



The value of planning

This briefing is based on research conducted for the RTPI by the University of Glasgow and the University of Sheffield which examines the evidence regarding the value of planning, in particular its role in adding value to development activity.

Who should read this?

Policy-makers, decision-makers and practitioners in planning in the UK and internationally, researchers and commentators interested in planning and growth.

Key messages for policy and practice

Planning is about improving places by helping them to function better economically as well as socially and environmentally. In order to achieve this, planning can be conceptualised as the deployment of various policy instruments intended to shape, regulate and stimulate the behaviour of market actors and to build their capacity to do so. Infrastructure provision and town centre management are then as much part of planning as development plans and development management.

This suggests two key weaknesses in some studies that are critical of planning, that they:

- neglect the full breadth of planning;
- fail to employ a variety of economic analyses that might reflect this breadth.

In particular, these studies typically:

- focus on the 'costs' of development management rather than the value of planning much more broadly;
- are based on an abstract and artificial view of markets, and one that often fails to take account of industry structure in sectors such as housebuilding and the impact this can have on supply.

Such studies not only fail to assess the 'costs' of planning reliably; they also neglect its benefits. As a result, these studies do not provide a sound basis for policy-making, including for planning policy and reform.

To maximise the value of planning and its role in helping to create places where people want to live, work, relax and invest, we need to:

- recognise the full breadth of planning, including the range of 'policy instruments' that contribute to successful places;
- generate and share evidence relating to this range of instruments that is useful to policy-makers and practitioners; and
- develop the policy and practice that helps to deliver the greatest value from planning.

Policy-makers should focus not simply on making regulatory planning 'more efficient', but rather on making a much broader planning agenda *more effective* in adding value to development activity, economically as well as socially and environmentally.

We need to strengthen the ability of professional planners to deliver the value of planning in practice by investing in their skills, capabilities, capacity and confidence to add value to development activity.

We need a substantive, pluralist, wide-ranging but coordinated research programme into the value of planning, one which goes beyond simplistic economic conclusions to understand the value of planning. This should focus on directly helping policy-makers and practitioners maximise the value of planning in practice. Policy-makers and practitioners should have a significant role in shaping this agenda.



Main findings

The research on which this briefing is based examines the value of planning, focusing primarily on economic and financial value while recognising the importance of broader social and environmental value. Remarkably, given the debates around planning reform in the UK, it represents the only recent and wide-ranging review of research regarding the economic value of planning. In conducting this review, the researchers have drawn on UK and international evidence and examples.

What is 'planning'?

Planning helps to create the kinds of places where people want to live, work, relax and invest. It is about improving places through helping them to function better – economically as well as socially and environmentally. Planning is then about *outcomes*, not just *processes*. In order to achieve this, planning can be conceptualised as shaping, regulating and stimulating the behaviour of 'market actors' and building their capacity to do so (these market actors may be in the public as well as the private sector). Infrastructure provision, town centre management and compulsory purchase, for instance, are then as much part of planning as development plans and development management.

Planning is not always done by people called 'planners'. In terms of 'place promotion' for example it could be a local authority but equally a public sector development agency, a public-private development partnership, a private sector consortium or even an individual entrepreneur. More broadly, government at various levels or other agencies may be responsible for these policy instruments.

What is 'value'?

Understood in this way, planning has a clear role in supporting growth. Whenever planning adds value to development activity, the benefits will be reflected in stronger economic growth and enhanced development viability. Conversely, areas that are poorly planned and where 'negative externalities' (such as congestion, overcrowding or pollution) threaten long-term investment value, can create significant costs for society and individuals.

Four sets of planning 'instruments'

Planning is a much broader activity than the narrow regulatory role to which it is relegated by many economists and some politicians. Planning is the combined deployment of various policy instruments intended to shape, regulate and stimulate the behaviour of market actors and to build their capacity to do so. There are four sets of policy instruments:

1. *Shaping markets*

An important way to think about 'shaping places' is that it involves shaping markets. Planning provides an important context for the individual decisions taken by other market actors, including landowners, developers and investors. Shaping markets includes the preparation of planning strategies, visions and policies, the reform of certain property rights, and what can be called 'strategic market transformation'.

Plans can ensure that individual developments are planned as part of a broader picture rather than in isolation from each other. This is essential to improve spatial outcomes where decisions are interdependent, indivisible, irreversible, or involve imperfect foresight. Plans can encourage the provision of 'collective goods', such as better connectivity and improved public realms.

Shaping markets can also play a crucial role in breeding confidence, reducing risk and transforming developers' attitudes and behaviour. It can encourage market actors to see benefit for themselves in meeting wider policy objectives; it becomes 'worth it' for them to produce more sustainable developments since this creates added value for the actors as well as the wider community. This means that the overall value of what is created for both the local community and developers exceeds what would otherwise have been the sum of its individual components. As a result, shaping markets is not just about containing social costs and exploiting social benefits. Crucially, it can also *enhance private benefits* and *reduce private costs* both for individual actors and the private sector as a whole.



2. Regulating markets

Planning as regulation is common throughout the world; however there is a distinct difference between regulatory systems that consider each case on its merits and those that require all cases to meet some pre-defined standards or norms. The first approach is evident in the discretionary development management systems operated in the UK and Ireland, while the second is seen in the standards that control development in most of Western Europe and North America.

3. Market stimulus

This is about nurturing, encouraging and stimulating development activity, especially in thin or fragile markets. Examples include land assembly, town centre management, information provision and public-private development partnerships. Such actions contribute to economic growth and, when successful, improve the prosperity of the places where they are implemented. The research on which this briefing is based includes examples from the UK and internationally that illustrate these forms of planning in practice. However these forms of planning are far from universal in practice.

4. Capacity building

Capacity building enables market actors to work more effectively. What is needed is not for planners to become market actors, but rather to recognise that they are *already* market actors, intricately involved in market shaping and stimulus as well as regulation.

As a result, planners need to develop their capacity and confidence to act accordingly, in four key respects:

- culture and mind-sets – for example, planners seeing themselves as active participants in development;
- information and knowledge – for example, about local real estate markets;
- networks – for example, with developers;
- skills and capabilities – for example, a substantial knowledge of development economics.

However, the ability of planning to deliver outcomes also depends on the capacity of planning agencies and authorities, and the extent to which they have the necessary powers, resources and expertise.

This understanding of planning suggests the weaknesses of some existing studies

There are two key weaknesses in some studies that are critical of aspects of planning (including those that have been cited in UK Government policy documents), that they:

- neglect the full breadth of planning;
- fail to employ a variety of economic analyses that might reflect this breadth.

In particular, many of these studies typically:

- focus on the 'costs' of development management rather than the value of planning much more broadly;
- are based on an abstract and artificial view of markets, and one that often fails to take account of industry structure in sectors such as housebuilding and the impact this can have on supply.

As a result of the breadth and variety of planning, understanding its contribution to value requires many methodologies drawing on various branches of economics (for example, institutional economics). Where this broader understanding is adopted, the benefits of planning can be better appreciated. Indeed, there are many impressive case studies of the benefits and impact of planning from the UK and internationally (as evidenced in the RTPI policy paper *Fostering Growth: Understanding and Strengthening the Economic Benefits of Planning*).

However, many of the most critical studies of planning neglect how different branches of economics might be used to understand and capture the value of planning in a much broader sense. Consequently, such studies not only fail to assess the 'costs' of planning reliably; they also neglect its benefits. As a result of these limitations, these studies do not provide a sound basis for policy-making, including for planning policy and reform.



Maximising the value of planning

To maximise the value of planning and its role in helping to create places to function better – economically as well as socially and environmentally – we need to:

- recognise the full breadth of planning, including the range of policy instruments that contribute to successful places;
- generate and share evidence relating to this range of instruments that is useful to policy-makers and practitioners; and
- develop the policy and practice that helps to deliver the greatest value from planning.

The responsibility of policy-makers

Policy should focus on helping to maximise the value of planning in practice. Policy-makers should focus not simply on making regulatory planning ‘more efficient’, but rather on making a much broader planning agenda *more effective* in adding value to development activity, economically as well as socially and environmentally. Policy should be developed on the basis of the best available evidence.

The challenge to practitioners

Planners need to recognise their role as market actors, intricately involved in framing property markets. As a result, we need to consider the extent to which planners have the capacity and confidence to transform development activities and markets, and strengthen their ability to deliver the value of planning in practice by investing in their skills, capabilities, capacity and confidence to add value to development activity. Organisations such as the RTPI have an important role to play in this regard, in setting an agenda for the education and professional development of planners.

The role for research

The relationship between planning and economic growth is necessarily complex. We need to move beyond simplistic economic conclusions and headline numbers to understand the value of planning. Instead, we need a substantive, pluralist, wide-ranging but coordinated research programme into the value of planning, which focuses on directly helping policy-makers and practitioners maximise the value of planning in practice.

Policy-makers and practitioners should have a significant role in shaping this research agenda. Research funding bodies, government, professional institutes such as the RTPI, sector associations, developers and other stakeholders in planning should consider how they might develop, support and coordinate this programme of research, which could also have an international dimension.

The research on which this briefing is based includes specific suggestions for the development of this research programme. This programme would need to be pluralist, employing a variety of economic analyses that better reflect the breadth of planning, and examine the positive as well as negative impacts of planning on value. It should also include analyses at various spatial scales:

- *macroeconomic* – at which the aggregate positive and negative impacts of planning could be partially assessed;
- *meso-level* – where the differential impacts between neighbourhoods, settlements, districts and regions could be assessed;
- *micro-level* – at which it is possible to explore the influence of planning on individual, business and policy choices.

About the research

This briefing is based on research conducted for the RTPI by Professor David Adams from the University of Glasgow and Professor Craig Watkins from the University of Sheffield.

The full report is available on the RTPI website at: www.rtpi.org.uk/valueofplanning

About the RTPI

The Royal Town Planning Institute holds a unique position in relation to planning as a professional membership body, a charity and a learned institute. We have a responsibility to promote the research needs of spatial planning in the UK, Ireland and internationally.

You are also welcome to email us at: research@rtpi.org.uk