

Small business and infrastructure: Planning

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Foreword

Over the next five years the Government expects investment in UK infrastructure to be some £200 billion. The National Infrastructure Plan, launched by Government in October 2010, sets out the challenges facing UK infrastructure, a prioritisation of what needs to be delivered, and the Government's role in enabling and mobilising resources to tackle the infrastructure challenge.

As the UK emerges from the economic downturn, it is crucial that small businesses are given the tools and the incentives to prosper and grow. This report, which forms part of a

series considering the infrastructure needs of small businesses, discusses the barriers small businesses face in relation to the planning system and suggests how the system can be reformed to create the right conditions to support growth. Taking the needs of small businesses into account when creating and using planning policy is essential to support the economic powerhouse that small businesses represent.



Professor Neil Hoose
Chairman of the Infrastructure Policy Unit, Federation of Small Businesses

“it is crucial that small businesses are given the tools and the incentives to prosper and grow”

Introduction

In February 2011, the Federation of Small Businesses (FSB) invited its members to take part in an infrastructure survey, which looked at the infrastructure issues affecting small businesses in the UK today. The survey asked for views on transport, broadband access, utilities and issues relating to the current planning system and its proposed reforms under the current localism agenda.

This report, which forms part of an infrastructure series, contains some of the findings of that survey. It sets out some of the challenges that small businesses face with regard to UK infrastructure and proposes actions that Government, its agencies and local authorities should take to create the best environment for small businesses to grow and prosper. The FSB is the UK's leading business organisation, existing to protect and promote the interests of the self-employed and owners of small firms. The FSB is non-party-political and with in excess of 200,000 members it represents just under five per cent of the 4.5 million small and medium sized

businesses in the UK, making it the largest organisation promoting and protecting the interests of small businesses.

Small businesses make up 99.3 per cent of all businesses in the UK, and make a huge contribution to the UK economy. They contribute 51 per cent of GDP and employ 58 per cent of the private-sector workforce.

If you ask the UK's small businesses what their infrastructure priorities are, you will invariably receive different replies. However, based on the 1,700-strong sample that responded to the infrastructure survey, a number of themes are common across the small business sector.

The focus of this report is planning, and here we explore the Government's current direction in relation to planning policy and what it will mean for small businesses, and argue the need for a more streamlined, user friendly and cost-effective planning system to promote small business growth.

“Small businesses make up 99.3 per cent of all businesses in the UK, and make a huge contribution to the UK economy”

Method

The infrastructure survey took place online during two weeks in February 2011 and received a total number of 1,739 responses. All UK regions and devolved areas were represented consistently, in accordance with the FSB membership throughout the UK, and the data has been weighted to the membership profile.¹

An appendix setting out a breakdown of the size, sector and geographical location of those small businesses responding to the FSB infrastructure survey can be found at the end of this report.

The infrastructure survey attracted responses from all parts of the

UK, and the results presented and conclusions drawn apply to all regions and nations unless otherwise indicated, such as a reference to a result in a particular region.

The FSB recognises that responsibilities for some of the issues discussed in this document are devolved to the respective governments of Scotland, Northern Ireland and Wales. While the devolved nations have different agencies, departments and institutions, and sometimes even separate legislation, we believe that our recommendations are relevant and apply in principle across the UK.

¹ Where results do not add up to 100 per cent, this may be owing to multiple responses or rounding. Results are based on all respondents (1,739) unless otherwise stated. The survey was undertaken by Research by Design on behalf of the Federation of Small Businesses.

Summary of Asks

Small businesses have every potential to be the drivers of growth that the UK so badly needs – but only if the environment they operate in is conducive to their needs. The FSB thus asks the Government to work closely with the small business community to ensure that the measures introduced as part of the new planning reforms properly address the barriers small businesses face, allow them a greater voice in local planning, and therefore help promote sustainable growth.

The FSB calls on the Government to:

- Work closely with the small business community to ensure that the measures introduced as part of the new planning reforms properly address the barriers small businesses face in the area of planning
- Provide greater clarity on the role of LEPs (Local Enterprise Partnerships) in strategic planning and ensure that they are adequately equipped to undertake this role. Linked to this, we ask the Government to ensure that small businesses are properly represented in LEPs, in reflection of their contribution to the local economy and their huge potential for growth
- Ensure that the new 'presumption in favour of sustainable development' is robust and promotes a system that:
 - is streamlined, transparent and free of unnecessary delay
 - doesn't favour big business at the expense of smaller businesses, and protects existing trading centres
 - is underpinned by a clearly defined principle of 'sustainable development'
- Adopt a robust 'town centre first' policy in the new NPPF (National Planning Policy Framework)
- Consider carefully the risk to the supply of premises available for business growth, with regard to any proposals to change the Use Classes
- Work with planning authorities, practitioners and the business community to develop a user friendly tool to guide businesses through the planning system

- Bring about a step change in the processing of planning applications for minor building works and change of use, to allow small businesses to make quickly the changes that they need to diversify and grow.

The FSB calls on local planning authorities to:

- Ensure that up-to-date Local Plans are in place as quickly as practicable, to provide certainty for small businesses regarding the planning policy landscape
- Adopt the efficient management and processing of planning applications; ensuring that both the cost and the timings of an application are an appropriate reflection of the type of application being considered
- Linked to the above, make greater use of LDOs (Local Development Orders) to allow small businesses to easily and quickly make the changes they need to diversify and grow

- Promote greater transparency and commit to providing a service that recognises the needs of small businesses
- Consider carefully, in the development of their Local Plan, the impact of availability and cost of parking on local trade.

The FSB calls on LEPs to:

- Work collectively, where appropriate, on those infrastructure projects that cross LEP boundaries
- Apply a consistent approach to the planning service across an LEP area, making it easier for small businesses to navigate.

Planning Survey

The current reforms to the planning system in England and Wales present an important opportunity to take a fresh look at the relationship between planning and growth, and particularly at how it can be made simpler to create the right conditions for businesses to grow and realise new opportunities.

At present we are in a state of flux, with substantial changes taking place in the planning system as a result of the Localism Bill's and the Government's decentralisation agenda. For the Government to get this once-in-a-generation opportunity of reform right, it is crucial that it listens to stakeholders such as small businesses, which endure the reality and suffer the consequences of the current, poorly functioning planning system.

Need for efficient planning policy to help small business growth

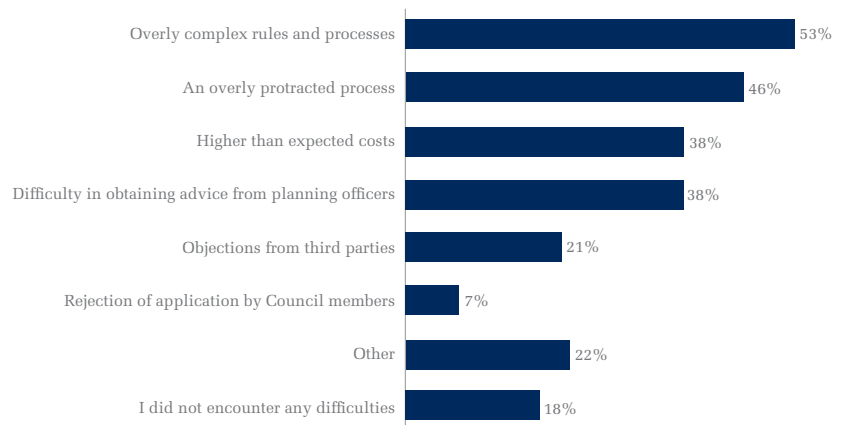
Small businesses are currently faced with a planning system that is overly complex and costly, and in which they are too often met with

an attitude that can be described as anti-growth. Small businesses say that they encounter local authorities who are unhelpful and who have little understanding of and regard for the needs of small businesses.

Just over half (53%) of small businesses that have applied for planning permission in the last two

years say that they found the rules and processes attached to the planning application overly complex. Forty-six per cent say the planning process was overly protracted, 38 per cent say the planning process had higher than expected costs, and the same proportion say that they experienced difficulty in obtaining advice from planning officers.

Fig 1: Thinking about the application process, which of the following, if any, have you encountered?



Base: 182

“The planning process has been vastly improved by the provision of an online service; however, the process can still take too long and untrained councillors can delay applications for spurious reasons, with no comeback on them. The appeal process, should this happen, is not an alternative, as that process can still take more than six months.”

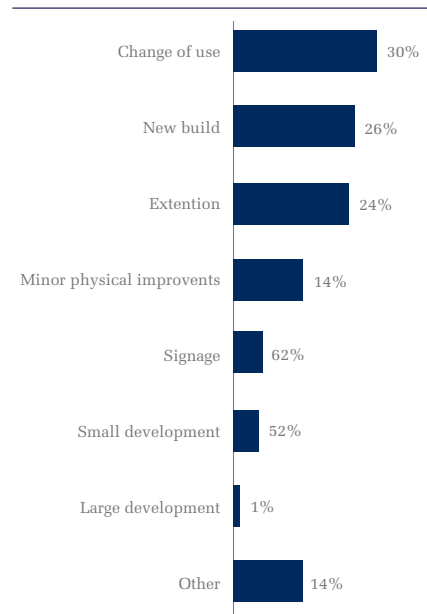
This complexity, the cost and the unhelpful culture of planning officers create a disincentive to submit even a minor planning application. Given that small businesses don't have access to the same levels of staff and finance as big businesses, they are likely to be reluctant to invest time and resources in planning applications, even though just a small alteration to its premises can enable a business to diversify and stimulate growth.

“The planning process for small changes, e.g. new windows, is incredibly cumbersome. There is almost as much paperwork as for building a block of flats.”

The most common type of planning application submitted by small businesses relates to a change of use (30%), followed by new build (26%), extension (24%), and minor physical improvements (14%). Only one per cent of planning applications submitted by small businesses involve a large development.

The FSB would like to see this reflected in the time taken and the cost incurred for a small business to obtain a decision. The FSB understands that small

Fig 2: Specifically, what type of alteration or development does your application relate to?



Base: 183

applications cost disproportionately more to process and is particularly concerned that, when the new system of cost recovery is implemented and planning authorities set the fees, small businesses will be forced to bear this cost, which may, in many instances, be disproportionate to the benefit. The FSB believes that the aim should be to reduce the cost of applications, not to increase the proportion of costs recovered.

The FSB would also like to see greater transparency, and local planning authorities that understand the needs of small businesses and are capable of assisting them through the planning process.

The Government has acknowledged some of the concerns outlined here and is introducing a number of measures expected to streamline planning – making it less costly and less difficult to navigate – and to make the planning system pro-

growth. We address these in turn below.

Strategic planning

While understanding some of the arguments for the abolition of the regional tier of government in England, the FSB believes that there is still a need for sub-national strategic planning of infrastructure. The FSB supports the ‘duty to co-operate’ in the preparation of statutory Local Plans and believes that the new LEPs should also play a major role in strategic planning.

The FSB welcomes the Department for Transport’s (DfT) move in this direction and supports the proposals by DfT to give LEPs a key role in devolved transport decision making. We strongly believe that small business involvement in this process will be essential. Small businesses have a keen sense of the importance of local infrastructure and physical development, and are well placed to identify those schemes that would unlock economic growth. This needs to be recognised and empowered. Thus the FSB calls on the Government: first, to provide greater clarity on the role of LEPs in strategic planning; secondly, to ensure they have adequate powers and resources to undertake this role; and, finally, to ensure that small businesses are properly represented in LEPs, in reflection of their contribution to the local economy and their huge potential for growth.

The FSB would also like to see LEPs working collectively, where appropriate, on those infrastructure projects that cross LEP boundaries. For example, there is an argument for Leeds City Region and Greater Manchester working together to

improve connectivity between these core cities.

The new National Planning Policy Framework – what it means for small businesses.

The FSB welcomes the Government's response to its representations about enabling businesses to become members of neighbourhood forums and therefore bring forward neighbourhood plans and neighbourhood development orders. This will give local businesses a real opportunity to ensure that the forums have a business voice, therefore allowing businesses to help shape their neighbourhoods and drive their local economies.

The Government's new 'presumption in favour of sustainable development', which sets the tone for the new NPPF, is to be welcomed in principle. However, the FSB urges Government to ensure that this is robust and promotes a system that is genuinely streamlined, transparent and free of unnecessary delay.

The FSB is concerned about the number of local authorities that currently don't have an up-to-date Local Plan in place, and calls on the Government and local planning authorities to ensure that all Local Plans are put in place as quickly as practicable, so that sound planning decisions can be made, based on the genuine current and future needs of their communities.

The FSB supports the three pillars that underpin the presumption – economy, society and environment – and will watch with interest to

see how this is manifested in the NPPF. We are concerned to see that the presumption doesn't favour big business at the expense of smaller businesses, and would like to see, for example, safeguards put in place to protect existing trading centres, such as the high street. A presumption in favour of growth should not mean an automatic concession for developers but a pragmatic and balanced approach set against the three pillars.

The Government has promised that the presumption will champion the type of development that the local community wants to see. Communities value their local high streets and town centres. The Government must therefore carefully define 'sustainable development', so that Local Plans give proper protection to those areas that are central to local communities and empower local authorities to resist development that is not in line with that vision.

The FSB believes that a robust 'town centre first' policy should sit at the heart of the new NPPF. There needs to be an emphasis on sustainable town centres, particularly at a time when traders in the UK's high streets are struggling to survive. Over the past few years the FSB has campaigned at a national and a local level to save the high street through its Keep Trade Local campaign, and believes that reinforcing this 'town centre first' approach in national policy would provide much needed support for local trade.

Linked to the matter of safeguarding our high streets is the impact of parking charges on many small businesses. As will be covered in our transport report, also part of the infrastructure series, many small

businesses are adversely affected by the availability and the cost of parking for themselves or for their customers – half of small businesses say that the availability of parking has a negative impact on their business.

"Parking charges are a major factor in the dwindling numbers of customers in the city centre, especially when out-of-town shopping centres have free parking."

The lack of affordable parking is detrimental to local trade, and many town centres are running the risk of driving shoppers away from the high street to out-of-town retail areas, where parking is often free of charge. The message to local authorities is therefore to consider carefully, in the development of their Local Plan, the impact of the availability and cost of parking on local trade.

Planning policy and rural areas

The 'presumption in favour of sustainable development' is particularly important in rural areas, where small business growth has often been hampered by overly restrictive planning policy.

"Planning and building laws seem to be tied up in red tape. We've been stuck in tiny premises for the last six years, which has had a serious impact on our business. It is only through someone else going bust that we have now found a new unit, but this is packed full of usage restrictions that will also hamper our business. Yet if we

want to expand then we have no choice but to take it. The rural areas seriously need more business premises with less restriction on them. We should not have to wait six years and play dead man's shoes just to get an industrial unit."

In the past, much of the planning policy guidance coming from central Government has presumed that there is a conflict between economic development, sustainable development and environmental stewardship. However, with a sensible joined-up approach to planning, one that does not assume that planning applications are damaging per se, we can promote a living, working, sustainable countryside.

We need to move away from the preconception that rural areas are suitable only for traditional rural business activity, such as farming, to a system in which all types of business are deemed suitable for rural areas, unless they are evidently unsuitable for local circumstances. We need to make it clear that our countryside is open for business and to get away from our out-of-date planning system, which has placed a stranglehold on the economic development of our rural towns and villages for so long.

The need for 'oven-ready' premises

The Government is currently consulting on proposals to relax planning rules regarding land use, which will make it easier to change commercial property, namely offices, factories and warehouses, to residential property. While the

FSB recognises the need to address England's housing supply shortage, it is concerned that this proposal threatens the supply of 'oven-ready' commercial premises in some areas.

The FSB is also concerned that the relaxation in planning rules for change of use will push commercial rents up in some areas, at a time when other costs, such as energy and fuel prices, are already squeezing business margins and stifling growth.

We believe there needs to be safeguards in place to protect those commercial premises which, as the economic climate improves, will be hugely important to new enterprise and businesses wishing to grow.

We therefore ask the Government to consider alternative initiatives to increase housing supply at this time; and rather than a blanket relaxation of rules, and consistent with their move towards localism in the planning system, the FSB asks Government to consider allowing local areas greater autonomy over the Use Classes.

We believe that by allowing local planning authorities greater autonomy over the Use Classes system, it would enable them to shape local planning policy to support the economic, social and environmental requirements of the locality, therefore ensuring that decisions are based on local need and do not create unintended consequences, such as forcing up commercial rents.

Policy and process – making the planning system clearer

The FSB supports the steps being taken to consolidate existing

planning policy into the NPPF, making it more accessible for its users. However, we believe that there is still more to be done in the areas of:

- Guidance
- Development management and process
- Evidence.

Taking each of these in turn:

Guidance

Much planning policy published by the Department for Communities and Local Government (DCLG) is actually non-binding (and overly prescriptive) guidance that has become policy by default. The FSB supports proposals to reduce the amount of guidance, to make it less prescriptive, and perhaps to have it independently produced. However, we believe it will be necessary to go further if planning is to become accessible to everybody and if the ambitions of the localism agenda are to be achieved.

The vast majority of FSB members who have had direct experience of the current planning system believe it is utterly impenetrable. Small businesses find it difficult to understand how the system works and are deeply frustrated by it. To address this, there needs to be a comprehensive tool, developed by Government and local practitioners, using businesses and other stakeholders as critical friends, which steers businesses through the planning system. Such a guide would not have the weight of Government policy, but would act as a useful, easy-to-use tool to assist businesses and thereby reduce the burden on them.

Development management and process

While the FSB appreciates the importance that the Government, local authorities, practitioners and the development industry attach to planning for long term certainty and sustainability, it is clear that for the next few years the prospects for economic growth in this country depend on small businesses.

What we need, therefore, is a step change in the processing of planning applications for minor building works and change of use, to allow small businesses to make quickly the changes that they need to diversify and grow. The FSB believes this change can be achieved only by a commitment to continuous improvement in planning processes, involving attention to detail. The FSB has already identified several areas with scope for process improvement, but believes that there are many others.

LDOs and their forerunners, Simplified Planning Zones, have been available to local planning authorities for some time, but have been underused. Essentially, they allow the local authority to give blanket consent for small changes that would otherwise need a planning application.

LDOs can be particularly useful for small businesses when it comes to making minor improvements to their premises. With an LDO in place, planning permission is automatically granted, thereby saving time and

money for the business as well as for the local planning authority.

In a wider context, more frequent use of LDOs could help attract new investment to a local area and also help to retain existing businesses. The FSB therefore encourages local authorities to make greater use of LDOs to help stimulate local growth.

The FSB believes that there is scope for a radical overhaul of the consultation requirements for planning applications (currently included in Planning Policy Statement – PPS 1, Statements of Community Consultation and the Development Management Process Order), and the FSB suggests making more use of pre-application consultation by developers by making it a material consideration for planning applications. The FSB would also support moves for more radical reform.

With regard to cost, it is of concern that local authorities are allowed to charge the full cost of planning applications, even though the service provided is often inefficient and subject to significant delays. Currently, there appears to be no incentive to process small applications quickly, and there are concerns that new initiatives such as the New Homes Bonus (which will provide local authorities with a bonus for each additional property built, paid for the following six years) will encourage local authorities to push through certain developments more quickly than others, potentially

at the expense of minor applications. This could be addressed if the Government were to introduce a system that allows local planning authorities to charge only for applications that are processed within certain time limits.

The FSB would like to see a clear commitment from Government and local planning authorities to promote and adopt the efficient management and processing of planning applications, ensuring that both the cost and the timings of an application are an appropriate reflection of the type of application being considered.

The need for evidence

FSB supports the aim of devolving as much planning power as possible to the local level, but accepts that, with over 300 local planning authorities in England, there is scope for economies of scale in research and other parts of the evidence base. A good case in point is retail trends and their impact on the state of Britain's high streets, now the subject of a national review led by Mary Portas.

While there is ample commercial research published by the private sector, there is little, if any, co-ordinated data from local planning authorities available. Clearly, it would not be sensible to have 300 local reports, all separately commissioned, so there remains a need for DCLG to undertake some national research projects to avoid duplication and help cut costs.

Appendix

Breakdown of the size, sector and geographical location of those small businesses responding to the FSB infrastructure survey

Sector: Base 1739		
Business services	332	19.10%
Retailing	210	12.10%
Manufacturing	185	10.60%
Construction and building related activities	181	10.40%
Hotels, restaurants, bars and catering	107	6.20%
Computer and related activities	80	4.60%
Transport and activities related to transport	71	4.10%
Creative services	68	3.90%
Wholesale trade	62	3.60%
Financial services	54	3.10%
Agriculture, forestry, fishing	51	2.90%
Other	46	2.60%
Education	42	2.40%
Health and social work	40	2.30%
Sale, maintenance and repair of motor vehicles and fuel retail	39	2.20%
Real estate activities	37	2.10%
Personal services (e.g. dry cleaning, hairdressing)	31	1.80%
Leisure/sports/Entertainment	30	1.70%
Engineering	13	0.70%
Electricity, gas and water supply	12	0.70%
Renting of machinery, equipment, personal and household goods	11	0.60%
Research and development activities	10	0.60%
Post, courier and telecommunications services	8	0.50%
Electronics/Electrical	7	0.40%
Refused	6	0.30%
Repairs/Maintenance (other than motor vehicles)	5	0.30%
Mining & quarrying	1	0.10%

No. of Employees: Base 1679		
None	166	9.90%
Up to 10	1332	79.30%
11 to 20	107	6.40%
21 to 50	59	3.50%
51+	15	0.90%

Region: Base 1738		
South East	296t	17.00%
South West	291	16.70%
Scotland	194	11.20%
Eastern	185	10.60%
East Midlands	155	8.90%
West Midlands	123	7.10%
North West	122	7.00%
Wales	108	6.20%
Yorkshire and The Humber	100	5.80%
Northern Ireland	80	4.60%
London	50	2.90%
North East	34	2.00%

Gender: Base 1739		
Male	1318	75.80%
Female	421	24.20%

Age: Base 1739		
16 to 24	1	0.10%
25 to 34	63	3.60%
35 to 44	272	15.60%
45 to 54	597	34.30%
55 to 64	639	36.70%
65 to 74	149	8.60%
75+	14	0.80%
Refused	4	0.20%



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