

CBI Wales consultation response

Sustainability committee inquiry into planning in Wales

1. This paper is the response of the membership of CBI Wales to the National Assembly for Wales Sustainability Committee's inquiry into the planning system in Wales.
2. The CBI is the UK's foremost business representative body dealing principally with cross-sector issues which affect the business environment in which all companies operate. The CBI's strength lies in its breadth of membership, which includes companies of every size, including over 200 trade associations and academic institutions, and from all sectors of the economy – manufacturing, construction, retailing, financial services, e-commerce, leisure, transport and so on. The CBI represents companies employing about 50% of the private sector workforce in Wales.
3. CBI Wales is pleased to comment on the committee's review of the planning system. Welsh planning policy needs to give industry the confidence to invest in Wales by delivering greater regulatory simplicity and a more balanced approach to major infrastructure developments and be flexible enough to respond to opportunities for safeguarding and creating jobs.
4. Housing supply has an important role in underpinning and enabling wider economic development. Improving the performance of the planning system and facilitating the housing industry's provision for affordable housing must therefore be a central part of the Assembly Government's economic renewal programme.

Introduction

5. For many businesses in Wales, planning is a vitally important issue. A supportive planning system can greatly improve a company's ability to grow and prosper. There are currently a number of strategic challenges for Wales' planning system. Climate change, energy and infrastructure needs will continue to place an unprecedented burden on the planning system in Wales and upon planning officers. Early action is needed to ensure the system is fit for purpose and officials properly supported to meet these challenges. Without a more expeditious planning system there is a real risk that Wales will develop an infrastructure deficit and miss out on low-carbon growth.
6. Planning is possibly the one area where there has been little noticeable improvement in service, despite increasing costs. Industry still faces lengthy delays in processing applications, and the quality of the service and advice offered differs throughout Wales.
7. In our 2006 response to '*Wales: a vibrant economy*' we recommended a 'can do' approach to planning policy which worked with the market- not against. While the recent review of the



BUDDSODDWR MEWN POBL
INVESTOR IN PEOPLE

planning application process is a positive step forward, the problems faced by business by the planning system remain strong. Only time will tell whether these procedural reforms recommended by the planning review are sufficient to improve the planning experience for our members.

8. The planning system in Wales is in a similar position to the system in other parts of the UK. As a result, there is a real opportunity for Wales to gain a competitive advantage if improvements are made quickly.
9. In more recent years many people have also questioned whether the planning system is overburdened with (sometimes contradictory) policy objectives which it is simply not designed to deliver upon. From tackling obesity, meeting climate change objectives, protecting the environment, increasing housing supply and Welsh language- the planning system is being pushed and pulled in a number of directions. In themselves each of these are worthy and important objectives, however, it is legitimate to ask whether the planning system is the best placed regulatory regime to deliver them.

Research study to examine the application process in Wales

10. The recent review into the planning application process was a useful beginning but it cannot claim to have solved all our problems. The review has suggested a number of useful improvements but we believe Wales needs a strategic, forward looking review of the planning system that would enable economic growth and the transition to a low-carbon economy.
11. We welcome the proposal for a policy statement on economic development. A statement that amounts to material considerations to be taken into account in development plan preparation and development control is a useful step forward. It could potentially be significant if the policy statement has teeth and is written with a strong business and economic development input. We look forward to inputting into the Assembly Government's research, due to be commissioned in July 2010, that will evaluate planning policies for economic development against government economic development policies.
12. The adoption of key principles of 'development management' could be the most important recommendation of the review group, but only if it is taken to a fundamental enough degree. Our members inform us that the primary problem with the planning application system in Wales is that the balance between the authority and the applicant appears to have been skewed in the authority's favour over the last fifteen years. Twenty five years ago, there was a presumption in favour of development proposals. The situation now seems to be the presumption against. Balance must be returned to the planning process.
13. The concept of "development management" and a more positive approach by the planning authority and the applicant could in theory lead to a much improved situation. The process should be seen as one of managing development, rather than "controlling" it. This recommendation needs to be accompanied by a clear directive from the Assembly Government to planning authorities that this new, more balanced and positive regime needs to apply in all cases. We will be responding to the Assembly Government's planned consultation in 2011.
14. The report's limited scope means it was not able to tackle all the concerns of industry. There are other underperforming areas outside the scope of the review. For example, it did not tackle:

- The local development plan process
- The need for a strong regional dimension to planning
- The process for dealing with large strategically important projects
- The number of planning authorities in Wales

15. A presumption in favour of quality development must be the starting point of future reforms accompanied by policies to stimulate investment to meet the most important requirement for Wales at present, which is to boost economic performance. A review into the number of planning authorities in Wales would also be welcome.

Delivering low-carbon growth

16. With rising energy prices, many of Wales' manufacturers are looking to develop or increase on-site renewable energy facilities. The ability of Wales' planning system to effectively deliver these and energy from waste projects will be a key factor for some businesses remaining in Wales.

17. The Assembly Government has yet to fully embrace the huge opportunities for Wales presented by the global transition to a low-carbon economy. The current size of Wales' low-carbon sector is one of the smallest in the UK. Thus we are in danger of missing a critical opportunity to grow sectors that have healthy prospects and could deliver high-quality, sustainable jobs across Wales. To maximise opportunities for growth and to attract private capital, the Assembly Government needs to develop a new and ambitious low-carbon economic strategy for Wales.

18. This strategy needs to create a coherent plan of action across the entire Assembly Government for the coming decade. With public finances stretched, such a strategy must map out how the Assembly Government will deliver the market confidence needed to leverage the private investment necessary to make the low-carbon transition a reality. Confidence can only be created by a policy framework that is transparent, long-term and certain.

19. Planning has a fundamentally important role in sustaining and growing Wales' low-carbon economy. Without robust planning reform Wales is unlikely to meet its ambitious energy goals. Urgent reform of Wales' planning system will enable Welsh business to continue to invest with confidence in a new generation of energy efficient technologies.

20. While we clearly need a supportive planning system that enables the changes that need to happen, we are not calling for a planning system that does away with important checks and balances. What is needed is a system that comes to the right decisions more quickly and is better supported to enable a more efficient turnaround in decisions without a diminution in quality.

21. We believe there is a case for a more strategic approach to large energy infrastructure projects, especially renewable energy. We supported the Infrastructure Planning Commission (IPC) model because it promised a more effective approach for very large and strategically important projects.

22. We recognise the UK government's intention to replace the IPC with a Major Infrastructure Unit. We think it can work as long as it retains the timescales and single consent regime of the IPC system. We will be monitoring the impact on the ground carefully.

23. Wales needs a similar joined-up approach for slightly smaller, but no less more important, projects. We are calling for an approach which takes the key benefits of such a fast-track process and applies it to Wales' unique situation.
24. There is also a need for greater expertise of renewable energy projects within local planning teams. Greater sharing of expertise is needed across Wales to help local authorities deal with complex planning applications. By providing extra resources, not only would the plans be met but the developer and local people could be confident that the team knew their subject well and could add value by addressing specific project issues. This would also increase the alignment between national policy and local implementation.

Housing and zero carbon homes

25. We welcome the steps recently taken by the Environment Minister to introduce more permitted development rights for domestic dwellings microgeneration and non-domestic microgeneration.
26. Although we acknowledge progress made towards 'One Wales' target of 6500 homes by 2011, we believe this could begin to falter and do not believe there is sufficiently aligned view across Assembly Government and local authorities in terms of the challenge.
27. The impact of the credit crunch has made many projects unviable and there is a requirement for more commercial awareness of the challenges which developers face to make schemes work. Planning has never fully understood commerciality but there has to be a willingness- now more than ever- to recognise that properties and projects will only be invested in if the investment is commercially viable.
28. S106 agreements have been a recurrent issue for many years and we believe opportunities are being missed to progress a Low Cost Home Ownership (LCHO) agenda. Below is a summary of some of the views of lenders towards LCHO from a recent survey:
 - 'We will not lend where there are onerous conditions on resale such as qualifying employment type/residency etc'.
 - 'Reviewing each scheme for sustainability is time consuming'.
 - 'Standardisation of S106 agreements would be desirable removing unusual/ad hoc requirements'.
29. The reality is that if S106 agreements are onerous then given the capacity issues within the lending industry, some lenders have difficulty with LCHO schemes. There is a risk that only few lenders participate which in turn has an adverse impact on borrowers (e.g. lack of choice).
30. While we understand that local authorities will have differing agendas dependent on their make up we believe there are potentially significant benefits with more harmonisation. We understand that planning officers have to enforce their policies but the reality is that frequently in doing so it means that schemes simply do not move forward.
31. We welcome the Assembly Government's intention to increase the sustainable design of new homes and buildings in Wales. However, such goals can only be realised if the government works with the market, bringing forward proposals that allow businesses to implement the changes smoothly and in-step with the dominant English market.
32. Given the marginal nature of Wales' housing market and its strong ties to the English market, the devolution of building regulations alone will not be sufficient to create a new market for low-carbon homes. Enforcing differential building standards against market fundamentals risks damaging the Welsh housing market. To properly support the growth of low-carbon homes in

Wales we recommend the Assembly Government work toward the English zero carbon homes target of 2016 in partnership with industry.

33. We note that still no local authority in Wales has a completed local development plan.
34. The interplay between different governmental and regulatory bodies has a huge cumulative impact on the private sector (e.g. local authorities, Environment Agency, Countryside Council for Wales and other statutory consultees). Wales needs a better system that consolidates and co-ordinates, lifting the burden on the private sector which is too often caught in the middle.

Cardiff local development plan

35. CBI Wales does not normally respond to local development plans. However, given the importance of Cardiff's LDP we did respond to that particular council's consultation.
36. We shared the Welsh Assembly Government's strong statements on the 'significant degree of risk' posed by the city's LDP and stated in August last year our hope that the joint concern of business and government will lead to the substantial revisions that are needed.
37. The city's LDP set out how the city must grow and be shaped over the next ten years. What it stated would critically shape the future economic growth of the city and, in turn, of Wales. In June 2009 we went on record to highlight the disparity between the council's ambitious economic development strategy and the restrictive LDP.
38. The Welsh government, like the CBI, appeared to have rejected the council's plans on the grounds of it not delivering the range and mix of housing to meet identified needs- instead relying too heavily on flats. We still believe the provision of sufficient affordable family housing and commercial buildings to attract a young, professional workforce to the city will be critical if Cardiff is to remain a destination of choice.
39. We hope Cardiff will gain a more ambitious plan that will allow the city to continue to thrive and prosper. We believe this approach will benefit the city, its people and the nation as Cardiff is better positioned to continue to generate a significant proportion of Wales's national income.

Cumulative effect of regulation

40. Currently there are a number of legislative and regulatory proposals being pursued by the Assembly Government which will impact on some or all parts of the construction sector in Wales. These include:
- Waste Measure provisions for site waste management plans
 - Ambitious zero carbon development standards
 - Wales-specific building regulations
 - Proposed mandatory fire sprinklers for new housing
41. Whilst regulatory impact assessments will be developed for each of these in turn, we are unaware of how the cumulative impact of these measures on key construction sectors is being assessed. At a time when the activity levels in construction are very weak, and prices are static or falling in certain markets, it is critical that this is done.

Conclusion

42. The planning system has a critical role to play in supporting economic growth and wider sustainable development ambitions. The planning system in Wales is still not as responsive as it needs to be to sufficiently support low-carbon growth or enable house building.
43. There remains a feeling among the private sector that while it is now more expensive to submit a planning application, it also takes substantially longer for the local planning authority to arrive at a decision (whether that be an approval or a refusal). The range and value of developer contributions sought by local authorities have also increased substantially, such that the total development costs are increasingly making the residual land value smaller and often of negative value. Developers are approaching the situation where landowners are reluctant to sell. There is little understanding of this within local or national government.
44. A more efficient and effective planning system in Wales would be a strong draw for future private sector investment. In many cases, such as renewable energy, the Assembly Government's own objectives will be threatened if private investors are thwarted by the planning system.
45. When reforming the planning system in Wales the Assembly Government must create a more responsive national planning policy that enables local authorities to respond promptly. They must also recognise that planning projects will only be invested in if the investment is commercially viable.

**CBI Wales
June 2010**