

The Case for Change: A New Approach to Assessing the Benefits of the Productive Reuse of Land

A report to Scottish Land Commission
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1. Introduction

This report sets out a case for change, introducing a new approach to assessing the full economic benefits of the productive reuse of land. It is accompanied by a separate Guidance document that sets out how the benefits from reusing land can be identified and measured in practical terms.

1.1 Context

There are over 11,000 hectares of vacant and derelict land in Scotland¹, which harm well-being and limit opportunities, and they are particularly concentrated in deprived communities. Investing in these sites and bringing them back into productive use could help play a role in tackling climate change, reducing inequalities, improving well-being and delivering inclusive growth.

Approximately 30% of sites on the Scottish Vacant and Derelict Land register are classed as “stuck sites”. These are generally found in urban settlements, have been unused for more than five years and have no short-term commercial development potential.

In fact, much of Scotland’s vacant and derelict land is in areas with limited commercial development potential, so reusing sites will require some landowners to accept lower financial returns than they might otherwise have hoped for. To make this easier, there is a need to change the way in which projects are assessed, so that the full benefits that productive reuse generates for society can be fully considered in the decision-making process.

The purpose of this study was to develop a robust approach to assessing the full economic impact of reusing derelict sites in urban settlements. This will help bring about awareness of the contribution that addressing dereliction can make at a community level and Scotland-wide.

1.2 Study Approach

The study was designed to achieve two important outcomes, developing:

- a robust approach for assessing the full economic impact of reusing derelict sites in urban settlements; and

¹ Scottish Vacant and Derelict Land Survey 2017 (June 2018)



-
- useful guidance to help stakeholders assess the full economic impacts in a way that can be widely adopted.

The first phase of the work programme involved a review of literature and practice that described and/ or quantified a wide range of economic impacts relating to the reuse of vacant and derelict land.

A number of consultations were also undertaken with organisations that have experience and expertise in managing and developing initiatives on vacant and derelict land, or in evaluating and measuring relevant frameworks.

A stakeholder workshop was held in January 2020 with 23 delegates from across Scotland's private and public sectors to test the issues associated with capturing and measuring the benefits from developing vacant and derelict land. The workshop participants also worked in groups to identify benefits, indicators and methods of measurement for four hypothetical sites. This helped to draw out some of the challenges and complexities in developing a unified approach to a diverse set of circumstances. The key themes that emerged during the workshop have been noted throughout this report where appropriate.

Finally, a diverse set of seven case studies were undertaken to support and inform the study. These were:

- Shawfield, Clyde Gateway;
- Athletes' Village, Clyde Gateway;
- Council Offices, West Dunbartonshire Council;
- Wishawhill Pump Track, Craigneuk;
- Shettleston Growing Project;
- South Central Kilmarnock; and
- Raining's Stairs, Inverness.

Case study discussions focused on how the benefits of each project were identified and evidenced and these help to show how the guidance can be applied in different contexts. These are provided as a separate report and have been used to inform the examples used in the guidance.



2.

Current Approach

This section describes the current approach to measuring the benefits of reusing vacant and derelict land. It explains how and why each of the main approaches only give a partial view of the wider raft of benefits that can be realised.

2.1 Financial Benefits

When considering the use and reuse of land, financial appraisal tends to be the primary method of accounting for costs and benefits, particularly for private sector landlords. Where a financial case is weak, the site can often become stuck and lie undeveloped for many years. This approach needs to change, to consider a wider range of benefits beyond the financial in order to bring stuck sites back into productive reuse.

Reuse of land brings benefits and costs to the parties directly concerned. In financial terms these normally accrue to the landowner, who benefits from capital (sale price) if it is sold, or from revenue (income) if it is leased or rented. For vacant and derelict land there may also be holding costs such as security or finance costs, and remediation costs if the site cannot be reused without prior investment. A third party can also gain financial benefits by using the land as a factor of production.

However, reuse also affects others beyond the landowner and user, where it creates externalities (both costs and benefits). Vacant and derelict land very often creates negative externalities for society and results in a significant market failure through the issues and costs associated with remediation. As land is spatial in nature, those costs and benefits for others can be considerable². The typical market value approach taken by the real estate markets tend not to capture these wider impacts.

Wider impact assessments of the outputs from land development are made at a market level. Homes for Scotland³ found that the home building sector contributes to £3.2 billion annual Gross Value Added (GVA) to Scotland, as well as generating a range of social benefits linked to health and educational attainment and skills. The Scottish Property Federation⁴ found that commercial property contributes almost £4.8 billion to economic output, half through direct economic impacts and half

² Paul N. Balchin, David Isaac and Jean Chen (2000), *Urban Economics – A Global Perspective*, Chapter 9, Urban Planning, Land Policy and the Market

³ Nathaniel Lichfield and Partners (2016), *The Economic and Social Benefits of Home Building in Scotland*, published by Homes for Scotland, Edinburgh

⁴ Sourced at: www.scottishpropertyfederation.org.uk



through supply chains and spending. These estimates do not include the dis-benefits of development, nor the dis-benefits where vacant and derelict sites which are not developed continue to be unused.

The majority of development in Scotland is now delivered by the private sector⁵. This means that their priorities will feature strongly in the potential to reuse vacant and derelict land. Developers seek a target rate of return at an acceptable level of risk. Since the Global Financial Crisis in 2008, there is clear risk aversion and a preference for proven markets and pre-let or pre-sold development. This can be a challenge for vacant and derelict sites, which are often in weaker market areas and perhaps not strongly supported or promoted. While there is increased interest in wider values flowing from the development of land, this tends to be in prime market areas with a financial focus⁶.

Regeneration projects seeking socio-economic benefits and affordable housing development are usually subject to much wider assessment than simply an acceptable financial return. However, financial criteria often feature strongly in such assessments, given the preponderance of the business case approach to all forms of investment and support including in the public sector.

Other, non-development forms of reuse such as recreation or greening may be assessed in different ways using the criteria of the promoters. For these projects the question is whether the non-financial benefits can compensate the landowner for their perceived financial value of the site. An example of how this gap can be bridged is the 'meanwhile uses' or 'stalled sites'⁷ approach, where non-development community uses are temporary until a formal development use (and value) is secured.

Standard techniques to establish the value of land are concerned mainly with markets. In the UK, the Royal Institution of Chartered Surveyors' (RICS) definition and conceptual framework for market value as detailed in the Red Book⁸ is:

⁵ Evans, B, Lord, J. and Robertson, M., (2018), Scotland's Urban AGE

⁶ Place making (2016), British Council for Offices, and The value of place making (2016), Savills

⁷ <https://www.ads.org.uk/stalled-spaces-scotland/>

⁸ RICS Valuation – Global Standards 2017. Since 2015 the RICS has also issued a UK supplement



“The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

This is essentially a market price for a land or property. It assesses the “*rights, privileges and conditions*” attaching to the ownership interest. If the property generates rental income, investment valuation estimates the price which an investor would pay for that income stream. Vacant and derelict land will typically be valued on a market price base, i.e. without any income. The normal approach is to appraise estimated costs and returns of a development to reach a net land value, and/or undertake a comparative valuation to establish how much similar sites sold for, and make any professional judgement adjustments to the final figure.

The assumption of a willing buyer and a willing seller is integral to the valuation process. However, many vacant and derelict sites are in weak market areas with additional legacy problems of disused buildings, structures and leftover materials from previous activities. The willingness of a potential user or developer to overcome these barriers and take market risk may be limited in comparison with easier sites elsewhere.

RICS valuation guidance is extensive and complex, and it extends to other land and property attributes. Typically, these are tangible assets such as plant, machinery and equipment. Intangible assets include trademarks and brands, customer and supplier relationships, goodwill and artistic and technological assets that are protected contractually. Where valuation guidance extends to matters such as sustainability that again is usually expressed as a benefit to the owner – say in the form of reduced energy bills – rather than wider benefits. Each of these other land and property attributes forms part of the land ownership interest rather than a third-party cost or benefit.

Therefore, valuation is a formal financial appraisal to reach a market price. It is not a forecast of the future, or an assessment of the wider benefits of the reuse of vacant and derelict land. As a result, market values may be very detailed and accurately assess individual financial interests in the form of an expected price for a site, but they may also be weak measures of collective public benefits and dis-benefits. The process only establishes what the property market would pay for the site, unless the particular site owner or an external agency adopts (or imposes) wider commitments



to balance the landowner's financial interest alongside other financial and non-financial considerations.

Vacant and derelict sites are owned by a wide range of organisations who will instruct land valuations. As above, those valuations will determine the landowner's financial interest in their site(s).

Generally speaking, private sector organisations may be concerned almost entirely with the site's financial value, unless they have a specific wider agenda that brings a different perspective. Private sector organisations own around 55% of Scotland's vacant and derelict sites (where ownership is known)⁹.

Formerly public, now largely privatised utilities and transport businesses focus on operational performance. Vacant and derelict sites are usually their surplus, i.e. no longer operational land assets. These are also likely to take a financial approach to their assets (and any associated liabilities). These owners may account for around 5% of vacant and derelict sites, but a much higher proportion of land due to the larger scale of some formal operational assets such as energy production or mineral extraction. As an aside, these and other former operational users of land may already have extracted substantial long-term value in that operational use, before the land became surplus.

The public sector owns around 40% of vacant and derelict sites and it often takes a broader view than financial value. Vacant and derelict sites may be treated as assets with multiple potential benefits, for example by regeneration agencies and some local authority or government departments, or they may only be considered on financial value. A financial approach is particularly common where a site may be part of a programme of future disposals to fund a public agency's core activity, for example health trusts selling surplus sites to fund new facilities or to support the provision of health services.

Over and above the consideration of current value is the 'hope value' for a site. This is common across Scotland's vacant and derelict land portfolio. The value in current use may be difficult to realise, for example industrial demand may be low and the costs of preparing a site for development could be substantial, unknown or costly to determine. The local authority survey in Ryden's Stage One report for the SLC found that the reuse of vacant and derelict sites is often bookended by low or uncertain values which do not justify the initial investment to understand and overcome the site's challenges. Thus the 'hope' for many sites is that they can secure change of use in planning to a high value development option – normally residential or pre-let commercial. These hoped-for uses can then become embedded in landowners' expectations, leading to unwillingness to sell or use a site for nominal or low value, and long-term sterilisation of land reuse.

⁹ Ryden, June 2019. Scottish Land Commission Vacant and Derelict Land Task Force Phase One Report, Scottish Land Commission



Financial value applies to all vacant and derelict sites and their reuse potential and it can play a major role in enabling or blocking productive reuse. On the basis that such sites are often in weaker market areas with inherent problems, financial considerations are more likely to be a barrier to reuse than they are in the wider market for more readily developable land. This can be challenging if low land values mean that landowners delay decisions while waiting for a better alternative use (hope value). Often this results in sterilising the reuse of vacant and derelict land, i.e. sites becoming stuck.

2.2 Economic Impacts

When public sector intervention is required, economic impacts will often be considered. These are generally quantified in terms of GVA and employment in line with the approach taken in guidance such as the Treasury's Green Book¹⁰ and the economic assessment guidance published by Scottish Enterprise¹¹.

The Scottish Government's draft planning advice on net economic benefits¹² also considers wider impacts in the form of development outputs. The guidance is not normally applied to residential uses which are, however, the largest reuse category for vacant and derelict land. Developers do, however, frequently provide concise economic impact assessments to support their proposals. Again, these tend not to consider any costs and dis-benefits.

It would be helpful if the Scottish Government was to update this advice, including advice on including costs and dis-benefits and encourage its use for all types of development (including residential).

The Scottish Public Finance Manual provides leeway for a wider approach to best value than simply financial value. There can, though, be a tension between public sector programmes and projects, which are subject to both financial and non-financial appraisal, and unused/ surplus sites which may be treated simplistically as future cash receipts.

The new approach advocated in this report and the accompanying guidance has the potential to remove this tension, in particular by recommending that wider economic and fiscal benefits are considered, which would mean that the long term fiscal benefits of productive reuse can be better understood. In these circumstances it would be easier for a public authority to forego a capital receipt in the short term, if it leads to longer term fiscal benefits, such as increased tax revenues.

¹⁰ HM Treasury (March 2019), Appraisal and Evaluation in Central Government (known as the "Green Book")

¹¹ Scottish Enterprise (2014) Scottish Enterprise Economic Impact Guidance

¹² Draft Advice on Net Economic Benefit and Planning (2016) The Scottish Government, Edinburgh



The economic impacts of the reuse of a vacant and derelict site that result in additional jobs and GVA come from:

- **construction benefits:** site preparation, ground work, and/or creating buildings will produce an economic benefit through its construction impact, which can be quantified in terms of short-term construction jobs created and the value they add to the economy (GVA). Investment in site remediation is a significant cost for many vacant and derelict land sites that also supports the jobs and livelihoods of people and businesses working in remediation;
- **operational benefits:** end uses that involve the creation of buildings or services that employ people will produce an economic benefit through their operational impact, which can be quantified in terms of the number of jobs created and the value they add to the economy (GVA);
- **household expenditure benefit:** the creation of new housing will have wider benefits to the economy through the combined household expenditure stemming from residents that are new to the area. These benefits take the form of supporting jobs and creating GVA;
- **other uses** stimulated (for example, tourism benefit which comes from the expenditure brought to an area by people who are visiting for a particular leisure, recreation or cultural purpose, such as an adventure playground, a wildlife or nature reserve or as a venue for events.

The approach taken to quantifying the economic impact of the reuse of a vacant and derelict land site is in line with the guidance from the HM Treasury's Green Book.

This includes taking account of additionality - the proportion of impact that would occur regardless of the reuse of the vacant and derelict land site. Therefore substitution, deadweight, displacement and leakage assumptions will be applied. Also, the value should be discounted in accordance with the Green Book guidelines. Economic impacts up to 30 years in the future should be discounted at a rate of 3.5% per annum.

Economic impact studies will typically consider the net economic benefits and compare that with the costs to the public sector of any proposed intervention.

2.3 Fiscal Impacts

Although still unusual, in the case of some larger projects requiring public sector funding, fiscal costs and benefits will sometimes be considered to assess the net costs to the public sector over time.

The fiscal implications can include:

- public sector development and capital costs;
- public sector operational costs;
- public sector savings; and



- taxation revenues.

A public spending benefit would arise when the reuse of a site reduced or eliminated the requirement for the public sector to continue spending. A cost would arise when the reuse of a site required additional public sector spending (for example, the provision of public services to the users of a reused vacant and derelict site).

The cost savings to the public sector are likely to result from wider impacts that result in improved social and economic outcomes from the reuse of the vacant or derelict site.

Taxation revenue income would be associated with economic activity stimulated or supported by the reuse of a vacant and derelict site.

Fiscal impacts are particularly important considerations for vacant and derelict sites owned by the public sector. If a site is put to productive reuse, the new use will often generate economic impacts that will also have associated fiscal implications. For example, residential uses will be associated with Council Tax receipts and business uses will be associated with non-domestic rates. Accepting a lower land value in the short term can therefore lead to better outcomes for the public finances in the longer term.

2.4 Existing Guidance

The new guidance that accompanies this report is intended to supplement rather than replace existing guidance and is complementary. Existing guidance includes:

- HM Treasury's Green Book¹³; and
- the Scottish Ministers' Scottish Public Finance Manual¹⁴.

Some key points from these are highlighted below.

2.4.1 Green Book

The Green Book provides wide ranging and comprehensive guidance on how to appraise and evaluate public sector intervention in the economy.

Whilst earlier versions of the Green Book focused on financial and narrowly defined economic appraisal, the most recent editions recommend that a wide range of factors should be taken into consideration. Indeed, whether or not a Green Book appraisal is required, the guidance recommends that the methodology should still be applied proportionately "*to support effective decision making and maximise social value.*"

¹³ HM Treasury (March 2019), Appraisal and Evaluation in Central Government (known as the "Green Book")

¹⁴ Scottish Ministers (January 2019), Scottish Public Finance Manual

In this context, the guidance on undertaking appraisals is of most relevance, including undertaking Social Cost Benefit Analysis (CBA), where, *“the expected costs and benefits of an intervention are estimated and the trade-off between costs and benefits is considered”*.

The guidance on Social CBA includes how to value relevant costs and benefits:

Figure 2-1: Green Book Extract: Valuing Relevant Costs and Benefits

Social CBA requires all impacts – social, economic, environmental, financial etc. – to be assessed relative to continuing with what would have taken place in the absence of intervention, referred to in the Green Book as Business As Usual.

The relevant costs and benefits are those for UK society overall, not just to the public sector or originating institution. They include costs and benefits to business, households, individuals and the not-for-profit sector. Assessing the costs and benefits across all affected groups matters as a relatively low-cost public sector option, such as a new regulation, may have significant costs for businesses or households.

The costs or benefits of options should be valued and monetised where possible in order to provide a common metric. This is usually done by assessing the value which reflects the best alternative use a good or service could be put to – its opportunity cost. Market prices are the usual starting point for the valuation of costs and benefits.

For some costs and benefits there may be no market price, or the market price may not fully reflect societal costs or benefits e.g. environmental values. In these cases, valuation techniques and a range of specific standard values can be used. Where it is not possible or proportionate to monetise costs and benefits they should still be recorded and presented as part of the appraisal.

Costs and benefits should be calculated over the lifetime of the intervention or asset. For many interventions, a time horizon of 10 years is suitable. Where significant assets are involved up to 60 years may be suitable e.g. buildings and infrastructure. For interventions likely to have significant costs or benefits beyond 60 years, such as nuclear waste storage, a suitable appraisal period should be agreed at the outset.

The Green Book also provides some useful guidance on the effort that should be expended on appraising projects: *“This guidance should be applied proportionately. The resources and effort employed should be related to the scale of the proposals under consideration.”*

This is a principle that should also apply when considering proposals for the reuse of vacant and derelict land.



2.4.2 Scottish Public Finance Manual

Public authorities in Scotland must also adhere to the requirements of the Scottish Ministers' Scottish Public Finance Manual, guidance on the proper handling and reporting of public funds. It emphasises the need for economy, efficiency and effectiveness, and promotes good practice and high standards of propriety.

The Manual includes an annex on appraisal and evaluation, including that appraisal should start with a definition of objectives and then a consideration of options. The appraisal of those options should include an assessment of costs and benefits, as set out in the extract below.

Figure 2-2: Scottish Public Finance Manual: Identify, quantify and, where possible, value costs, benefits, risk and uncertainties of options

Identify all significant costs and benefits likely to accrue from each option.

Where possible, value in real terms on an "opportunity cost" basis (generally the market value of the resource).

Costs and benefits should include adjustments for optimism bias, differential tax treatment (e.g. in comparisons of public private partnerships versus conventional procurement), and distributional implications.

Where costs and benefits cannot be valued in monetary terms, record and, where possible, quantify them. Market values may not be available for some costs and benefits involving quality issues, including some relating to the environment.

Assess associated risks and uncertainties, and who is best placed to manage each risk. Assumptions about the future are subject to a margin of error (e.g. the risk that the demand for the service to be provided will fall off). The risk inherent in the proposal should be identified and valued wherever possible.

As this extract shows, the Manual encourages the monetisation of costs and benefits, in market value terms, but also recognises that this will not be possible for some costs and benefits.

2.5 Conclusions on Current Practice

The private sector drives most development in Scotland and it is also the owner of around 55% of vacant and derelict land sites across the country. Therefore, the development of a significant proportion of vacant and derelict land is primarily driven by private sector priorities which mainly centre around financial considerations.

Many vacant and derelict sites are found in weaker market areas where commercial development potential is limited and so where the business case for investment may show poor or even negative returns associated with reuse. Very often this results in



sites becoming stuck and lying vacant for many years, or even decades. However, these sites will often have a wider social value, with the potential to deliver a wide range of social, environmental and community benefits, if the measures used are broader than financial returns on investment.

Around 40% of vacant and derelict sites are owned by the public sector and where this is the case, the benefits of reuse are mainly driven by GVA and employment considerations.

In both cases, a great many other benefits do not routinely feature when assessing reuse potential. These include community, health and environmental benefits and a raft of other considerations that form part of a growing approach to measuring economic well-being. Therefore, the time has come to update and develop the traditional approaches to assessing the benefits of reusing vacant and derelict land to reflect a broader perspective on economic well-being.



3.

Need for a New Approach

This section sets out the need for a new approach to how the potential benefits of reuse are measured and introduces a framework for doing this.

3.1 Appropriate Measures

In recent years, governments and organisations around the world have been rethinking how they measure economic well-being, moving to a much broader concept that that afforded by traditional income and employment measures.

The Nobel Laureate Joseph Stiglitz has highlighted the importance of choosing the right measures for the economy that reflect social progress. His general point also applies to the use and reuse of land.

“Getting the measure right is crucially important. If we measure the wrong thing, we will do the wrong thing. If our measures tell us everything is fine when it really isn’t, we will be complacent.”

Joseph Stiglitz, November 2019

The SLC’s Vacant and Derelict Land Taskforce aims to achieve a substantial reduction in the amount of long-term vacant and derelict land in Scotland through removing systemic barriers and releasing productive opportunities in the broadest economic, social and environmental senses. It is therefore important that the measures that are used are wide enough to capture such a range of benefits.

Whilst the economics profession may have established a reputation for quantifying and monetising everything, it should be recognised that there are some important benefits associated with the reuse of vacant and derelict land that can be difficult to quantify¹⁵, and also some easy to quantify benefits that might be relatively unimportant in the context of project objectives or wider strategic objectives.

¹⁵ The quote from sociologist WB Cameron from 1963 is particularly relevant since it highlights the difficulty of quantifying social benefits compared with economic benefits. The preceding paragraph to this quote is: “It would be nice if all of the data which sociologists require could be enumerated because then we could run them through IBM machines and draw charts as the economists do.”



“Not everything that counts can be counted, and not everything that can be counted counts.”

William Bruce Cameron

3.2 Economic Well-being

The approach to assessing economic well-being in Scotland is particularly well advanced. In July 2019, the First Minister delivered a TED Talk on how economic success should be about more than increasing economic output, setting out how increasing well-being should be placed at the centre of policy.

“When we focus on well-being, we start a conversation that provokes profound and fundamental questions – what really matters to us in our lives.

What do we value in the communities that we live in, what kind of country, what kind of society do we really want to be – and when we engage people in those questions and finding the answers to those questions, then I believe that we have a much better chance of addressing the alienation and disaffection from politics that is so prevalent in so many countries across the developed world today.”

Nicola Sturgeon, TED Talk on Well-being Economy, July 2019



3.3 National Performance Framework

In practical terms, the Scottish Government has approached this issue by developing and implementing the National Performance Framework, a process which was launched in 2007. This has been designed with the aim of getting all agencies and people in Scotland working together to create a more successful country and it therefore offers an ideal framework for considering the wider benefits of bringing vacant and derelict sites into productive use.

It has been embedded into legislation in 2015 through the Community Empowerment Act, meaning that current and successive Scottish Ministers must regularly and publicly report on progress towards its outcomes and review them at least every five years.

This framework is designed to reflect economic performance in terms of sustainable and inclusive economic growth and well-being. It is designed to:

- create a more successful country;
- give opportunities to all people living in Scotland;
- increase the well-being of people living in Scotland;
- create sustainable and inclusive growth; and
- reduce inequalities and give equal importance to economic, environmental and social progress.

To help achieve its purpose, the Framework sets out 11 National Outcomes, covering the following themes (and summarised in the Figure below):

- children and young people;
- economy;
- fair work and business;
- international;
- communities;
- education;
- health;
- poverty;
- culture;
- environment; and
- human rights.

Progress against the National Outcomes are measured using a number of National Indicators, to give a measure of national well-being, including a range of economic, social and environmental indicators.

Figure 3-1: National Performance Framework



Source: Scottish Government (May 2019), Scotland’s Well-being – Delivering the National Outcomes

The guidance that accompanies this document describes how the benefits of the reuse of vacant and derelict land can be identified and, where possible, quantified, using the themes within the National Performance Framework. This will bring a more consistent, public interest-led approach to assessing site reuse than the range of assessment measures that currently exist. The NPF themes provide a good starting point for assessing some of the wider benefits of site reuse, ultimately some of these will be quantifiable while others will be described qualitatively when making a business case for development.

3.4 Scottish Government’s Place Principle

In 2018 the Scottish Government and COSLA adopted the Place Principle¹⁶ which supports the collaborative working approach and ethos of the National Performance

¹⁶ See <https://www.gov.scot/publications/place-principle-introduction/> for more information.



Framework. Designed to help overcome organisational and sectoral boundaries, the Place Principle encourages better collaboration and community involvement to improve the impact of combined energy, resources and investment.

It was developed by partners in the public and private sectors, the third sector and communities, to promote a shared understanding of place, and the need to take a more collaborative approach to a place's services and assets to achieve better outcomes for people and communities. The principle encourages and enables local flexibility to respond to issues and circumstances in different places.

Implementation of the Place Principle requires a more integrated, collaborative and participative approach to decisions about services, land and buildings.

The Place Principle is highly relevant for land reuse projects as it encourages a broader and more collaborative approach to the issue.

3.5 Proposal for the Future Measurement of Costs and Benefits

The proposed approach to assessing the benefits from reusing vacant and derelict land is to consider a much wider range of costs and benefits than those that can be captured in financial appraisal, or even in economic impact studies.

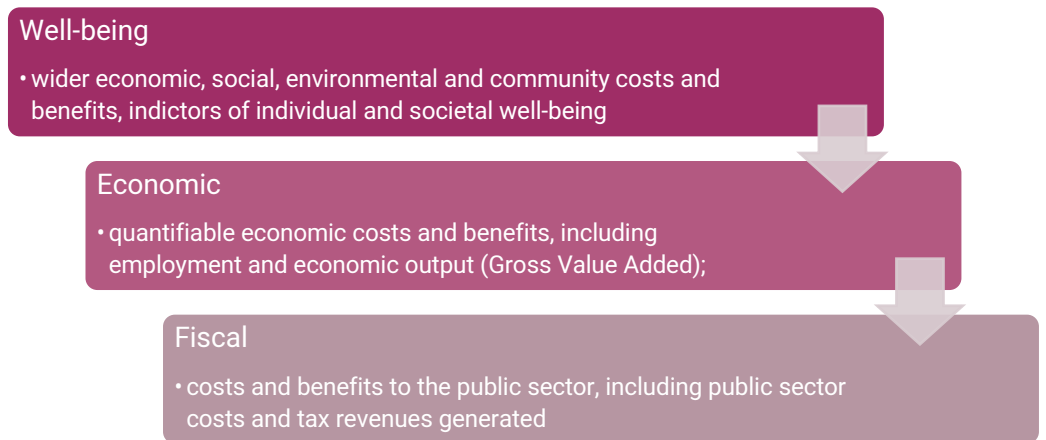
The proposed framework places well-being at the very centre of the decision-making processes for vacant and derelict land and so is an entirely different approach to identifying and measuring benefits of land reuse in the future, with fiscal and economic impacts providing evidence of well-being outcomes.

Well-being benefits are those that cannot be captured in terms of jobs, GVA, taxation or financial benefits but are important to society, communities and the environment and can justifiably be considered when assessing site options.

The approach includes identifying well-being benefits as well as identifying and quantifying economic and fiscal benefits. This recognises how inter-related these types of benefits are. For example, economic growth has undoubtedly improved our material standards of living, enabling us to achieve better health and education outcomes and better health and education outcomes are likely to have positive effects on well-being, both for citizens and at the national level, including enhanced economic performance.



Figure 3-2: Costs and Benefits of Land Reuse



3.6 Sustainability and Timescales

When considering costs and benefits, timescales are an important consideration. In many cases where a range of costs and benefits are identified, the costs often arise in the short term, whilst the benefits may arise over a longer timeframe.

In order to assess whether there are net benefits and what the return on investment might be, the costs and benefits should be assessed over time. This should be done in net present value (NPV) terms, with future costs and benefits discounted to reflect social time preference, that is a general preference to consume now rather than in the future.

However, it is also important to consider sustainability. The report of a commission¹⁷ established by former French President Nicolas Sarkozy makes a distinction between current well-being and an assessment of sustainability, that is, whether this can last over time.

"Current well-being has to do with both economic resources, such as income, and with non-economic aspects of people's lives (what they do and what they can do, how they feel, and the natural environment they live in)."

"Whether these levels of well-being can be sustained over time depends on whether stocks of capital that matter for our lives (natural, physical, human, social) are passed on to future generations."

¹⁷ Amartya Sen, Jean-Paul Fitoussi, and Joseph Stiglitz (2010), *Mismeasuring Our Lives: Why GDP Doesn't Add Up*



Given the importance of land as physical capital, the sustainability of its use must be an important consideration when considering any reuse proposals.

3.7 Guidance Document

A separate guidance document has been prepared for local authorities, public bodies, land owners, developers and local communities that describes the range of benefits that can arise from reusing vacant and derelict land.

Its purpose is to:

- **support all relevant groups** (local authorities, public bodies, land owners, developers and local communities) in articulating the benefits of developing individual sites and in setting out a business case for development;
- **provide a consistent approach** and framework for planning, structuring and assessing the costs and benefits of reusing vacant and derelict land both at the present time and in future years;
- **build in flexibility** to account for the highly diverse nature of vacant and derelict land sites across the country, allowing for a regional approach where it is felt to be appropriate for funding or other purposes;
- **identify wider economic, social and environmental benefits** that can be relevant to reusing vacant and derelict land, with reference to the National Performance Framework;
- **describing economic costs and benefits**, based on commonly used economic impact assessment methodologies; and
- set out **an approach to identifying fiscal costs and benefits**.

BiGGAR Economics, Pentlands Science Park,
Bush Loan Penicuik, Midlothian, Scotland EH26 0PZ

info@biggareconomics.co.uk

biggareconomics.co.uk

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