

# OFFICE OF THE DEPUTY PRIME MINISTER

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*ODPM Circular 04/2006*  
*Office of the Deputy Prime Minister*  
*Eland House, Bressenden Place, London SW1E 5DU*

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23 March 2006

## PLANNING INQUIRIES INTO MAJOR INFRASTRUCTURE PROJECTS: ECONOMIC IMPACT REPORTS

### **INTRODUCTION**

1. This Circular is being sent to local planning authorities (LPAs), and Government Offices to enable them to advise applicants who may have to prepare an economic impact report (EIR) as a result of a planning application being designated a major infrastructure project (MIP) by the Secretary of State. The Circular provides guidance on what is expected in an EIR and assistance in identifying existing appraisal guidance.
2. Section 44 of the Planning and Compulsory Purchase 2004 Act inserts new sections 76A and 76B into the Town and Country Planning Act 1990. They allow the Secretary of State in relation to England to call in any application for planning permission or an application for the approval of a local planning authority required under a development order, if he thinks that the development to which the application relates is of national or regional importance. In such cases, the applicant is required to prepare an economic impact report. Section 76A(5) provides that the content and form of such reports must conform with requirements set out by the Secretary of State in a development order. Article 3 of the Town and Country Planning (General Development Procedure) (Amendment) (England) Order 2005 inserts a new article 4B and Schedule 4A (reproduced at Annexes A and B) into the 1995 General Development Procedure Order and provides among other things for the contents of economic impact reports, timing and publicity.
3. Investment in major infrastructure, such as airports and reservoirs, provides the foundations for economic growth. Changes to the procedure rules have been made in order to speed up the inquiry process, particularly by, where possible, parties agreeing areas of common ground at the pre-inquiry stage. An EIR should improve the scope for public participation and help to reduce the time spent on a potentially long and drawn out inquiry process.

## **PURPOSE OF AN EIR**

4. The purpose of an EIR is to ensure consideration of the economic impact of a MIP is fully assessed before a decision is taken on whether or not to grant planning permission.
5. The EIR should demonstrate the wider economic impact of the development. The aim should be to identify the economic impact for consumers, business users and for the local and regional communities on which the development will impact as well as any wider economic impacts.
6. The preparation of the EIR should be done as part of a process of community involvement. The document will evolve as a result of this process. At the stage where the project may be called in for determination by the Secretary of State, the document would then become part of the formal process as outlined in the guidance below.
7. We would expect the EIR to be an important document at the public inquiry alongside other key documents such as the environmental impact assessment (EIA). Its purpose would be to better inform the inspector and parties at the inquiry (and eventually the Secretary of State) about the economic impact of the proposed development. The EIR, alongside other key documents, will be an important element for the Inspector to consider in the preparation and ultimately in the recommendations of his report to the Secretary of State. Similarly, this will be taken into consideration by the First Secretary of State in his final determination of the application.

## **RECOGNISING A MIP**

8. The PCPA 2004 gives the Secretary of State discretion in deciding which applications for major developments he will designate a MIP. Examples of a major infrastructure project might be new airports and runways, ports, trunk roads, rail schemes, power stations and other forms of infrastructure such as new reservoirs. The previous rules<sup>1</sup> set out definitions of a MIP but this was considered too inflexible. In identifying a development proposal that may be designated a MIP referring back to the revoked rules may help but it should not be relied upon. Where a project of this scale is coming forward, it would be in the interests of the developer or promoter to approach the relevant Government Office at an early stage. The Government Office may be able to provide advice or share best practice based on previous experience.
9. MIPs currently fall under a variety of statutory regimes. A complex new project might involve a range of approvals under several consent regimes. The MIPs procedures would apply to projects initiated under the Town and Country Planning Act 1990. But projects might also involve consents under the Transport and Works Act 1992, the Highways Act 1980, the Harbours Act 1964, the Gas Act 1986 and the Electricity Act 1989.

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<sup>1</sup> Town and Country Planning (Major Infrastructure Project Inquiries Procedure) (England) Rules 2002 (SI 2002/1223)

10. When a potential MIP development proposal is identified, contact should be made with the Planning Inspectorate<sup>2</sup> (who will run the public inquiry on behalf of the relevant Secretary of State(s) according to which consent regime applies) to discuss procedural matters.

## **CONTENTS OF AN EIR**

11. Annex B is the template form for writing an EIR. All appraisals should be consistent with the Treasury Green Book Guidance<sup>3</sup>.
12. Appraisals should be made with reference to a base case. The base case represents the situation in which the MIP does not go ahead and acts as a comparator for policy options. Any costs or benefits associated with the MIP should be measured relative to the base case.
13. The report should set out the assessment of the economic impact of a MIP (or options for a MIP) on the economy at three spatial scales: sub regional; regional; and UK.
14. Costs and benefits should be split between the three pillars of sustainability: economic, environmental and social impacts. Where possible monetary values should be put on all costs and benefits. If no quantitative assessment of particular costs and benefits is possible then a qualitative assessment should be made.
15. The EIR should consider the cost and benefit impacts on employment, investment and Gross Value Added<sup>4</sup> at each spatial scale. Where wider economic welfare impacts such as travel time savings are likely to be important, these should also be assessed.
16. The environmental section should consider the impacts that the policy may have on, for example, landscape, air and water quality, wildlife and noise pollution. Environmental costs and benefits for which there are no market prices need to be brought into any assessment. They will often be more difficult to assess but can be important and should not be ignored simply because they cannot easily be quantified.
17. Social costs and benefits might include impacts on health, safety, crime, skills and education and community services. Particular attention should be paid to impacts on minority groups or the socially excluded. Although social costs may be hard to quantify, they should not be ignored.
18. The EIR should attempt to separately identify the costs and benefits for businesses, communities and other organisations. Some MIPs may create both winners and losers, therefore it is important to identify the group, or groups, affected.

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<sup>2</sup> Telephone number: 0117 372 6105

<sup>3</sup> <http://greenbook.treasury.gov.uk/>

<sup>4</sup> Gross Value Added (GVA) = Gross Output - Intermediate Consumption. GVA is meant to account for the double counting that would occur if you added the output of all firms. The outputs of some firms are inputs to others therefore GVA is calculated to avoid counting the same output twice. In the context of the EIR, GVA is the net addition to total output resulting from the MIP.

19. It is important to present a summary of net overall impacts. It is possible that a MIP has a positive impact at a local scale but a negative overall impact at a national scale. For instance, jobs may be created in the area in which the MIP is located at a cost to the rest of the country. It will be important to account for these sorts of displacement and distributional issues.
20. The assumptions underlying the analysis should be clearly stated and key uncertainties highlighted. Where appropriate a sensitivity analysis of the key assumptions should be carried out to examine how far the impacts of the MIP vary under different conditions.

## **OVERLAP WITH OTHER REQUIREMENTS AND GUIDANCE**

21. Where there is an overlap in the information required by an EIR and an EIA, there is no need to duplicate the information which is already in the EIA. At no stage will an EIR take the place of an EIA. Whether an EIA is a requirement, will be a matter for the decision-maker (the LPA or after call-in, the First Secretary of State). An EIR is a statutory requirement once an application has been designated a MIP by the First Secretary of State.
22. For publicly funded schemes, the requirement for an EIR may overlap with that for an economic appraisal which is compliant with the Treasury Green Book, which may inform the EIR. All EIRs should be consistent with Treasury Green Book guidance. It is recommended that those carrying out an EIR should refer to the Green Book for guidance on appraisal issues.
23. Publicly funded transport schemes are appraised using the new approach to appraisal (NATA) framework<sup>5</sup>, the outputs of which can inform the EIR.
24. Appraisal at different spatial scales and adjustment for displacement, substitution, leakage, multipliers and deadweight can be informed by ODPM's "3Rs" guidance (Assessing the Impacts of Spatial Interventions: Regeneration, Renewal and Regional Development)<sup>6</sup>. This guidance may be particularly useful in determining displacement and distributional impacts.

John Stambollouian  
Head of Planning Development Control Division

Addressed to:  
The Chief Executives of:

County Councils in England  
District Councils in England  
Unitary Authorities in England  
London Borough Councils  
Greater London Authority  
Regional Planning Bodies  
Regional Development Agencies

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<sup>5</sup> <http://www.dft.gov.uk/>

<sup>6</sup> <http://www.odpm.gov.uk/>

Council of the Isles of Scilly

The Town Clerk, City of London

The National Park Officer, National Park Authorities in England

The Chief Planning Officer, The Broads Authority

PDCD D

13 January 2006

# Annex A

## The Town and Country Planning (General Development Procedure) (Amendment) (England) Order 2005

### **MAJOR INFRASTRUCTURE PROJECTS**

3. – (1) After article 4A[d] (applications in respect of Crown land) insert—

#### **“ MAJOR INFRASTRUCTURE PROJECTS: ECONOMIC IMPACT REPORT**

~~4B.~~ – (1) This article only applies in relation to major infrastructure projects where the Secretary of State has given a direction under section 76A(2) of the Act.

(2) An economic impact report (“the report”) prepared by an applicant in accordance with section 76A(5) of the Act shall be in the form set out in Schedule 4A to this Order.

(3) Subject to paragraph (5), the report shall contain the applicant’s estimates of the overall economic impact at—

- (a) local level;
- (b) regional level;
- (c) national level,

of the project for which planning permission or approval, as the case may be, is sought.

(4) Without prejudice to the generality of paragraph (2), each estimate shall—

- (a) include estimates specific to employment, investment, economic output; and
- (b) separately identify the costs and benefits falling on or accruing to the local, regional or national community as the case may be.

(5) The estimates shall exclude factors which would lead to benefits being counted more than once.

(6) The report shall—

- (a) state the assumptions made in preparing the estimates;

- (b) state the sources of information used to produce the estimates; and
  - (c) where there is uncertainty as to any matter relevant to the estimates, shall explain that uncertainty.
- (7) The report shall be submitted to the Secretary of State not later than 15 weeks after the date on which the applicant received from the Secretary of State a written request for its submission.
- (8) The applicant shall, on submitting the report to the Secretary of State, publish in a local newspaper circulating in the locality in which the land to which the application relates is situated a notice stating–
- (a) his name and that he is the applicant for planning permission or approval, as the case may be;
  - (b) the name and address of the local planning authority;
  - (c) the date on which the application was made and that it has been referred to the Secretary of State for determination as a major infrastructure project;
  - (d) the location and nature of the proposed development;
  - (e) an address in the locality at which the report may be inspected, and the latest day on which it will be available for inspection (being a date not less than 21 days from the date on which the notice is published);
  - (f) an address in the locality (whether or not the same as that given under sub-paragraph (e)) at which copies of the report may be obtained, on payment of a reasonable charge;
  - (g) the address of any website maintained by the applicant where a copy of the report may be viewed; and
  - (h) that any person wishing to make representations about the report should make them in writing, before the date stated in accordance with sub-paragraph (e), to the Secretary of State and the address to which such representations should be sent.
- (9) The applicant shall afford to any person who so requests a reasonable opportunity to inspect and, where practicable and on payment of a reasonable charge, take copies of the report.
- (10) In this article–
- “economic output” means the estimate of changes to either Gross Domestic Product or Gross Value Added as a result of the project;
- “local” for the purposes of paragraphs (3)(a) and (4)(b) means within the area of the relevant local planning authority; and

“regional” means relating to a region specified in Schedule 1 to the Regional Development Agencies Act 1998[a].”.

- (2) In articles 9(2) (applications for planning permission referred to the Secretary of State for determination and appeals to the Secretary of State), 18 (notice of reference of applications to the Secretary of State) and 19(3) (representations to be taken into account), before “77” insert “76A or”.
- (3) After Schedule 4 insert Schedule 4A set out in the Schedule to this Order.

# Annex B

## Town and Country Planning (General Development Procedure) Order 1995: Article 4B

### **MAJOR INFRASTRUCTURE PROJECT: ECONOMIC IMPACT REPORT**

Name or description of project(a):

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Location:

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Contact details:

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### **Summary of overall economic impact:**

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### **National level (a):**

(1) Costs:

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(2) Benefits:

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### **Regional level (a) (b):**

(1) Costs:

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(2) Benefits:

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### **Local level (a) (c):**

(1) Costs:

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(2) Benefits:

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**Notes:**

- (a) The report must cover all economic impacts of the project at each level. In particular it must–
  - (i) include estimates specific to employment, investment and economic output; and
  - (ii) separately identify the costs and benefits falling on or accruing to the community.

The estimates must exclude factors which would lead to benefits being counted more than once. The report must state the assumptions made in preparing the estimates, the sources of information used to produce the estimates, and where there is uncertainty as to any matter relevant to the estimates, must explain that uncertainty.

For the purposes of this report, “economic output” means the estimate of changes to either Gross Domestic Product or Gross Value Added as a result of the project.

- (b) “Regional” means relating to a region specified in Schedule 1 to the Regional Development Agencies Act 1998.
- (c) “Local” means within the area of the relevant local planning authority.



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