmental quality and connections to relevant academic and research institutions and similar businesses.*

*High environmental quality can be an important component in attracting investment into an area and can provide important economic opportunities, for example through tourism and recreation. Planning authorities should therefore ensure that new development safeguards and enhances an area's environmental quality and, where relevant, should promote and support opportunities for environmental enhancement and regeneration. Previously developed land (also referred to as brownfield land) is a potential source of sites for new development and planning authorities should support and promote proposals to bring vacant or derelict land back into productive use for development or to create more attractive environments. Not all previously developed sites are available in the short term, but areas can be identified where investment in site assembly, remediation, infrastructure and environmental improvement will enable successful development in the longer term. Vacant and derelict land and obsolete commercial and industrial property can act as a constraint on the economic growth of towns and cities. Authorities should therefore adopt a proactive approach to encouraging the reuse of buildings and previously developed land, making use of land assembly and compulsory purchase powers to enable redevelopment opportunities.'*

- 4.59 We make no apology for quoting this policy in full, because it is interesting in several ways. The policy sets out many, though not all, of the basic principles we advocated earlier. It says clearly that planning should factor in the economic benefits of development, without PPS4's confusing reference to 'costs'. It says that

planning should aim to meet market demand, both in identifying new sites and dealing with existing ones, and adjust flexibly when the market changes. It also considers when planning should correct the market, in order to deal with market failure of promote social and environmental objectives. Finally it promotes a vigorous role for planning in creating good environments and opportunities for economic development, including through links between planning to economic development interventions.

- 4.60 In these ways, *Scottish Planning Policy* provides a good practice model for new planning policy in Wales. But it is not a perfect model. In our view, principles and objectives could be set out more clearly. A larger problem is that the document is not specific enough about what local authorities should do to respond to these principles and objectives. For example, few if any readers will understand how they should ‘*take account of the economic benefits of proposed development*’ or ‘*promote competitiveness*’. Nor is there any indication of how planning authorities should decide how much land they should provide for the different economic uses – perhaps the most critical planning decision of all when it comes to economic development. Nor is *SPP* supported by more detailed guidance. The Scottish Government provides around 20 Planning Advice Notes (PANs), similar to the Welsh TANs, but only one is about planning for the economy - *Rural Diversification* (2005).

### *Experience in Northern Ireland*

- 4.61 National planning policy for economic development in Northern Ireland is provided in *PPS4: Planning and Economic Development*, issued in November 2010. That document makes it clear that economic growth is the top priority of the Northern Ireland Executive and planning should play its part in supporting it. But neither the new *PPS4* or its predecessor published in 1997, say anything specific about how planning should address this objective or how it should weigh economic benefits.
- 4.62 In an attempt to fill this policy gap, the Environment Minister in May 2009 said, in a statement to the Northern Ireland Assembly:
- ‘I want to give decision makers the confidence and support to make judgements which will give greater weight to economic considerations wherever it is appropriate to do so... Full account shall be taken of the economic aspects of a planning proposal, including the wider benefits to the regional or local economy, alongside social and environmental aspects. Where the economic benefits of a proposal are significant then substantial weight should be afforded to them.’<sup>16</sup>*

<sup>16</sup> [Home](#)•[Media centre](#)•[News by Department](#)•[Department of the Environment](#)•[May 2009 news releases](#) • ‘Planners to give greater weight to economic aspects, Wilson confirms’



- 4.63 The Minister added that planners often faced competing interests when assessing development proposals and had to balance important social, economic and environmental considerations; and that

*‘The purpose of this statement is to provide certainty and give guidance so that the planning system can play a positive role in encouraging investment and kickstarting regeneration.’*

- 4.64 This statement, and a similar statement made in June 2009, were legally challenged on the grounds that they amounted to new planning policy, which should be properly tested and consulted upon. The High Court agreed and quashed the statements on 1<sup>st</sup> October 2010. In January 2011 the Executive published a consultation draft of *PPS 24: Economic Considerations*, whose text was taken from the quashed ministerial statements. *PPS 24* contains just one policy, as follows:

**‘Policy EC 1 – economic considerations**

*Full account shall be taken of the economic implications of a planning proposal, including the wider implications to the regional and local economy, alongside social and environmental aspects in so far as they are material considerations in the determination of the planning application to which they relate.*

*Where the economic implications of a proposal are significant, substantial weight shall be afforded to them in the determination of that planning application. In such cases, substantial weight can mean determinative weight.’*

- 4.65 The supporting text reads in full:

*‘To allow the planning authority to make an informed decision on an individual development proposal, it is essential in submitting planning applications, that sufficient information about the economic implications (positive and negative) is provided. This information should be proportionate to the scale and significance of the relevant development proposal.’*

- 4.66 Like the English and Scottish planning policies discussed earlier, the new draft *PPS 24* establishes the principle that planning decisions should give significant weight to economic benefits. But it says even less about how planning authorities should go about delivering this principle in practice.

***National Objectives for Planning in Wales***

- 4.67 In formulating a statement on the economic objectives of planning in Wales, our first step is to create a non-technical, planner-friendly version of the theory of market failure and government intervention – which was discussed earlier, and which is behind *Economic Renewal; a new direction* as well as the *Barker Review*. We would start from some commonsense principles:

- i Planning does not generate economic activity and jobs and it cannot do much by itself to promote economic growth or productivity. Businesses know what sites they need, in what locations, to operate efficiently. Planners do not know these



things. So, to support business efficiency, planning should generally provide land to match market demand.

- ii But planning *can* prevent growth, by failing to provide the land that businesses need. A site identified for economic use will only generate output and jobs if it is developed and occupied. So, if planning is to support economic growth, it must provide sites that the market wants; this means sites that are attractive to occupiers and financially viable to develop.
- iii For this, planning must identify land in advance of market demand, because one of its main tasks is to provide certainty, and because major land releases take a long time to come forward for development.
- iv But planning should not always meet market demand, because the market is not always right – far from it. Market forces will not do nearly enough to reduce carbon emissions, direct jobs and investment to poor areas or protect wildlife for example. Nor will they do anything like enough to bring together disparate developments into coherent spatial strategies.
- v It is the job of planning to correct these market failures in the public interest. But, if planning is to support economic growth as the Government intends, it should attempt to do so in ways that do not reduce economic growth in Wales as a whole below what it would be otherwise.
- vi Bearing in mind points i and ii above, this means that so far as possible planning should provide the quantity and mix of sites that the market demands.
- vii But provision does not necessarily have to be at the exact places that demand occurs. To do its job, planning needs to guide development to sustainable and appropriate locations. This may reduce output and employment in Wales if it causes firms to operate less efficiently or locate elsewhere. Planning should try to keep these losses to a minimum, while integrating and balancing economic benefit with social and environmental objectives.

4.68 At point v above, we do not mean to suggest that public policy in general, and regulation in particular, should not constrain economic growth. On the contrary, in many cases the social and environmental costs of proposed development will outweigh its economic benefits, and in these circumstances it is government's job to stop the development happening, even if this means lower economic growth. But in general this is probably the job of regulatory regimes other than land-use planning. Unlike authorities that deal with health and safety or environmental protection for example, planning authorities do not have the power to stop any particular project or type of project happening. All they can do is stop things happening in certain places.

4.69 Based on the above principles, we would suggest (as a first draft) the following statement on the economic objectives of planning, which could be included in a new version of *PPW* Chapter 7.

- a) The Welsh Government wants planning positively to support economic and employment growth, alongside social and environmental sustainability.

- b) To this end, planning should aim to ensure that the growth of output and employment in Wales as a whole is not constrained by a shortage of land for economic uses.
- c) Local planning authorities should aim to provide the land that the market demands, except where there are good reasons to the contrary, which may include the considerations in the next paragraph.
- d) Local planning authorities should guide and control economic development to correct market failure and promote social and environmental sustainability. In particular, it should aim to:
  - Co-ordinate development with infrastructure provision;
  - Support priority sectors and clusters, as identified in national and local economic policies;
  - Align jobs and services with housing so as to reduce the need for travel, especially by car;
  - Promote town centres as the main location for retail, leisure and other economic uses that attract large numbers of people;
  - Promote the re-use of previously developed land;
  - Deliver physical regeneration and employment opportunities to disadvantaged communities;
  - Promote the vitality, diversity and environmental quality of towns and villages;
  - Deliver agreed economic and spatial strategies.
- e) In applying these and other considerations, local planning authorities should aim to steer economic development to more appropriate locations, rather than prevent or discourage such development.

4.70 The list at point d) above of course does not exhaust the policy considerations that authorities should have regard to. Rather, we have focused on those issues which are particularly relevant to economic development. Most if not all of them of course are re-statements of general matters that apply to all land uses and are mentioned elsewhere in PPW. But we think these points are worth repeating in Chapter 7, to remind authorities of their importance in the context of economic development.

4.71 At item c) in the proposed policy, we would have liked to add '*across Wales as a whole*'. If the objective is to maximise *national* output and employment, planning should steer development to the most appropriate locations in Wales, which in some cases will mean crossing local authority boundaries. But at present there is no mechanism whereby planning can operate above the local authority level, as Wales has neither an effective national spatial strategy nor regional spatial strategies. We will return to this issue in a later section.

4.72 The draft policy proposed above can feed directly into Local Development Plans and development control decisions. It also has particular implications for two aspects of planning: firstly the economic/employment targets in local plans and

secondly the assessment of economic benefits, which should inform both land allocations and development control decisions. We consider these two questions in turn below.

### **Objectives and Targets**

- 4.73 As we have discussed in Chapters 2 and 3 above, both national policy and local plans are confused about the 'need' for land for economic use. It is not clear how local authorities should measure future need and set provision targets, and how either need or targets should relate to demand. In practice, the question applies particularly to 'employment land' (the B-class uses), because, as we have seen, for other economic land uses it is easier to measure requirements and there are established methods for doing so.
- 4.74 Based on the statement of objectives in the last section, we would suggest a four-stage approach to assessing employment (B-class) land requirements and setting land provision targets for local planning. In outlining this approach below, for simplicity we mostly assume a local authority working on its own. Later in this report we will argue that local authorities should work together across administrative boundaries, and also that much of the information they need should be provided centrally, either by the Welsh Government or by local authorities collectively.
- 4.75 At the *first stage*, authorities should estimate future employment over the plan period, and the resulting market demand for employment space (floorspace and land):
  - It will be helpful to start with an analysis of the current property market, which considers the potential demand over the short to medium term, including the qualitative aspects. The analysis should focus on effective demand – what occupier businesses can afford rather than what they would like and the viability of development.
  - To predict demand over the longer term, the starting point should be employment by sector, taken from econometric forecasts. Such forecasts are of course uncertain and prone to error, and especially so at local level. But they are the only way to predict demand many years ahead, and they can be improved by adding local knowledge to the standard top-down figures.
  - For the B-class uses, jobs should be translated into long-term quantitative space requirements, through assumptions about sector-to-land-use relationships, employment densities and plot ratios.
- 4.76 The assessment should take into account the impact of policy interventions that will impact on jobs, the demand for land and the viability of development. Thus, if there are economic development initiatives to support certain sectors, or regeneration funding to help bring sites forward, the authority's demand assessment should reflect the higher demand for space, or the lower costs of providing space, that are expected to result from these measures.

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- 4.77 At the *second stage*, the authority should move from forecasts to objectives, by ‘bending’ employment forecasts to take account of policy considerations – including environmental and social priorities, the capacity of the area’s land and infrastructure and wider spatial strategies. For example, an authority that has little physical capacity, or gives higher priority to other land uses, may wish to see less employment growth than the forecasts show, especially in land-hungry sectors. If lack of land is not to constrain economic growth, such an authority should aim to divert demand to nearby areas, working co-operatively with neighbouring authorities.
- 4.78 More often, authorities will aim for more employment growth than the forecasts show, especially in priority economic sectors. There is of course nothing wrong with this. Forecasting as noted earlier is not an exact science. Economic forecasts normally show a single ‘central scenario’ – the future which the forecaster considers the most likely. In reality, the central scenario is surrounded by a wide area of uncertainty, so it is very possible that demand will be higher (or indeed lower) than shown than the central scenario. The range of uncertainty may be illustrated by producing upside and downside scenarios in addition to the central forecast. A local authority may adopt an upside scenario as its economic objective, for example if it needs new jobs to reduce unemployment or match planned housing growth.
- 4.79 However, authorities must avoid aspirational economic objectives that grossly overstate achievable growth. A useful objective should be achievable as well as desirable and unrealistic objectives can be seriously harmful. Over-allocating employment land may sterilise sites which could be developed for other uses, or it may unnecessarily allocate greenfield sites, threatening landscape and wildlife without good reason. It may also skew infrastructure plans, resulting in wasted investment, especially on transport.
- 4.80 Over-ambitious growth aspirations may also result in harmful territorial competition, diverting investment and jobs from neighbouring local authority areas. (To avoid such counter-productive competition is one of the reasons why authorities should plan strategically across administrative boundaries, as discussed later in this chapter).
- 4.81 At the *third stage*, the authority should assess the actual and potential supply of employment land over the plan period, through a qualitative and quantitative audit of actual, proposed and potential employment sites. The analysis should not be limited to new employment sites; it should also consider the future of existing employment sites, to consider if they should be safeguarded for their existing uses, re-allocated for different employment uses or released for other uses. Concentrations of vacant land and vacant buildings should be examined closely to see if they are still fit for purpose and financial viable in their allocated employment use. Where the answer is negative, they should be re-allocated to alternative uses.
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- 4.82 The actual and potential supply should be compared with demand scenarios, both in terms of quantity and quality, to generate alternative scenarios that illustrate the available policy options.
- 4.83 Finally at the *fourth stage* the authority should select its preferred option and set its land provision targets accordingly. These targets should be informed by the analysis above, but also reflect the authority's aspirations and priorities. For example, an authority that aims to maximise jobs may set a high target, providing enough land to accommodate the most optimistic 'upside' scenario, or even slightly more, to make very sure that no opportunities are missed. An authority that hopes to attract a major inward investor may allocate one or two large sites for that purpose, although it is not certain that the demand will materialise.
- 4.84 But, for reasons discussed earlier (see paragraph 4.79), planning should not grossly oversupply employment land. So land provision targets should not be too far above reasonably expected demand, and they should be subject to regular reviews, informed by monitoring of actual take-up. So, if after five years it is obvious that the original employment scenario was wrong, it should be revised downwards. Similarly, if in five years no major inward investors have come forward, the sites set aside for them may be de-allocated or re-allocated for another use.

### **Linking Land-Use Planning and Economic Development Strategies**

- 4.85 In Wales, economic development strategies and economic development interventions will be an especially important factor in planning for employment land. For many years until recently, the former Welsh Development Agency, largely funded by EU Objective 1 funds, played a major role in employment development. The WDA had its own spatial strategies for employment space, but we understand that it had little interaction with planning authorities, possibly producing a disconnect between planning policies and decisions and wider economic priorities.
- 4.86 The WDA has now been incorporated into the Welsh Government, but EU funding for economic development continues. In many parts of Wales, where local economies are affected by structural disadvantage and long-term demand deficiency, economic development initiatives may largely take the place of the private market in generating industrial and commercial development and demand for employment land.
- 4.87 In these circumstances, it is especially important that planning and economic development teams work together to provide the best conditions for economic growth. A range of new and emerging national initiatives are currently providing new opportunities in this direction, including Enterprise Zones, Tax Increment Finance and Local Development Orders. In places where the property market is weak, economic development teams should also propose land allocations as 'candidate sites', to ensure that the Local Development Plan makes provision for future economic development. In these places, planning should also intervene positively to stimulate demand and encourage development, through tools like development briefs, Area Action Plans, masterplanning and the like.

- 4.88 As mentioned earlier, local authorities in Wales are no longer required to produce economic development strategies. But those authorities where economic development and regeneration initiatives play a major role in the local economy will still need a strategy to guide and co-ordinate the different interventions. If they choose not to produce an economic development strategy, part of the economic evidence base for the local plan might perform this function, or large parts of it.
- 4.89 As is clear from the case studies in Chapter 3, the work of assessing land requirements, setting economic targets and integrating spatial with economic strategies is technically challenging. The suggested new TAN should provide clear advice on these tasks.

### *Gauging Economic Benefit*

- 4.90 Our earlier discussion on the role of planning and the market suggests that it is neither helpful nor possible for planners to assess the costs and benefits of economic development proposals. Nevertheless, we do need to define a crude yardstick of the benefits of economic development. This is not in order to make decisions which the market should be making, but to deal with situations when the market fails to deliver the right answer – for example to help weigh the benefits of a proposed development or land allocation against its potential adverse impacts.
- 4.91 In an ideal world, impacts on national and local output (GDP/GVA), employment and earnings would be the yardsticks of choice. In the real world, unfortunately, there are no accurate output data for small areas, let alone individual developments; and, as previously discussed, it is not remotely possible to trace the impact of particular changes through the wider economy. So we must use simple, imperfect, rule-of-thumb measures. We would suggest the following indicators:
- Jobs to be provided in the development
    - Where no direct information is available, use estimates based on standard employment densities.
  - Additionality
    - An additional job is one which, on the balance of probability, would not be located in Wales if the proposed development or land allocation did not go ahead. Additionality of course cannot be measured precisely, but it can be assessed in broad terms, based on activity sectors or other evidence. To take an extreme example, the jobs in a proposed retail park will not be additional to Wales – though they may be to the local authority area – but in a new science park a significant proportion of jobs may be additional to Wales.
    - Additionality is an important criterion, because it supports the national objective of economic growth for Wales, as opposed to growth of one area at the expense of another. In relation to local objectives, of course it is local additionality that counts.



- Additionality is a technically complex subject. To assess whether a development delivers jobs which are additional to a given geographical area, as noted earlier we have to consider deadweight – whether, if the development had not occurred, the jobs it houses would have located elsewhere in the same area. But we must also consider a second criterion, known as displacement. Even if a business (or job) is not deadweight, it will not be additional if it displaces other businesses (or jobs) in the target area, for example by competing with them for the same customers.
- Thus, start-up units supported by local authorities often attract local service businesses such as window-cleaners and plumbers. It may be that many of these new businesses would not have come into existence if the new units not been available. But, insofar as the new businesses compete in the local market for a given volume of demand, the new jobs they create will be offset by jobs lost in existing local businesses that provide the same services to the same customers.
- Additionality of course cannot be measured precisely. We are not suggesting that local planning authorities should try to assess it through complicated research. Rather, the idea is to use simple rules of thumb, which would be provided in technical guidance. For example, we know that providing a site for retail development may generate net additional jobs in the immediate locality, depending on the kind of retail involved; but it is very unlikely to generate additional jobs in the wider region.
- Priority sectors and areas
  - Other things being equal, expected economic benefits should carry greater weight if they contribute to particular policy objectives, in that, for example:
  - They contribute to the regeneration of deprived areas or employment/training opportunities for deprived communities;
  - They support priority sectors and clusters as identified in economic strategies, including green industries;
  - They make a particular contribution to wider spatial strategies, for example for the growth or regeneration of certain areas.

4.92 An updated PPW Chapter 7 should reflect these criteria, both in its plan-making section and its development control section - which in turn should feed into criteria-based policies in Local Development Plans. A new TAN should provide more detailed guidance to help understand and use the criteria. Among other things, this guidance should indicate what information should be provided by developers, landowners or occupiers, in support of proposals to develop land for economic uses or to release for other uses land currently safeguarded for economic uses.

4.93 Under this guidance, there should be no requirement to submit large amounts of detail or complicated analyses. One reason for this is that, as discussed earlier, economic activity is a good thing in its own right, so unless there are good reasons

to the contrary planning should aim to meet demand. This should lighten the burden of proof that falls on the promoter or applicant. Another reason is that complicated analysis in this area is generally not robust. In particular, elaborate calculation of multiplier effects are not accurate enough to provide reliable information on the comparative merits of one proposal against another; the margin of error is too large for that.

## Strategic Planning

### *The Case for Planning Strategically*

- 4.94 If it is to serve the Welsh Government's objectives, planning for economic development needs to be regional or national as well as local. Individual local authorities in isolation cannot plan effectively to support economic growth. There are many reasons for this, including that:
- Businesses are footloose across local authority boundaries, so land supply in any one authority impacts on demand in neighbouring authorities. Therefore, to ensure they meet demand and take advantage of opportunities, authorities must ensure that their plans are mutually consistent.
  - Similarly many workers travel to work across local authority boundaries. If each authority plans for its own area, considering only its own residents or workplace workers, it is not possible to align housing and jobs to minimise travel to work.
  - Where each authority plans for its economy in isolation, there may be an oversupply of land for desirable uses such as prestige business parks, resulting in counter-productive competition and unnecessary land releases. There may also be too little land for 'bad neighbour' uses.
  - Planning policy should help ensure a strategic focus in infrastructure investment, so the limited funds available are targeted for the greatest benefit. This cannot be done at the level of individual authorities, because strategic infrastructure serves larger geographies, and investment in any one local authority area impacts on neighbouring areas.
- 4.95 Behind these various issues, there is a straightforward principle. For government to be effective, the geographical level at which a decision is taken should roughly match the geographical area on which this decision impacts. So decisions that (mostly) affect single local authority areas should be taken by local authorities and decisions that (substantially) affect larger areas should be taken at a higher level. The problem is that many decisions relating to the planning of economic land uses have major impacts beyond local authority boundaries. Yet these decisions are taken by individual authorities, based on their local priorities.

### *Recent Developments in Wales*

- 4.96 Under the present system, aside from the Wales Spatial Plan – which we have discussed earlier – there are no formal arrangements for planning to cover areas larger than local authorities. However the Assembly Government is currently

encouraging joint working between local planning authorities through the Planning Improvement Fund, an arrangement whereby authorities will receive grants to support improvements in planning services delivery. For 2011-12, the official guidance on the Fund shows that one of the four key priorities for which this funding is available is *'to ensure the availability of specialist planning services through joint working between local planning authorities'*. For work to improve policy capacity under this heading and six others, the grant payable for 2011-12 will be up to £30,000 per authority.<sup>17</sup>

4.97 The message of the guidance document, that joint working improves delivery and cuts costs, seems to be taken from the Simpson review of local authority service delivery, also produced in March 2011 for the Welsh Government<sup>18</sup>. The review makes recommendations for more collaborative working between authorities across a wide range of local government services. On planning, Simpson and his team conclude that *'mainstream planning should continue to be delivered on a local basis because of the need for accountability, public engagement, policies and priorities'*. But the review does propose some centralisation, in relation to specialist functions and administrative processes as opposed to 'mainstream planning': It recommends that mineral planning and other specialist services should be organised nationally, and formal standards and requirements relating to planning applications should be standardised across Wales.

4.98 With regard to development plans, the Simpson review says:

*'Local Development Plans (LDPs) are currently being developed and in place in some areas. These sit within the context of the Wales Spatial Plan and it makes sense that while clearly local in focus, the plans are developed with reference to one another and the broader objectives of the Spatial Plan area. Bringing LDPs close together in this way would provide a path for increased efficiency at reduced cost.'*

4.99 This passage seems to say that local authorities should co-operate more closely in producing LDPs. But this suggestion is not carried forward into the formal, numbered recommendations of the Simpson review.

### **Options for the Future**

4.100 For the future, there is a wide range of options for filling the 'strategic planning gap' – which of course affects other areas of planning beside economic development. A limited reform would be to place on authorities a duty to co-operate, as is currently

<sup>17</sup> Welsh Assembly Government Planning Division, *Planning Improvement Fund, Guidance on Funding Arrangements for 2011-12*, March 2011

<sup>18</sup> *Local, Regional, National: What services are best delivered where?* A Report to Carl Sargeant AM, Minister for Social Justice and Local Government

proposed in England. Co-operation could include, for example, joint evidence bases and agreement on key land allocations and broad land provision targets.

- 4.101 More ambitiously, a higher tier of planning, above the LDPs, could be established, either across Wales as a whole or for selected areas such as the main 'city regions' – where the need for strategic planning is greatest. These regional plans could come together as a new Wales-wide spatial plan or they could remain separate documents. Under this new system, some matters (e.g. total provision targets, broad spatial strategy, key allocations, and some development criteria) would be covered by the higher-tier plan; many other matters, including most site-specific policies and decisions, would remain local.
- 4.102 The Welsh Government could lead the production of the new strategic plans, or it could require local authorities to produce them through joint working. Central and local government could work together to define the joint planning areas, set the ground rules and develop practical ways of working.
- 4.103 Strategic plans should be merged with, or closely linked with, strategic infrastructure planning.

### *Experience Elsewhere*

- 4.104 In designing new arrangements for strategic planning or local authorities working together, the Welsh Government might learn good and bad practice lessons from the English Regional Spatial Strategies, introduced in 2004, albeit they are shortly to be abolished. A useful reference document is the report published by a parliamentary committee on 17<sup>th</sup> March 2011<sup>19</sup>, which rehearses the case for strategic planning and reviews the experience of the RSSs.
- 4.105 Aspects of the Scottish system could also provide helpful models of how strategic planning might be approached. Scotland has 34 local planning authorities, who prepare Local Development Plans and are responsible for most development management. But for the four city regions of Aberdeen, Dundee, Edinburgh and Glasgow, comprising the city authorities and surrounding areas, there is a two-tier planning system, in which a Strategic Development Plan deals with region-wide issues.
- 4.106 Regardless of what is decided about regional planning, we suggest that local authorities' planning for economic land uses should be supported by a central information source. The information provided should include key property market data, for example on volumes of development, rents and floorspace availability (vacancies). It should also include baseline economic and employment forecasts, possibly translated into B-class space requirements as well, which would form a

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<sup>19</sup> UK Parliament, Communities and Local Government Committee, *Abolition of Regional Spatial Strategies: a planning vacuum?*, 2011

common starting point for authorities. Such an initiative would resolve technical errors and inconsistencies on large scale, it would help ensure enforce minimum standards in data collection and analysis, it would encourage joint working across administrative boundaries, and it would cost far less than for each authority to provide its own data. In the next chapter, we finalise our recommendations for more effective and more economy-friendly planning, informed by the discussions above and the evaluation of the existing system in Chapters 2 and 3.





## 5 RECOMMENDATIONS

- 5.1 We have six recommendations for improvement to planning for economic development in Wales:
- i Amendments to *Planning Policy Wales*, including a new version of Chapter 7: Supporting the Economy - which, to emphasise its positive approach, might be renamed Planning for Economic Growth;
  - ii A new Technical Advice Note (TAN), with a similar title, supported by a new online data source, and a review of other relevant TANs;
  - iii Dissemination and training, addressing both local authorities and the private sector, to embed the new policies and approaches in these documents;
  - iv Strengthened links between land-use planning and economic development policies and interventions;
  - v New arrangements for strategic planning across local authority boundaries;
  - vi The Welsh Government should undertake a review of the impact of planning policy and related regulation on the viability of development.
- 5.2 The main principle behind these recommendations is that planning should aim not to constrain the nation's economic growth. But this study has not looked at all the ways in which this could happen. It has excluded consideration of the planning application process, which is covered by an earlier review.

### Planning Policy Wales

- 5.3 Below, we make recommendations to Chapter 7 of PPW, *Supporting the Economy*, which deals with economic land uses generally and the B-class uses in particular. The objectives and principles we have proposed will also have implications for Chapters 10-12, which deal with other economic land uses – including retail and town centres – and with infrastructure. It would be beyond our brief to propose changes to these other chapters.
- 5.4 New national policy on planning for economic development should provide a definition of economic development, a clear statement of the economic objectives of planning, guidance on Local Development Plans and development management policies. Below, we provide first-draft policies on these questions. The first two repeat proposals we have already made in Chapter 3.

### What is Economic Development?

- 5.5 The revised PPW Chapter 7 should indicate that:
- *Economic land uses* (or *the economy*) comprise the activities that generate wealth, jobs and incomes, and *economic development* is development that provides space for these activities.
  - Economic land uses among other things include the B classes uses (offices, research and development, industry and warehousing), retail, leisure, public services and many other economic activities.

- Chapter 7 covers all economic land uses but also includes particular policies on the B-class uses, which comprises the traditional employment land uses. Particular policies on other economic sectors are in Chapter 10 (Retail and Town Centres), Chapter 11 (Tourism, Sport and Recreation) and Chapter 12 (infrastructure and Services) of PPW. Policies for economic land uses in rural areas, covering all sectors, are in TAN 6.

### Objectives

- 5.6 As a first draft, we should suggest the following statement on the economic objectives of planning:
- a) The Welsh Government wants planning positively to support economic and employment growth alongside social and environmental sustainability
  - b) To this end, planning should aim to ensure that the growth of output and employment in Wales as a whole is not constrained by a shortage of land for economic uses.
  - c) Local planning authorities should aim to provide the land that the market demands, except where there are good reasons to the contrary, which may include the considerations in the next paragraph.
  - d) Local planning authorities should guide and control economic development to correct market failure and promote social and environmental sustainability. In particular, it should aim to:
    - Co-ordinate development with infrastructure provision;
    - Support priority sectors and clusters, as identified in national and local economic policies;
    - Align jobs and services with housing so as to reduce the need for travel, especially by car;
    - Promote town centres as the main location for retail, leisure and other economic uses that attract large numbers of people;
    - Promote the re-use of previously developed land;
    - Deliver physical regeneration and employment opportunities to disadvantaged communities;
    - Promote the vitality, diversity and environmental quality of towns and villages;
    - Deliver agreed economic and spatial strategies.
  - e) In applying these and other considerations, local planning authorities should aim to steer economic development to more appropriate locations, rather than prevent or discourage such development.

### Local Development Plans

- 5.7 PPW should say that, among other things, Local Development Plans should:
- Set out an economic vision and strategy for the area, including broad objectives for employment change by broad sector and land use;

- Provide targets on land provision for the B-class uses, showing net change in land/floorspace for offices and industry/warehousing separately
- For the B-class uses, include policies relating to existing employment sites:
  - To encourage the regeneration and re-use of sites which are still suitable and needed for employment
  - To control and manage the release of unwanted employment sites to other uses
- Subject to other priorities and considerations, provide the right amount of land and the right qualitative mix of sites to meet the market demand for economic land uses;
- Focus especially on providing land for priority economic sectors;
- Give priority to development that will deliver physical regeneration in run-down areas;
- In safeguarding existing sites and providing new sites, prioritise sites that deliver appropriate job and training opportunities to disadvantaged communities;
- Concentrate development that attracts large numbers of people, including retail and offices, in city, town and village centres (cross-reference to Chapter 10);
- Include criteria-based policies to deal with development not specifically mapped in the development plan and help respond to unexpected change;
- Work with neighbouring authorities to plan strategically for employment land (to be reworded, depending on whether a strategic planning layer is introduced).

5.8 Local authorities should be encouraged to keep development plans under review and update them when relevant circumstances change, and in particular when major shifts in the economic and market climate make existing policies irrelevant or impractical.

### ***Development Management Policies***

5.9 *PPW* should say that local planning authorities should adopt a positive and constructive approach to applications for economic development. In determining applications for economic land uses, authorities should take account of the likely economic benefits of the development. In assessing these benefits, key factors include:

- The numbers of jobs expected to be accommodated on the site;
- Whether, should the development not go ahead, it is likely that these jobs would not be exist in Wales at all;
- Whether, and how far, the development will help redress economic disadvantage or support regeneration priorities, for example by enhancing employment opportunities for deprived communities or upgrading the environment in run-down areas;
- Any contribution to the development of priority sectors and clusters as identified in economic strategies, including green industries;

- Any contribution to wider spatial strategies, for example for the growth or regeneration of certain areas.

5.10 *PPW* should also advise that applications for economic land uses which are not in accordance with the development plan should be approved if the economic benefits of the development outweigh any adverse impacts.

### Technical Advice Notes

5.11 A new TAN will be an essential delivery tool for the new *PPW*, helping local authorities produce robust evidence bases and sound policies for economic development in general and the traditional employment uses in particular. As a minimum, it should cover the following headings:

- Objectives and principles
  - Role and objectives of planning
  - Assessing the economic benefits of development
    - Criteria
    - Information
- Planning for the economy
  - Policy context
  - Local economic profile
  - Drivers of change
  - Infrastructure
  - Projections and forecasts
    - Future scenarios
    - Relating jobs to population and housing
    - Dealing with uncertainty
  - Whole-economy policies
    - Developing an economic vision
    - Linking planning to economic development strategies and interventions
    - Setting employment targets
    - Aligning jobs and housing
    - Aligning jobs and infrastructure
    - Priorities between competing land uses
    - Monitoring
- Planning for employment land
  - The current market
    - Analysing the current market
    - Engaging the private sector
  - Demand and supply in the long term

- Forecasting employment and the demand for land
  - Translating jobs into space
- Sites audit
  - Quantitative inventory and qualitative assessment
- Comparing demand and supply
- Setting provision targets
- Employment sites and areas
  - Existing employment sites
    - Renewing the stock
      - Supporting and managing brownfield regeneration
    - Dealing with 'unwanted' employment sites
      - Safeguarding v managed release
    - Dealing with non-B uses in employment areas
  - New allocations
  - Criteria-based policies
  - Positive intervention to encourage development
- Monitoring
  - Supply and take-up
  - Values and viability

5.12 Under each heading, the TAN should advise authorities how they should proceed and why. The advice should not be unduly prescriptive: the idea is to give authorities a starting point, or default approach, which they may depart from if they wish, as long as they still conform to national policy as set out in *PPW*.

5.13 The discussion in Chapter 4 provides a starting point for some of this technical guidance. In particular, in paragraph 4.73 onwards we outline the process of setting broad objectives for the local economy and specific targets for employment land provision. In paragraph 4.93 we discuss what information should be submitted in support of economy-related proposals, stressing that there should be no requirement to submit large amounts of detail or complicated analyses.

5.14 As argued earlier, to plan effectively for employment land will also require strategic evidence and strategic policies, which look across local authority boundaries. We have not specified the strategic angle as a separate heading, because it impacts on many of the headings. How the TAN deals with the topic will depend on what is decided about national or regional plans and/or duty to work jointly or co-operatively.

5.15 Based on our experience both in Wales and elsewhere, the most technically challenging issues, on which the TAN needs to focus, include:

### *The Economy*

- Understanding economic objectives, economic benefits, the roles of planning and the market;
- Forecasts and targets: the difference between the two, how economic forecasts are done, what they mean, their limitations, how to adjust them and how not to;
- Additionality, deadweight and displacement
  - Where additionality is relevant, how to make a broad assessment of it
- Defining and measuring economic impacts
  - How should applicants demonstrate the impact of proposals to develop land for economic uses, or conversely to transfer land currently in economic use to other uses

### *Land and Property*

- Qualitative site appraisal
  - Focus on fitness for purpose/market potential rather than prestige (occupiers are interested in value for money; the sites most in demand are often the less prestigious ones).
  - Look closely at those existing employment sites, to identify which are still required for employment and which are no longer fit for purpose and should be released for other uses.
- Stocks and flows
  - Distinguishing between the stock of land and change in that stock;
  - Distinguishing gross and net change
  - Dealing with loss of existing sites as well as development of new sites
- Providing enough land to allow for competition and choice.
- Property market analysis
  - What evidence to use, how to analyse it, what it means
  - How to combine short-term market analysis with long-term forecasting.
- How to plan strategically and work co-operatively with neighbouring authorities.
- Monitoring
  - Keep under review the big assumptions underpinning your strategy
  - If the world has changed, review the strategy.

5.16 The temptation to make the TAN long and complicated should be resisted. Local authorities and planning applicants need a concise, practical document that people without specialist knowledge of economics can understand and use. A final draft of the TAN should be piloted in two or three local authorities to test its fitness for purpose in different circumstances (large and small authorities, urban and rural areas). Experience suggests that this pilot stage is important. Without it, any errors or imperfections in the draft would be difficult and expensive to correct.



- 5.17 As discussed earlier, planning for economic uses would be very much improved if local authorities had access to a central information source to provide property market data and economic and demographic forecasts. Ideally this information would be offered online, linked to *PPW* and the new TAN. The site could be managed either by local authorities collectively or by the Welsh Government. It should focus on quality rather than quantity, providing a small volume of data that are closely aligned to what authorities need (as specified in the TAN), simply presented and well supported by definitions and explanatory notes.
- 5.18 As well as a new TAN on planning for the economy, there should be a review of the TANs that relate to the role of statutory consultees, to ensure that their technical content is up to date and clear, and that they emphasise that their assessment and advice must be *proportionate* to the scale and nature of proposed developments. To ensure that this happens in practice, statutory consultees should be involved early and actively in plan-making and development management casework, in close dialogue with local authorities. The more closely these organisations work with planning authorities, the more their advice will respond to the wider planning agenda.
- 5.19 All the other TANs that relate to economic land uses should be reviewed in due course, to ensure that they reflect the new approach to planning for economic growth.

### Dissemination and Training

- 5.20 For maximum effect, new national policy and guidance will need to be actively promoted through a programme of dissemination and training, addressing both local authorities and the private sector.
- 5.21 In local authorities, the programme should target both planning and economic development teams, and there should be separate events for officers and members.
- 5.22 In the private sector, the programme should address both the property industry (agents, developers, investors) and occupier businesses, though in our experience the property industry is much easier to engage. The programme should focus on two main topics: it should encourage applicants to engage in the development Local Development Plan process and it should explain how developers, landowners and occupiers should demonstrate the economic benefits of their proposals.
- 5.23 If possible, local authorities, working collectively, should lead the dissemination and training programme. This would help ensure that they own the new system and it becomes embedded in the culture and day-to-day ways of working. Professional bodies such as the RTPI may also play a key role. The process of dissemination to the private sector would help authorities engage local businesses, landowners and developers in the planning process.

## Strengthen Links with Economic Development

- 5.24 For reasons discussed in Chapter 2, planning for the economy would be more effective if land-use planning was more closely linked to economic strategies and interventions, and economic development teams played a greater role in land-use planning. The new TAN should promote this. In particular, it should encourage authorities to make the most of the new and emerging national initiatives that aim to promote local economic development, including Enterprise Zones, Tax Increment Finance and Local Development Orders.
- 5.25 The new TAN should also suggest that Economic Development Officers input into Local Development Plans and are routinely and formally consulted on planning applications that relate to economic land uses – not only in relation to new development, but also when there are proposals to redevelop employment land for other uses.
- 5.26 Where demand is deficient and the property market is weak, planners and economic development teams should work together to maximise opportunities for growth. Economic development departments may put forward ‘candidate sites’, so that the Local Plan makes provision for future economic development. Planning should use Area Action Plans, development briefs and the like to stimulate demand and encourage development.
- 5.27 As part of the dissemination programme, local authorities should be encouraged to share good practice in linking economic and spatial strategies and in joint working across departmental boundaries.

## Strategic Planning

- 5.28 As discussed in Chapter 4, planning for economic land uses would be much more effective if there were a strategic layer above the Local Development Plan. There is a wide range of options for filling the ‘strategic planning gap’ – which of course affects other areas of planning beside economic development. A limited reform would be to place on authorities a duty to co-operate, as is currently proposed in England. More ambitiously, a higher tier of planning, above the LDPs, could be established, if not across Wales as a whole then for selected areas such as the main ‘city regions’ – where the need for strategic planning is greatest.
- 5.29 Central and local government could work together to define the joint planning areas, set the ground rules and develop practical ways of working. Strategic plans should be merged with, or closely linked with, strategic infrastructure planning.

## Development Viability

- 5.30 Another weighty issue that is beyond our scope relates to the impact of regulatory burdens and developer contributions on the viability of development. If low-carbon requirements, developer contributions, infrastructure tariffs and the like make certain types of economic development unviable in certain places, economic growth may be seriously constrained regardless of what national planning policy says. The

impact of these factors is a critically important question, which lies on the boundary of planning policy and tax policy. It should be investigated separately.

### Will It Change Anything?

- 5.31 If our recommendations are implemented, we believe that they will make a large difference in practice. Planning will do more to support economic growth and jobs, by making Wales a better place for business. Business and commercial developers should find the planning system more positive, more user-friendly, more predictable and simpler.
- 5.32 Our main point is to propose some simple principles. *Planning should seek not constrain the nation's economic growth. It should aim to create good environments for business and to meet the market demand for land. Where development proposals are inappropriate or unsustainable, planning should aim not stifle development, but steer it to more suitable locations.*
- 5.33 These principles may look self-evident, but our research shows that they are not always understood or accepted, and even when they are accepted it is not clear what planners should do to deliver them in practice.
- 5.34 Local planning documents are required to take national policy as their starting point. Therefore, if they are stated in national policy, the principles we have proposed will be extensively quoted in development plans and development management decisions. This will provide clear and positive ground rules to underpin decision-making. We believe it will result in much more positive, more economy-friendly and more consistent planning, even if nothing else is done to reform the planning system.
- 5.35 But we are proposing further reforms. The Welsh Government should provide clear and simple technical advice – for instance on how to predict future land requirements and how to assess and weigh the economic benefits of proposed development. Local authorities should develop and disseminate good practice on these technical issues and on better ways of working for planning and economic development teams.
- 5.36 All this will tell local planning authorities, developers and businesses what they should do in practice to deliver the principles set out earlier, and therefore it will make planning more effective and more economy-friendly. It will also make planning more consistent, more logical and cheaper, because planning authorities and applicants will have easy access to ready-made methods and techniques, rather than constantly re-inventing the wheel.
- 5.37 Finally we suggest that effective planning for the economy needs a strategic layer, above the level of individual authorities. If we plan for the economy nationally and regionally as well as locally, planning will be more effective in steering development and investment to the most efficient and most sustainable locations, regardless of which local authority area they are in.



## APPENDIX 1

### CONSULTATION WORKSHOPS





## Introduction

To help inform this study, the Welsh Government hosted three consultation workshops bringing together stakeholders from the private, public and voluntary sectors. The workshops took place in late January 2011, when our initial research was completed and we had started to formulate our conclusions and recommendations. They were held in Llandudno Junction, Llandrindod Wells and Treforest Industrial Estate respectively. In total, more than 100 invited participants attended, representing the organisations listed below.

ABP South Wales Ports	Gwynedd Council	Vale of Glamorgan Council
AECOM	Harmers Limited	Denbighshire County Council
Bat Conservation Trust	Harrow Estates Plc	Mid Wales Tourism
Beresford Adams Commercial	Hughes Architect	Wales Environment Link DPP
Blaenau Gwent County Borough Council	Keep Wales Tidy	Monmouthshire County Council
Bluefox Technology	King Sturge LLP	Welsh Government
Boyer Planning	Rhondda Cynon Taff County Borough Council	DTZ Debenham Tie Leung
Brecon Beacons National Park Authority	Richard Baddeley & Co	Neath Port Talbot County Borough Council
Bridgend County Borough Council	RICS Wales	Welsh Local Government Association
Caerphilly County Borough Council	Robert Chapman & Company	Elan Valley Trust
Capita Symonds	RSPB	Newport City Council
Central Wales Economic Forum	RTPI Cymru	Wildlife Trusts Wales
Ceredigion County Council	Savills	Emanuel Jones
City and County of Swansea	Snowdonia National Park Authority	Pembrokeshire County Council
Conwy County Borough Council	South West Wales Economic Forum	Wrexham County Borough Council
Federation of Small Businesses in Wales	Stevenson & Alexander	Eversheds
Flintshire County Council	TSR Surveyors	Powys County Council
Geldards	Countryside Council for Wales	WYG Planning and Design
Groundwork Wales	Knight Frank	
Gwent Wildlife Trust	Turley Associate	
	Cynon Valley Crime Reduction Services Limited	
	Legat Owen	

In each session, the study team shared its emerging findings and conclusions and invited participants to put forward their own views. The discussion focused on five broad issues:

- What is economic development?
- The economic objectives of planning
- The roles of economic development and planning teams
- The contents of plans and evidence base documents
- Development management, flexibility and dealing with the unforeseen

Below, we summarise the main points made on each issue. We have aimed to take account of these points, as relevant, throughout our report. Naturally the workshop participants did not agree about everything; in reporting a point we are not implying that all or most participants agreed with it.

### ***What is Economic Development?***

Planners still focus on the traditional employment uses, also known as B-class uses – industry, warehousing and offices. But most would recognise that other economic sectors also make a contribution.

The study should cover all economic land uses, not just the B class. The non-B economic uses are just as valuable. For example, in many parts of Wales tourism is a key sector. Retail and leisure are key sectors for SMEs, which economic policy aims to support. These non-B sectors have been growing in importance as traditional industry has contracted.

Non-B-class uses are increasingly creeping into employment areas. This may not be a bad thing, as these other economic uses may be needed to replace jobs lost in traditional sectors. We need policies of ‘managed retreat’ from B-class designations.

Planning for a wider mix of uses can help economic development through enabling development that pays for infrastructure to serve employment sites.

There is too much emphasis on the B-class uses, particularly B2. The Welsh Government will often insist on retaining B2 uses on their own land although demand for such uses has been declining for 20 years or longer.

All economic uses provide benefits but the B-class uses are more important.

Local authorities are sometimes not clear on how they should deal with non-B economic sectors such as tourism. The Welsh Government should provide guidance on this.

There should be a radical review of the Use Classes, like that which occurred in A classes = A1-A3 A1-A5 in England.

### ***Economic Objectives***

#### ***What should be the economic objectives of planning?***

There is uncertainty about what national economic objectives are, and therefore it is not clear whether local plans are aligned with these objectives. Clearer statements of national economic policies are required. In particular, the Welsh Government should give a clear direction on the weight that planning should give to economic objectives.

National policy and guidance should define the type of businesses the Welsh Government would like to encourage, including establish the balance between large-scale inward investment and local businesses in Local Development Plans (LDPs).

It is important that plans be used positively and actively for creating the right business environment. But current Welsh Government policies do not help enable the right development in the right locations. The Wales Spatial Plan fails to provide a spatial strategy. We need a spatial plan that goes further. A proper spatial plan would support economic development.

Policy should improve the quality of life, which means we need to consider environmental and social objectives alongside economic ones.

Development plans do not provide policy 'hooks' to support economic development, unlike ecology for example. So the planning process is biased against economic development.

Zero carbon by 2020 is a Welsh Government objective. This objective should be reflected in national economic development policies and steps should be set out to enable Welsh Government to achieve it.

Planning can facilitate development but cannot bring it about. Development is driven by market forces. Planning should not get in the way of these market forces.

Economic objectives should not be considered in isolation. Whenever a planning document relates to economic objectives, social and environmental objectives should also be mentioned, in the same sentence. We should not think (just) in terms of balancing economic benefit against the environment and social objectives. As well, or instead, we should aim to integrate the three in win-win solutions.

The Welsh Government should give local authorities a steer on the weight they should give to economic objectives against social and environmental ones.

There is no need to set out more objectives. Local authorities know that the economy is important and creating local jobs is a priority for them. In practice authorities will always do what is good for their economies.

The Welsh Government/Welsh Development Agency have been focusing too much on areas qualifying for EU grant aid funding. This has had negative consequences for other areas. It also distorts priorities and encourages short-termism as projects are selected because they are eligible for funding, not on their own merits.

### *Is raising GDP a valid objective for planning?*

GDP is a macroeconomic indicator. It is difficult to apply it meaningfully to local authority areas.

It is difficult at local level to weigh national economic objectives. GDP cannot be measured at the local level, so local authorities need to use other indicators, such as numbers of jobs and employment rates.

The three aspects of well-being - environment, economy and social- should be considered when setting targets and measuring sustainable economic renewal. GDP is not a good measure of well-being because it does not capture health, for example.

People don't see what GDP or productivity is to do with planning.

*Are national economic objectives clear enough and how can we make them clearer?*

Economic objectives are not clear. For example it is not always understood that economic growth and jobs do not mean the same.

Local authorities have mutually inconsistent interpretations of national objectives.

Important economy-related objectives are being missed by local authority planners. The Welsh Government should tell local authorities more clearly what it is aiming to do.

There are problems in translating national economic objectives at the local level. For example, is it about jobs or about physical regeneration, or both? Also is it about local jobs, or jobs for local people? And should we be looking at net rather than gross job creation? It should be clear what indicators we should use to assess these things. If local authorities are to support national economic development objectives, they need to be clear what these objectives are and how their achievement can be measured.

Often development management officers do not know of changes in Welsh Government policies and therefore new national objectives are not always taken into account in assessing applications. Development management officers may spend 80% of their time on minor applications unrelated to economic development, so they often do not have the experience to deal with planning applications for large employment uses.

Planning officers should be encouraged to keep more up to date with changing policies in PPW.

*How should the Welsh Government's economic objectives be reflected in local plans?*

When authorities determine planning applications the main policy document they refer to is the local plan. So, to ensure that decisions take account of national economic objectives, these objectives should be stated in local plans.

LDPs should not repeat national policies, but rather apply them to local circumstances.

Where planning officers do refer to national policies, references are often kept in the background rather than explicitly stated.

To promote economic objectives we need benchmarking and indicators – 'what gets measured gets done'. The Welsh Government needs to define targets, benchmark and thresholds to be used in planning. To do this, an element of pragmatism is needed.

The Welsh Government and LDPs should provide planning criteria that reflect economic objectives. For example, a development proposal that supports economic development in a deprived area should gain additional weight.

The number of net new jobs created is a good measure of economic benefit but it is difficult to measure. Guidance is needed on this.

Local planning authorities need guidance on how to balance short term versus long term objectives. In some areas economic diversification in some areas is important, and this takes a long time.

Local authorities need technical guidance on how they should plan for economic development.

Development plans should undergo an economic assessment to ensure that they support economic development objectives, both national and local.

Evidence base documents are often better at reflecting national economic priorities than Local Development Plans.

If LDPs do not fit with the national policy agenda then Welsh Government should tell the authorities.

It may be that local planning does not pay enough attention to national objectives, but how much difference does this make in practice? Local authorities are committed to supporting their economies and job creation. It is more important to get things right in practice than on paper.

## ***Roles and Responsibilities***

### ***Whose job is it to understand and promote economic development?***

Now that the WDA has been absorbed into the Government there is a disconnect in national policy between economic objectives and delivery. The WDA had a major role, especially in relation to inward investment. Now it is not clear who is in charge of regulation and who is in charge of promoting and engaging business either at national or local level. The Welsh Government needs to define roles, including its own.

Local planning authorities should develop a more proactive culture in relation to economic development. The Welsh Government should be telling authorities when it sees that positive action is required.

Even if local authorities are doing everything right, for economic development we also need strategic planning at a higher level. Local authorities are too small to plan for the economy in isolation.

Markets cut across local authority boundaries, but planning is not always joined up between neighbouring authorities. More collaboration should be encouraged.

The Wales Spatial Plan does little or nothing to support local planning. We need a proper spatial strategy to deal with issues that transcend local authority boundaries

We need a strategic plan and joint working to deal with cross-boundary issues and to control competition between neighbouring authorities. Competition is a problem because businesses have options on where they invest and locate.

The WDA's Property Strategy was a good attempt to plan strategically. But it was never taken forward into planning policy and when it expired there was nothing to replace it.

The Welsh Government should encourage local authorities to be more commercially minded. They need to understand what is going on in their economies and how the property market works.

Businesses should get consistent treatment from the planning system wherever they are. They need to know what the rules are, who they should speak to and so forth. In the present system inconsistency is a problem because it leads to uncertainty and discourages business from making applications.

Strong political leadership is needed to encourage economic development.

Sometimes elected members go against officers' recommendations without clear reasons.

Statutory consultees play an important role in the planning system. Their advice often goes against economic development proposals.

#### *What is the role of planning officers in relation to economic development?*

Planners should be objective and impartial and apply the rules fairly. They should not be championing any interests, including business interests. Applicants should be encouraged to make their own case, not rely on officers to make it for them.

Where sites are allocated for employment in the Local Development Plan, or their development would help meet LDP objectives, planners should encourage development to come forward.

Planners should not actively promote applications for development. But they *should* understand what benefits the development would produce and they could be more sympathetic towards economic development objectives.

It is helpful for planners to have a positive attitude towards economic development, so long as the development is in the right place at the right time.

Planners do not always have expertise on economic development. So there is a danger that they will not deal with economic development in sensible, consistent and fair ways.

#### *What is the role of economic development teams?*

It is important that economic development officers be formally consulted regarding economy related planning applications. Informal consultations are too easy to ignore. Perhaps economic development officers should be Statutory Consultees.

Economic development officers as well as planning officers need guidance and training on how to deal with economy-related applications.

### **Plans and Evidence Bases**

#### *What should development plans and planning evidence bases say about planning for the economy?*

Planning policies should say how authorities will deal with conflicts and competition between different land uses. This is a difficult question and the Welsh Government should provide guidance on it.



Clear rules are needed on what is good evidence and how it should be interpreted. Otherwise people can use what they call evidence to support either side of an argument.

Local Development Plans should be more closely aligned with economic development strategies.

It is often difficult for applicants to prove that there will be demand for the employment space they plan to provide. There should be guidance on how they can do this.

Applicants should not have to prove demand. It is not a question for the local planning authority.

Employment land reviews are generally less robust and less rigorous than evidence base studies in other areas, such as on retail and housing.

When allocating sites, how should planning deal with the long term? For example, should we allocate sites that are not viable at present but might be viable in say 10 years' time? There is no clear guidance on this, either for planning authorities or applicants.

Complicated guidance on evidence bases may overload the planning process, which could deter business investment and development. Therefore plans and their supporting evidence bases must be simple, pragmatic and responsive.

It is difficult to assess the economic impacts of development. Guidance would be helpful

Inadequate infrastructure is a huge obstacle to economic development. Plans should bring together economic development and infrastructure, to ensure that employment sites are properly served by infrastructure.

The WDA Property Strategy showed how market evidence can be used to direct spatial strategy. But it was not a planning document because it did not consider wider sustainability objectives and it was not tested through the planning system.

The WDA also used to provide useful market information for local authorities. Evidence bases are poorer without this information.

Applicants for planning permission are not clear about what they should do and what information they should provide to support their proposals. The LDP should provide clearer guidance and authorities should talk to businesses more.

It doesn't much matter if local plans say exactly the right things. In practice, it is not the case that planning constrains economic growth. On the contrary, planning favours economic development. In many cases too much weight is given to economic benefits and not enough to environmental and social objectives, and too much land is provided for employment rather than too little. In some places there is 50 years supply of employment land.

The planners do all they can but they can't create demand where there isn't any. Large parts of Wales have long-standing structural problems. We are still suffering the after-effects of the recession. This is what constrains economic growth. Planning isn't the problem.

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## **Development Management**

### *How should planning be flexible and deal with the unforeseen?*

There should be a presumption in favour of development, so development can go ahead as long as it does not damage the legitimate interests of others.

Planning needs to be flexible so it responds to the economic cycle and also to new Government priorities – for example the statement on *Planning for a Post-Recession Welsh Economy*.

In practice, development management can do more to support economic development than formal policies.

Local authorities need guidance on how to deal with the pre-application process.

Requirements for design and access statements are not well aligned with economic development objectives.

Policy planners should be trying to engage businesses at the ‘candidate site’ stage, to ensure that the LDP reflects their future land requirements. This is difficult, because businesses often cannot predict their requirements beyond the very short term.

The shift from ‘development control’ to ‘development management’ within local authorities has resulted in more positive planning. This should be taken further.

Planning in National Parks is especially restrictive.

It would be helpful to extend the duration of permissions for economic uses. This would help deal with economic cycles.

Simplified Planning Zones and Local Development Orders can deliver more flexible planning.

### *How should we deal with development proposals not covered by the development plan?*

Departures from the development plan should be the exception rather than the rule. This is the whole point of a plan-led system.

We need robust criteria-based policies to deal with proposals not in the development plan.

## APPENDIX 2

### MEMBERS OF THE RESEARCH STEERING GROUP



## Research Steering Group

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