

# 5. Calculating the cost of pre-application services

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This section provides a good practice guide for councils to understand their costs of providing pre-application services. Councils can then make an informed decision on whether to transfer the cost of provision to applicants or cover the cost themselves. This may include charging only a proportion of the cost or charging for only certain parts of the service.

## Introduction

The fourth commitment of the 10 Commitments commits councils to demonstrating their pre-application services are good value for money, whether or not a charge is made for the service. For prospective applicants, an effective pre-application service is one where the longer-term benefit of having the LPA's advice and early community involvement outweighs the short-term cost of both providing the information and paying for the LPA's service. The service must have the capacity to deliver useful answers and advice within a promised timeframe.

Applicants who are asked to pay for pre-application service from the LPA will want to be sure that the cost is fairly calculated and relevant to the services provided.

Councils and communities also stand to gain from pre-application services, so councils will want to consider the risks of applicants being deterred because of a charge. But conversely they also need to assess the risks providing an ineffective offer "on the cheap" if they do not have the resources to provide a service that is worthwhile to developers.

The starting point is therefore that all councils should know what it costs them to provide a useful, good value pre-application service.



## i) Understanding councils' costs of providing a service

a. Most councils will have more than one type of pre-application offer:

**Level 1** – General pre-application information: Leaflets and online advice. The cost to the council of providing this guidance tends to be one-off. Many LPAs reduce costs through coordination with other LPAs or the Planning Portal.

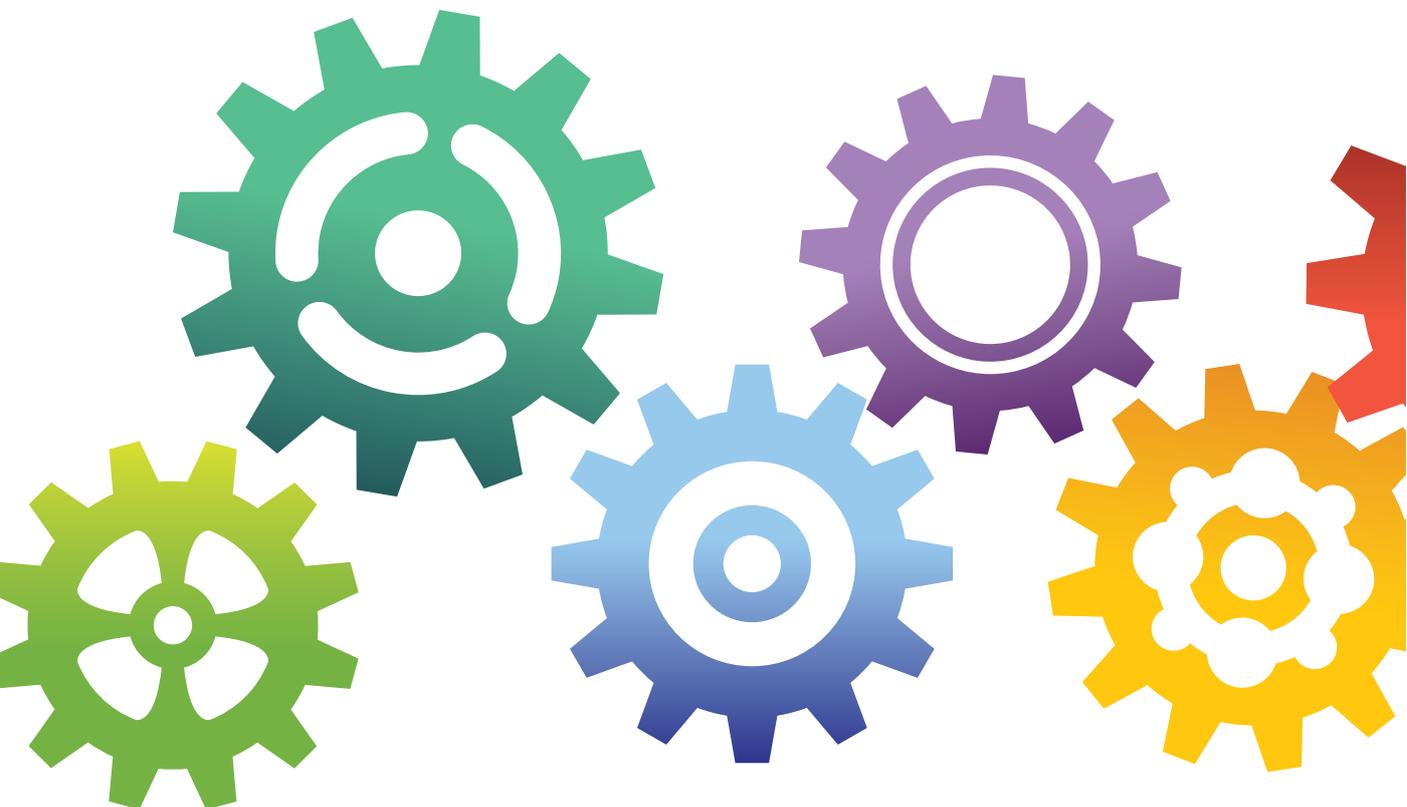
**Level 2** – Specific information and pre-application comment on a proposal: These costs can include design briefs for sites going to market but more usually involve a written response to a particular proposal. Some LPAs offer a bookable or drop-in meeting service for straightforward schemes. The service is fairly standardised and the resources that the council will put into this is well understood; therefore costs are easily calculated.

**Level 3** – Pre-application discussion and detailed advice on complex proposals. The elements in the pre-application offer can be viewed as items on a menu, the cost of each can be approximated. The overall cost of this kind of pre-application guidance will not be known at the outset, and may change as the scheme progresses. But by using a PPA, the cost can be estimated at the beginning of the process.

- b. Staff time forms the largest part of pre-application engagement. This includes the costs of employment (wages, holidays, national insurance, pension etc.) for the productive hours spent in work. For simplicity, overhead costs of providing services (corporate services, office costs etc.) can also be distributed across the total staff hours to create a composite hourly rate including oncosts. For simple pre-application services the costs are best expressed as a composite hourly rate x the number of hours spent providing the service.
- c. Planning authorities will often engage with several different parts of the council (for example Highways and Environmental Health) in order to provide a “single voice” for the council in pre application discussions. The full cost of provision includes the participation of people from all parts of the council.
- d. For some types of advice, LPAs will buy in expertise because specialist skills are not available within the council. Councils may also incur other costs, for example hiring a hall for a public meeting. These should be included within the cost of the standard services where appropriate or recorded as special items for the large and unusual schemes (as within level three). It is reasonable for a handling charge to be added to such costs to cover administration, procurement etc. but, once again, this should not exceed the actual costs.
- e. Planning authorities will sometimes coordinate the participation of external organisations, for example upper tier authorities, statutory consultees or town and parish councils. Some organisations will charge the LPA while others will not. Councils should be careful to keep accurate records so that any costs that are subsequently passed on to the prospective applicant are genuine.
- f. Pre-application costs are separate to those covered by the planning application fee. When calculating pre-application costs there should be a strict delineation between pre-application and application activity/services.

## ii) Recovering councils' costs

- a. Councils can choose to recover the cost of pre-application work by making a charge under the s93 Local Government Act 2003 for providing a discretionary service. When making a charge, councils must set the charge at a level that does not generate a surplus. For this reason, LPAs should review their fees regularly and compare costs and income.
- b. Some councils will decide to make the advice for particular types of development exempt from charging. These exempted costs should be borne by the council and not by other users.
- c. Fees should be kept as simple and transparent as possible. For many straightforward situations this will be an hourly rate x an estimate of the time that will be needed to perform the service. For the majority of pre-application transactions councils will be able to use their knowledge of how officers spend their time (timesheets or benchmark data) to work out a flat fee that is a reasonable estimate of costs.
- d. Councils with a wide range of development proposals may want to offer a more differentiated offer – e.g. a different hourly rate for junior and senior staff aligned to the tiers in their offer.
- e. For the elements that make up the 'menu' for pre-application offers on complex (level three) proposal, councils will be able to use their information of staff time taken, direct costs (such as venue hire or employment of specialist expertise) and other costs associated with the specific service to apply a standard costs for each item on the 'menu'. This can be reflected in the charge made for a PPA.
- f. Whilst the charges made for pre-application services should match costs, the amount of work required to set, communicate, monitor and review fees should be proportionate to their value. Some degree of estimation and averaging is therefore inevitable and reasonable.



- g. Councils should chose a method appropriate to the service required and be prepared to vary it if required:

<b>Method</b>	<b>Overview</b>	<b>Charging</b>
Standard charges	Pre-application requests are divided into standard types, based on the offer of specific services – e.g. one meeting on site, consideration of the plans and a letter giving advice and setting out the key issues. Each type is assessed for how much time is required and multiplied by the productive hourly rate to calculate the charge.	Paid when pre-application request is submitted. Often used for level two.
Variations to standard charges	Councils will not be able to make a menu of standard charges that is appropriate in every circumstance.  In some situations it will be simplest to use the standard charges as a base from which to agree a price, using the hourly rate or one-off specific costs as a guide.	Negotiated price paid when pre-application request is submitted. Can be used to vary level two or to calculate level three.
In arrears	For the largest proposals, where pre-application discussion may take place over a prolonged period, it will not be practical to scope out all the work required at the pre-application stage.  In these situations a guide price (or estimated levels of resource) is used. The work itself is monitored and an account kept.	Invoices are calculated and raised based on actual costs as milestones are achieved or as otherwise agreed. The arrangements for recharging can be agreed as part of the PPA or through a side agreement.

- h. To provide up-front, clarity councils should design a fee schedule that ensures that the majority of straight-forward situations are covered by the standard charges.
- i. Billing in arrears is the most accurate method and can guarantee that each pre-application is precise in its cost recovery. However it is not popular with applicants who prefer price certainty. It is also costly for councils and disproportionate for all but the biggest proposals. Councils can have problems recovering the debt unless there is a drawdown agreement (as used by many solicitors). For this reason it is usually reserved for PPA arrangements in level 3 or where there is a history of good working relationships.

### iii) Estimating standard charges (a worked example)

- a. The true cost of staff time is a product of the salaries of the people involved, their oncosts and non-productive time (eg annual leave).

#### The productive hourly rate

Average hourly rate £20.12/hr<sup>1</sup>

Total oncost 135%<sup>2</sup>

Composite hourly rate = £20.12 x (1+1.35) = £47/hr

<sup>1</sup> £20.12 is the average hourly rate of DM staff in the 2012 national benchmark

<sup>2</sup> The total oncost (including accommodation, corporate costs, annual leave, training, sickness) is an average 135% from the same benchmark

- b. The results of a national benchmark give a range of rates for a productive hourly rate of a single officer from £45.00 to £60.00. This represents a range of the staff involved in planning (managers, planners and clerical/technical support staff). Councils may want to pick a single average rate, or more than one to reflect the degrees of seniority involved. The productive hourly rates for key grades of staff should be made public, as they will be used as the basis for the calculation of standard charges and agreeing variations to them.

#### An example of estimating a charge for a duty planner service

The service is provided on a rota by several planners within a grade. Their productive hourly rate averages £50.00. The service is provided in 25 x 90 minute slots per week

The charge per slot = £50 x 1.5 = **£75.00 + VAT**

More than one person may be involved at several points during the pre-application process (for example, several aspects of the scheme may be considered together at a multidisciplinary development team meeting). Rather than adjusting the hourly rate upwards to reflect these additional people, the number of hours should be adjusted.



### An example of estimating a charge for a meeting service

The service is provided by a mix of people on different grades. The preparation is done by the potential case officer and the meeting is conducted with the addition of the Head of Service and the Team leader. The Head of Service reviews the record before it is sent out.

Briefing and preparation: 3 hrs x £50

Meeting: (2hrs x £50) + (2hrs x £55) + (2hrs x £65)

Written record: (2hrs x £50) + (0.5hrs x £65)

The charge for the meeting = **£620.00 + VAT**

Note that this should not then be set out as £207/hr for a three hour meeting, as it is composed of different staff at different rates and so does not scale.

- c). More complex developments may also require other sorts of provision – for example hiring of spaces for consultation and advertising. Unless they are routine and predictable this type of cost should be separately paid for by the developer as required or agreed and added onto the standard charges.

