

<b>Title:</b> Further flexibilities between use classes to support change of use <b>IA No:</b> DCLG 1401 <b>Lead department or agency:</b> Department for Communities and Local Government <b>Other departments or agencies:</b>	<b>Date:</b> 14 February 2014 <b>Stage:</b> Validation <b>Source of intervention:</b> Domestic <b>Type of measure:</b> Secondary Legislation <b>Contact for enquiries:</b> Maria Darby / Helen Marks
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<b>Summary: Intervention and Options</b>	<b>RPC Opinion: Validated</b>
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Cost of Preferred (or more likely) Option				
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2013, values, 2009 prices)	In scope of One-In, Measure qualifies as One-Out?	
5.7	5.7	0.6	Yes	OUT

**What is the problem under consideration? Why is government intervention necessary?**  
 Applications for planning permission can take a long time to be decided, delaying development necessary for economic growth. The application process adds cost to the development and expense to local planning authorities. The Government aim is to simplify and streamline the planning system making it more timely and cost effective while ensuring that appropriate sustainable development proceeds.

**What are the policy objectives and the intended effects?**  
 In the 2013 Budget Statement the Government announced proposals to introduce further permitted development rights to remove the requirement for a planning application. The proposals will reduce the burden of the planning system on businesses, boost growth and contribute to delivering more homes. It will support economic growth and reduce the costs to developers of the planning process. Together they will support a system for the change of use, which is light touch where appropriate, while also ensuring local planning authorities have the opportunity to influence decisions that will impact on the local area.

**What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)**  
 Following public consultation on a package of proposals, additional permitted development rights will be introduced for retail premises to convert to housing, A1 shops to convert to banks and building societies, agricultural buildings to convert to housing as well as state-funded schools and nurseries, and a range of buildings to convert to nurseries without the need for a planning application.

Does implementation go beyond minimum EU requirements?	N/A				
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	<b>Micro Yes</b>	<b>&lt; 20 Yes</b>	<b>Small Yes</b>	<b>Medium Yes</b>	<b>Large Yes</b>
What is the CO <sub>2</sub> equivalent change in greenhouse gas emissions? (Million tonnes CO <sub>2</sub> equivalent)	<b>Traded:</b>		<b>Non-traded:</b>		

*I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.*

Signed by the responsible Minister: \_\_\_\_\_ Nick Boles \_\_\_\_\_ Date: \_\_\_\_\_ 16 June 2014 \_\_\_\_\_

# Summary: Analysis & Evidence Option 1

Description: Combined approach

## FULL ECONOMIC ASSESSMENT

Price Base Year 2013	PV Base Year 2013	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: <0.1	High: 45.4	Best Estimate: 5.7

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	0	<0.1	<0.1
High	0	2.4	20.5
Best Estimate	0	0.8	6.5

### Description and scale of key monetised costs by 'main affected groups'

Prior approval fees for applicants are expected to cost £0.2m per annum. Prior approval administration for applicants is expected to cost £0.6m.

The relaxation of planning rules is expected to cost local authorities around £0.4m in forgone fee income per annum. However these costs are likely to be offset by the reduction in activities required to process and determine prior approval. This is treated as transfer and therefore there is no net change for local authorities.

### Other key non-monetised costs by 'main affected groups'

There is some risk of requests to councils for enforcement action against, change of use occurring outside the planning system.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low		<0.1	<0.1
High		7.7	65.8
Best Estimate		1.4	12.2

### Description and scale of key monetised benefits by 'main affected groups'

Savings to applicants from avoiding spending time and resource on preparing a planning application including fee payments are estimated at per annum (best estimate £0.3m). Savings to local planning authorities from no longer processing as many applications for change of use are estimated at around £0.4m per annum. As set out above, this is treated as a transfer and therefore there is no net change for local authorities.

### Other key non-monetised benefits by 'main affected groups'

As noted there will be wider costs and benefits which this Impact Assessment does not currently capture. This includes the economic benefit of more buildings changing to more productive uses as a result of the transaction cost of development being reduced.

### Key assumptions/sensitivities/risks

3.5%

The modelling uses the number and costs of applications for each development type using categories listed in the Land Use Change Statistics. It is assumed that a site level change as shown in Land Use Change Statistics is comparable to a planning application, with the average rate of changes taking place over the ten year period rising in line with economic growth. The average mean cost of £1,250 for preparing and submitting a change of use planning application has been used. The fee cost for prior approval where appropriate is £80 for proposals (d) and (e), and £172 for (a) and (c).

## BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual, 2009 prices, 2013 discount year) £m:			In scope of OIOO?	Measure qualifies as
Costs: 0.6	Benefits: 1.2	Net: 0.6		

## **Evidence base**

### **The policy issue and rationale for Government intervention**

The Government is committed to streamlining and simplifying the planning system. Applying for planning permission places an administrative burden on business, estimated at around £1.1 billion in 2006<sup>1</sup>. Permitted development rights are a deregulatory tool, established nationally, which enable development to progress without the need for a planning application thus saving time and expense for all parties. The Government wants to further expand permitted development rights for the change of use to free up development in support of economic growth.

The consideration of planning matters must be proportionate and address the issues which have the potential to have the greatest impact on the local areas and those nearby. The expansion of permitted development rights will further free up the planning system so that change of use can take place more quickly and owners are able to make best use of their property. This will make a strong contribution to wider regeneration and supports the Government's firm commitments to support high street renewal and town centres, and help to grow and sustain rural communities by creating jobs and prosperity in the area.

The Town and Country Planning (Use Classes) Order 1987 (as amended) and the Town and Country Planning (General Permitted Development) Order 1995 (as amended) are significant deregulatory tools. They allow change of use between land uses that have similar impacts, without the need to apply for planning permission. The package of deregulatory changes which came into force on 30 May 2013<sup>2</sup> was a significant step towards shifting the balance in favour of those who are looking to make best use of their property assets while respecting the amenity of others. Those changes enable owners to bring forward imaginative proposals to develop new businesses and activities in an area. This new package of measures builds on the above changes and recognises further opportunities for new homes and businesses to be created through change of use.

### **Policy objectives and intended effects**

The policy objective is to deregulate by removing more development from the requirement for detailed local authority assessment of proposals by increasing the permitted development rights for retail premises to convert to housing, A1 shops to convert to banks, agricultural buildings to convert to housing as well as state-funded schools and nurseries, and a range of buildings to convert to nurseries. These policies are all deregulatory measures.

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<sup>1</sup> <http://www.communities.gov.uk/documents/corporate/pdf/regulation-burden.pdf>

<sup>2</sup> <https://www.gov.uk/government/speeches/planning-promoting-regeneration>

The intended effects of the proposals are to reduce the burden of the planning system on businesses, boost growth and contribute to delivering more homes. Specific effects include:

- Benefits for businesses that carry out development. Business will no longer be required to prepare planning applications for certain developments. Business will also make fee savings from no longer having to submit a planning application.
- Reducing the need for full local authority assessment of development with more limited impacts to allow them to concentrate on larger development of more strategic benefit to their local area. The fees for prior approval reflect the reduced administrative burden and costs for a local planning authority compared with processing a full planning application.
- Establish a system for change of use, which is light touch where appropriate, while also ensuring local planning authorities have the opportunity to influence decisions that will impact on the local area

## **Background – the use class system**

The planning system controls not only development but also changes in the use of buildings or land. Planning permission is usually required for anything that is considered to be a 'material' change of use.

The change of use of buildings is a routine occurrence. In many cases the change will have no material impact on the local area. However the planning regime recognises that there will be circumstances where the change will impact on land use and as such a planning application would be required. An objective of the Government is to ensure the threshold of where planning permission is required is set at the right level to minimise administrative burdens, and that where permission is required, it can be obtained, where appropriate, in the easiest way possible.

Change of use planning applications could be a burden on business in terms of time and cost, and be of little value if the change of use does not impact on the neighbourhood. Certain uses of buildings and land are considered so similar in land use planning terms that to require planning permission to change use is seen as an unnecessary burden. Secondary legislation (the Use Classes Order) therefore defines broad classes of use for buildings and provides that a change of use is not "development" where the former use and the new use are both within the same use class.

Uses fall within four main categories:

**Class A** covers shops and other retail premises such as restaurants and bank branches;

**Class B** covers offices, workshops, factories and warehouses;

**Class C** covers residential uses;

**Class D** covers non-residential institutions and assembly and leisure uses.

There are subsets within each class. There are also uses that are described as sui generis, meaning that they are in a class of their own. These are set out in detail at Annex 1.

In addition, General Permitted Development Order allows change between certain use classes, in defined circumstances, without the need for a planning application, by classifying certain changes of use between the use classes as permitted development.

Permitted development for the change of use can be an important contributor to prosperity and support strong and vibrant communities. An efficient system for changing the use of existing buildings reduces the costs to businesses that wish to do so. This may benefit business start-ups, expansion and diversification and allow flexibility for businesses and institutions to respond to economic and local conditions provide new homes.

## **Policy options considered**

### **Do nothing**

Make no changes to the Use Classes Order and associated permitted development rights. This option will not achieve the policy objectives.

### **Option 1**

The preferred option is to make changes to the existing Use Classes Order and associated permitted development rights as proposed in the consultation *Greater flexibilities for change of use*:

#### **1a. Creating new homes from old shops - retail to residential**

This permitted development right will allow for conversion of buildings with a retail frontage in both A1 (retail) and A2 (financial and professional services) uses to residential use (C3). This will be subject to a size threshold of 150m<sup>2</sup> and the aim is to make this available in more marginal areas where there are already a range of different uses meeting the needs of town centre users. The new right will also allow for the physical development needed for conversion.

These permitted development rights will only apply where the building is an existing building last used for, or in, A1 (retail) or A2 (financial and professional services) use on 20 March 2013.

Prior approval will allow account to be taken of the potential impact of the loss of the retail unit on the economic health of the area, as well as the design, noise and transport impacts of the proposal. There will be a fee for prior approval, but this is less than the planning application fee.

The permitted development right will not apply in article 1(5) land as set out in the General Permitted Development Order (i.e. conservation areas, National

Parks, Areas of Outstanding Natural Beauty, the Broads and World Heritage sites.)

The Government Town Centres policy promotes a mix of use incorporating retail, housing, education, entertainment, business/office space, and leisure. This recognises the changing nature of the High Street and the need and more varied uses to maintain its vitality.

### **1b. The place of banks on our high street - *allow A1 premises to convert to banks***

Currently there are permitted development rights for an A2 (financial and professional services) to change to A1 (retail) use. This allows banks, building societies and payday loan shops to be able to change use to shops but not the other way round. Recognising the changing nature of banking on high streets with more open retail style premises, the new permitted development right will allow shops to convert to banks and building societies only (not the wider A2 use class). The change of use will apply to listed buildings and will apply in article 1(5) land. There is no maximum size.

The Shops category, A1, includes retail units, retail warehouses, hairdressers, undertakers, travel and ticket agencies, pet shops, domestic hire shops, etc. Banks and building societies currently fall within the Financial and Professional Services use category, A2, which also includes estate and employment agencies, betting offices etc.

### **1c. Re-use of existing redundant agricultural buildings for a dwelling house - *agricultural to residential***

Recognising that planning policies should support growth in rural areas in order to create jobs and prosperity, this permitted development will allow existing agricultural buildings to be converted to C3 (residential use). This new right will allow the conversion of an agricultural building to no more than three dwellinghouses or flats, within a maximum floorspace of 450m<sup>2</sup>. It will allow for the physical development needed for conversion.

An agricultural unit is defined in Part 6 of Schedule 2 to the General Permitted Development Order. The same rights apply to all agricultural units, whether smaller or greater than 5 hectares. An agricultural building is defined in Part 3 of Section O of the Town and Country Planning General Permitted Development Order 2013. These permitted development rights will only apply where the building is an existing building last used for, or in, agricultural use on 20 March 2013.

The rights will not apply to Article 1(5) land, including National Parks and Areas of Outstanding Natural Beauty.

Prior approval is required for siting and design to ensure physical development complies with local plan policies on design and character, materials and outlook, and is sustainable. Prior approval is also required for

transport and highways impact, noise impact, contamination and flood risk to ensure that change of use takes place only in sustainable locations.

**1d. Supporting working families to provide childcare - *range of existing buildings to become nurseries (D1)***

Currently buildings in a range of uses (B1, C1, C2, C2A and D2) can convert to a state-funded school subject to prior approval covering transport, contamination and noise. This permitted development right will be extended to include nurseries (D1).

In addition, the new permitted development right will allow agricultural buildings up to 500m<sup>2</sup> to convert to a state-funded nursery with the same prior approval requirements.

The permitted development right will apply in article 1(5) land.

The permitted development right is applied only to registered childcare providers included in the Early Years Register regulated by Ofsted<sup>3</sup>.

The process of setting up and registering a nursery can take a long time, and changing the planning process is part of the overall Government approach to simplifying the process.

**1e. Provision for children in rural areas - *agricultural to schools***

There are permitted development rights allowing agricultural buildings to convert to a range of commercial uses. The new permitted development right will additionally allow agricultural buildings up to 500m<sup>2</sup> to convert to a state-funded school, similar to the existing rights set out in **1d** above.

This measure will help to promote the creation of new schools in rural areas. Although the impact of a new school on a neighbourhood may be different than an agricultural building, these permissions would allow innovative and creative school development and would broaden the potential stock of available school accommodation thereby maximising choice for parents, teachers and local communities and facilitating the smooth delivery of new schools. To help address any unacceptable impacts prior approval is required covering siting and design, noise, transport, flooding and contamination.

Some minor operational development is allowed. The permitted development rights apply to buildings which were last used for or are in agricultural use on 20 March 2013, and will apply in article 1(5) land.

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<sup>3</sup> Part 3 of the Childcare Act 2006 (c. 21)

## **Monetised and non-monetised costs and benefits of each option (including administrative burden)**

For options (a), (b), (c) (d) and (e):

### **No longer preparing and submitting a planning application for change of use: saving to Applicants**

The applicant will benefit from not having to incur a cost in developing their scheme, preparing a planning application and submitting it. The resource, time and fee cost of a full planning application can vary for the applicant. For estimating the total costs incurred to the applicant when making the applications, a range of values have been used to illustrate the possible span of benefits which applicants may incur from the policy. It is important to note these costs are far wider than just a planning application fee.

Research commissioned by the Department found the cost to developers of preparing and submitting an application for change of use is between £290 and £3,370. The average cost of £1,250 is used for a central estimate of savings from reducing the instances where change of use applications must be submitted.<sup>4</sup> The costs identified were those that were specific or additional relating to the requirement for planning permission, as distinct from those other costs associated with, for example, producing and implementing a design scheme. These include the overall costs of devising, planning, designing, project managing and commissioning development schemes including the following elements associated specifically with preparing and submitting an application:

- costs attributable to staff working for the applicant (the developer or eventual occupier)
- research-type costs towards identifying sites, gaps in the market for particular use configurations, development potential etc;
- professional services focused on bringing forward or shaping the research findings into practicable schemes – such as making development plan representations to have a site included in local authority land allocations;
- land or site acquisition costs – including the costs of establishing ownership, procuring deeds, legal and contractual advice, and of course the finance cost of purchase or lease itself;
- scheme scoping to identify potential and desirable uses, including the possible mix, scaling or massing as the ‘terms of reference’;
- scheme development based on the parameters to work into a fully-considered scheme appropriate for planning submission including design, pre-application consultations with authorities and consultees, and interdisciplinary liaison;

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<sup>4</sup> Department for Communities and Local Government (July 2009), *Benchmarking the costs to applicants of submitting a planning application*, <http://webarchive.nationalarchives.gov.uk/20120919132719/http://www.communities.gov.uk/documents/planningandbuilding/pdf/benchmarkingcostsapplication.pdf>



- submission of the application – including the information required for the validation of the planning application, again drawing upon a similarly diverse range of disciplines;
- post-submission negotiation and representation with additional information requirements or alterations to the original scheme, design, mix or layout; and
- post-determination elements including handling or any appeal against refusal or particular conditions, or work towards discharging pre-commencement and other conditions.

These estimates include the cost of paying a planning fee to the local planning authority, where appropriate. The fee, correct at the time of the report and therefore included in the above cost, was £335<sup>5</sup>. This fee has now risen to £385 so calculations represent a slight underestimate.

This treatment is consistent with the approach taken in the Impact Assessment for “*New opportunities for sustainable development and growth through the reuse of existing buildings* (DCLG12029) previously validated by the Regulatory Policy Committee.

### **Notification of change of use for prior approval (where appropriate): cost to applicants**

Options (a), (c), (d) and (e) will require prior approval for change of use. Prior approval provides a light touch, simplified approach, compared with an application for planning permission. It focuses on the key planning issues associated with particular types or location of development identified in the regulations. A short prior approval application form is available on the Planning Portal to standardise the information requirements. The information developers have to provide should have already been researched and prepared as part of the work to bring together the development proposal. For example, developers would have site plans and architects drawings as part of the preparation for their scheme, so where it is required as a matter for prior approval there is no further work involved.

Local authorities are required to complete processing work in relation to considering a request for prior approval. A centrally set fee is chargeable to allow local authorities to recover their costs. For options (d) and (e) this is £80, and (a) and (c) this is £172 as both of these allow for associated building works. The fee reduces but does not offset the savings from not having to submit a full application.

The prior approval forms are a simplified version of the application form. At their simplest they require factual information such as names, addresses, contact details and a description of the proposal.

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<sup>5</sup> Department for Communities and Local Government (Feb 2010), *A Guide to the Fees for Planning Applications in England*, [http://www.planningportal.gov.uk/uploads/english\\_fees-feb\\_2010.pdf](http://www.planningportal.gov.uk/uploads/english_fees-feb_2010.pdf)

The form itself must be accompanied by plans and drawings and any necessary information relevant to the prior approval matters. However, it is expected that much of this information will already be available from the scheme development work i.e. is not additional for the prior approval process. The benchmarking work referred to above indicates that change of use applications took “between a couple of days and a week of [applicant] time”. This was attributed to correspondence with the local planning authority, drawing up plans and filling in the form.

As discussed, the creation of additional information is not expected to be required. It is difficult to isolate from the time frame the time spent solely on the form. We estimate that it would take no longer than half a day to complete the prior approval form depending on the detail of the proposal.

The benchmarking report suggests the cost to applicants of preparing an application (distinct from scheme development, submission, post submission and determination work) is between £0 and £1,772. In order to assess the administration element of this cost we consider the wage cost of the time resource identified above (two to five days).

To assess the administrative cost of this activity we use estimated wage costs. The average hourly wage of those individuals required to complete the form is estimated to be £23.36: this wage is up-scaled from the median wages of ‘construction project managers and related professionals’<sup>6</sup> to reflect non-wage labour costs in line with HM Treasury guidance.

Over 5 working days (assumed to be 37.5 hours) the cost of filling in the form is £876. For this estimate to be valid, the applicant would need to spend the entire time working on the application – the report discussion suggests this time is spent in discussion with the local authority which implies the agent is free to conduct other business. This would therefore be an over estimate.

At the lower end of the range two days to collate existing information and complete the form would cost £327. The same applies here, for this not to be an over estimate, the developer would need to be working solely on the notification for two days. However, this is inconsistent with the lower estimate for the cost of submitting a planning application - £290. This will include a fee of £172<sup>7</sup> leaving a maximum of £118 that could have been spent on administration to complete the application. Given the vagueness of the report (“couple of days”) and the fact the new form is intended to be light touch and require less resource to complete than the old form, this lower bound is adjusted from £327 to £118 to match the cost to applicants of submitting a planning application currently (£118 + £172 = £290, see page 8).

The result is that, in the low scenario, the applicant makes no saving relative to the counterfactual. In the high scenario, applicant administration costs are

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<sup>6</sup> Taken from the Annual Survey of Hours and Earnings table 14.5a published by the Office for National Statistics

<sup>7</sup> Assumed at least equal to the fee under the new process – in reality the fee would have been £335 in almost all cases but this is inconsistent with the low estimate of total cost provided by the benchmarking report, £290.

£876 relative to a cost of submitting an application of £3,370. In the central estimate, applicant administration costs are assumed to be £497 (mid-point) relative to the cost of submitting a full application of £1,250. In the longer term, the Department intends to re-benchmark the costs to applicants of these new application routes alongside existing routes to make a more precise estimate.

It is worth noting that the key savings are not in completion of the form but in the preparation required to complete a full planning application, and for post submission discussions. Developers do not for instance have to research whether their proposal is in accordance with local policies, and pre application advice is not necessary. Post application discussions will be reduced, as the issues under consideration are limited. Further time and financial savings will arise by virtue of the fact that the developer is not required to enter into negotiations about a section 106 agreement. These are major components of the submission process and are included in the benchmarking exercise as discussed above. This is represented by the difference in the total costs of submitting a planning application and the total cost of using the prior approval process.

#### **Reduction in processing cost of full application: savings to local planning authority**

There will be a reduced administrative cost on the local authority to provide a planning application processing service and also savings associated with a reduced number of appeals. Local authorities will also have reduced fee income. Under the principle of cost recovery planning fees this will be offset by an equivalent reduction in workload. If the local authority is required to process a prior approval as part of the permitted development it will be able to charge a fee as set out above. Local planning authorities costs will be reduced as they no longer need to assess proposals against their development plan as the principle of the change of use has already been determined by the Secretary of State in the General Permitted Development Order. They would also save costs by no longer undertaking pre application engagement.

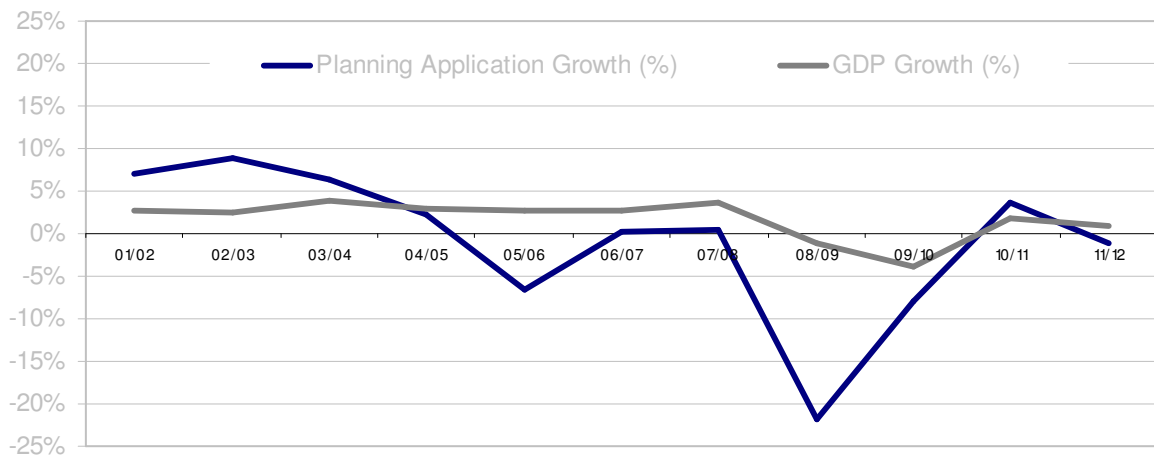
The number of change of use applications by use class is **not** centrally recorded. As a result we need to make an assumption in this area. Our suggested assumption and reasoning is as follows:

- Department for Communities and Local Government Land Use Change Statistics record the number of **observations** of a change of land use taken from the Ordnance Survey map revisions process;
- An observation on the land use change statistics is **not** the same as a planning application. Each observation may represent a single premise or a number of co-joined premises. However, in the absence of actual data on change of use applications we have assumed that each observation represents one existing planning application. Multiple premises changing use at the same time are likely to have a single owner or an agreement between multiple owners. It is likely a single planning application will be made to reduce total transaction cost. The

average numbers of observations between 2002 and 2011 has been used to estimate the number of changes that may benefit;<sup>8</sup>

- Analysis of the relationship between applications and GDP growth suggests there is a cyclical relationship between applications and GDP growth. Ten year average growth rates (excluding an obvious anomaly in the planning application series in 2008/09) show a close to one-to-one relationship and our provisional modelling of this relationship also suggests a similar relationship<sup>9</sup>. In light of this we have adopted a one-to-one relationship between GDP growth and change of use planning applications;

**Figure 3: Ten year planning application and GDP growth rates**



- It should be noted that land use change statistics do not separately record the number of occasions on which other land uses become schools or nurseries. Separate assumptions are presented in these sections.

Assumptions around take up are set out clearly with the costs and benefits for each option. An annual summary table for the central scenario for the costs and benefits of the options described below can be found at Annex 2. Once again, this treatment is consistent with the methodology used in the Impact Assessment for “*New opportunities for sustainable development and growth through the reuse of existing buildings*” (DCLG12029) previously validated by the Regulatory Policy Committee.

### **1a. Creating new homes from old shops - retail to residential**

<sup>8</sup> DCLG Land Use Change Statistics 2002 to 2011

<sup>9</sup> Note we have not used the precise relationship implied by the model as it is still under development

The Land Use Change Statistics show that between 2002 and 2011 there were on average 674 observations of changes of use from retail to residential per year. The size restrictions of the permitted development right will determine what proportion of these change of use applications are eligible. It is however worth noting that the floor area restriction is set well above the average floor area of a new home in England, 76 square metres. Consistent with the treatment of this uncertainty in the previously validated impact assessment referred to above, the low estimate assumes this will never be the case i.e. no conversions will use the right, the high estimate assumes this will always be the case i.e. all conversions will use the right, whilst the central estimate is the midpoint (50%, 337 applications per annum fall under permitted development).

Over the ten years the potential average annual benefit to applicants from no longer submitting a planning application is expected to be £479,000 (£0 to £2,583,000) depending on the extent to which applicants are able to make savings.

Included in the above is the potential fee saving for the applicant, based on the application fee of £335. As part of the prior approval the applicant will be required to make a fee payment of £172. Over the ten years the average annual fee payments are likely to be between £0 and £132,000 (best estimate £66,000).

Over the same period, the annual average administration cost of using the new light touch process is £190,000 (£0 to £671,000) based on administration cost of £497 per notification in the central case. On this basis, local authorities in England would lose a total of £0 to £257,000 (central estimate £128,000) in fee income but would gain an equivalent amount from the reduced cost of processing planning applications. Any work required under prior approval is expected to be fully offset by the fee payment from applicants as set out above. No net change for local authorities is expected.

Net average annual benefits for the option range between £0 and £1,780,000 (best estimate £223,000). **Ten year present value benefits are estimated to be between <£0.1m and £15.2m (central estimate £1.9m).** The consultation did not identify any additional costs and benefits including those associated with any increase in the amount of change of use.

### ***1b. The place of banks on our high street - allow A1 premises to convert to banks or building societies***

The Land Use Change Statistics only records the number of changes between the wider retail uses in either category. A1 premises are just one of four uses in the Retail category and Banks are one of two broad uses in the Office category (see Risks and Assumptions for a fuller mapping of use classes and land use change statistics). Between 2002 and 2011 the Land Use Change Statistics recorded an average of 146 of such changes per annum. The

number of instances where the change from retail premises to a bank or building society will be far fewer than this.

As explained above, it is not possible to isolate these type of changes from the small number (146) recorded across the broad uses but we expect it to be minimal. Responses to the consultation indicated that there is strong support for the proposal, with 65% of those who responded supporting the measure. Despite it not being able to make an estimate of the savings of this liberalisation, consultation responses indicated that removing the requirement to seek full planning permission was clearly net beneficial to business. We expect banks and building societies to make use of the rights although it is not possible to estimate a number.

Given the limited expected take up of this right and the lack of recorded data of any kind on the number of banks opening in retail premises it is reasonable not to attempt to quantify these costs and benefits (consistent with the Better Regulation Framework Manual paragraph 2.2.3)

### **1c. Re-use of existing redundant agricultural buildings for a dwelling house - *agricultural to residential***

The Land Use Change Statistics record the number of observations of changes from agricultural buildings to residential. Between 2002 and 2011 there were an average of 1,336 observations per year. As before, the size restrictions that apply to the right will mean that the number of changes completed under this option will depend on the size distribution of developments. As before, and consistent with the previous approach discussed above, high, mid and low estimates are derived by varying the proportion of development allowed in the extreme, all and none, and taking the mid point.

Over ten years the average annual benefit to applicants of no longer submitting a planning application is expected to be £950,000 (£0 to £5,123,000).

Prior approval fees of £172 will be chargeable so will reduce the fee saving made by an applicants – this is included in the saving set out above. Prior approval charges to applicants are expected to be £131,000 (£0 to £261,000).

Applicants are also expected to incur some administration costs in submitting their notification, albeit much less than under the previous application process. The ten year annual average cost to applicants is estimated as £378,000 (£0 to £1,332,000).

As before, local authorities will lose the fee income from applications no longer submitted. This is estimated to be around £255,000 per annum. Local authorities will however no longer complete this work so the fee loss will be fully offset by the reduction in workload. Hence, this is treated as a transfer.

Net average annual benefits for the option range between £0 and £3,530,000 (best estimate £441,000). **Ten year present value benefits are estimated to be between <£0.1m and £30.2m (central estimate £3.8m).** The consultation did not identify any additional costs and benefits including those associated with any increase in the amount of change of use.

#### **1d. Supporting working families to provide childcare - range of existing buildings to become nurseries (D1)**

There are around 17,600 providers of full day care not in domestic premises (including some maintained children centres). Overall this segment of the sector provides an estimated 720,000 places, with around 948,000 children (aged between 0-5) attending.

Figures from Ofsted<sup>10</sup> show that in the six months April -Sep 2013 there were 1,284 providers of childcare on non-domestic premises who joined the Early Years Register. This was fully offset by 1,414 leavers over the same period.

The land use data does not identify the numbers of premises in these use classes that change to nurseries, but we expect it to be minimal. The available figures on changes to the appropriate registers (above) support this. Despite it not being able to make an estimate of the savings of this liberalisation, consultation responses indicated that removing the requirement to seek full planning permission was clearly net beneficial to business. It is not possible to estimate the number of premises that will make use of this right but the consultation responses indicated a high level of support for the measure, and there is an ongoing need for adequate childcare provision to support economic growth. The rights will benefit those businesses that make use of the rights, and also those where parents are able to take advantage of employment opportunities. Responses to the consultation showed, again, that there was strong support for the measure, with 68% of those who responded indicating their support.

Given the limited expected take up of this right and the lack of recorded data of any kind on the number of banks opening in retail premises it is reasonable not to attempt to quantify these costs and benefits (consistent with the Better Regulation Framework Manual paragraph 2.2.3)

#### **1e. Provision for children in rural areas - agricultural to schools**

The new Permitted Development Rights available from June 2013 have proved very useful in ensuring that some schools were able to open in September 2013. 11 schools relied on Class C (temporary change of use for one year) and seven on class K (permanent change of use).

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<sup>10</sup> <http://www.ofsted.gov.uk/resources/registered-childcare-providers-and-places-england-december-2008-onwards>

The Land Use Change Statistics do record changes from agricultural buildings to community buildings. However, schools just make up one part of the category so this will represent an overestimate. The figure for the average annual change between 2002 and 2011 is just 8 changes per annum.

Even if as many as half of these changes were for schools the ten year net present value of the savings to applicants would only be significantly less than £0.1m. Given this small number of applications per annum and limited scale, <£0.1m ten year present value it is reasonable to estimate these costs and benefits any further (consistent with the Better Regulation Framework Manual paragraph 2.2.3). This illustration is not included in the summary sheets.

### **The wider economic impact of reducing the costs of change of use (Options 1a, 1b, 1c, 1d, and 1e)**

No estimates of the economic benefit in these particular instances were made available in the consultation. However, it is widely acknowledged that a planning restriction on change of use will create an economic cost that would not be present without the restriction, see Nathan and Overman (What We Know (and Don't Know) About the Links between Planning and Economic Performance. 2011). Restricting change of use between existing buildings by requiring an applicant to seek consent introduces a transaction cost. This transaction cost increases the generalised cost of changing the use of an existing building. As costs are higher than just the costs of the non planning work, some building owners will be deterred from making a switch to a more productive use. This represents a cost to society.

Where additional uses are permitted, premises will be allocated to the best available use (determined by the market rent). In the same paper Nathan and Overman discuss how this type of planning restriction lowers the levels of business investment in an area by preventing developing. The changes proposed here, will at the margin, reduce development costs, providing an economic benefit.

### **Direct costs and benefits to business calculations (following One In Two Out methodology):**

Option 1 with implementation of strands (a) to (e) offers the most benefit to the applicant. Options (a), (b), (c) and (d) make changes that will directly affects the use classes predominantly used by business (for example residential developers, retail businesses and nursery providers). Option (d), although deregulatory, does not have monetised costs and benefits as explained above, but would not in any case be included as a direct benefit as it will make it easier to convert building to schools rather than business use.

The combined average annual savings accruing to business are calculated by the sum of the administrative, resource and time cost savings of no longer applying for planning permission and no longer paying an application fee after accounting for the cost administration and of paying the appropriate prior approval fee. The average annual benefit to business is expected to be



around £0.7m (<£0.1m and £5.7m). Ten year present value is estimated at £5.7m (<£0.1 m - £45.4m).

The Equivalent Annual Net Cost to Business (2009 prices) is - £0.6m.

### Risks and assumptions

The options are modelled using the number and cost of applications for each development type by using categories used in Land Use Change Statistics as proxy indicators for Use Class Orders. The table below presents this in detail.

Land Use Change Category	Use Class Order
Agricultural buildings (B)	Agricultural buildings
Retail (K)	Shops (A1), Restaurants and cafes (A3), Drinking Establishments (A4), Hot Food Takeaways (A5)
Offices (J)	Financial and Professional Services (A2) and Business (B1)
Storage and Warehousing (S)	Storage or distribution (B8)
Industry (I)	General Industry (B2)
Community Buildings (C)	Non-residential institutions (D1)
Leisure and recreational buildings (L) and Outdoor recreation (O)	Assembly and Leisure (D2)

It is assumed here that a site level change, as reported in Land Use Change Statistics, is comparable to a planning application (which is likely to be an underestimate). It is also assumed that the number of changes taking place over the 10 year period is going to increase in line with economic growth<sup>11</sup> based on observed trends over the past ten years<sup>12</sup>, and the growth in these applications is displayed in Annex 2;

The cost of a planning application can vary for the applicant. The Arup report finds that the average cost of a change of use planning application is around £1,250 and could vary between £290 and £3,370. As set out on page six this includes resource, time and fee costs that are specific to the requirement to seek planning consent.

A change of use planning application fee is £335 (this should be captured in the costs to applicants – however fees have increased to £385 since the report so there will be a slight under estimate). In order to ensure consistency between savings to applicants and transfers affecting local authorities, the fee schedule from the time of the report is used to calculate the local authority transfer. Local authorities may benefit from this policy due to the reduction in administrative costs required for the planning process as a result of having a lower level of planning applications, however this benefit will be offset by a decrease in fee income from planning applications.

<sup>11</sup> Office for Budget Responsibility (2013) Economic and Fiscal Outlook: <http://cdn.budgetresponsibility.independent.gov.uk/March-2013-EFO-44734674673453.pdf>

<sup>12</sup> See DCLG live table P120: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/70033/TableP120.xls](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/70033/TableP120.xls)

As already noted there may be wider costs and benefits which this IA does not currently capture. This is a validation stage impact assessment, and therefore considers the costs and benefits to business of our proposals.

## Annex 1

### Summary Guide to Use Classes Order and Permitted Changes of Use

Use Classes Order 1987 including Amendments	Description	Conditions (See Note 1)	New permitted development rights
A1 Shops	Shops, retail warehouses, hairdressers, undertakers, travel and ticket agencies, post offices, pet shops, sandwich bars, showrooms, domestic hire shops, funeral directors etc.	Mixed use as a shop and single flat (see note 2) and vice versa	Residential (C3) Banks and building societies (within A2)
A2 Financial and professional services	Financial and Professional Services Banks, building societies, estate and employment agencies, professional and financial services, betting offices	Permitted change to A1 where a ground floor display window exists. Also as above to a mixed use as a single flat and A2 use and vice versa (see note 2)	
A3 Restaurants and Cafes	Restaurants, snack bars, cafes	Permitted change to A1 or A2	
A4 Drinking Establishments	Pubs and bars	Permitted change to A1, A2, A3	
A5 Hot Food Takeaways	Hot food takeaway	Permitted change to A1, A2, A3	
B1 Business (a)	Offices, not within A2	State funded school (D1) Residential (C3)	Children's registered nursery
(b)	Research and development, studios, laboratories, high technology	Permitted change to B8 where no more than 235m2	
(c)	Light Industry	State funded school (D1) Permitted change to B8 where no more than 235m2	
B2 General Industry (See Note 4)	General Industry	Permitted change to B8 where no more than 235m2	
B8 Storage or Distribution	Wholesale warehouses, repositories	Permitted change to B1 where no more than 235m2	

C1 Hotels	Hotels, boarding and guest houses	State funded school (D1)	Children's registered nursery
C2 Residential Institutions	Residential schools and colleges, hospitals and convalescent/nursing homes	State funded school (D1)	Children's registered nursery
C2A Secure Residential Institution	Use for a provision of secure residential accommodation, including use as a prison, young offenders institution, detention centre, secure training centre, custody centre, short term holding centre, secure hospital, secure local authority accommodation or use as a military barracks	State funded school (D1)	
C3 Dwelling Houses	Use as a dwelling house (whether or not as a sole or main residence by: a) a single person, or by people forming a single household; b) not more than 6 residents living together as a single household where care is provided for residents: or c) not more than 6 residents living together as a single household where no care is provided (other than a use within C4)	Permitted change to C4	
C4 Houses in Multiple Occupation	Use of a dwelling house by not more than 6 residents as a house of multiple occupation (see note 4).	Permitted change to C3	
D1 Non-residential Institutions	Places of worship, church halls, clinics, health centres, crèches, day nurseries, consulting rooms, museums, public halls, libraries, art galleries, exhibition halls, law court, Non residential education and training centres, schools. (See note 5)	No permitted change	
D2 Assembly and Leisure	Cinemas, music and concert halls, dance, sports halls, baths, skating rinks, gymnasiums. Other indoor and outdoor sports and leisure uses, bingo halls	State funded school (D1)	Children's registered nursery
Sui Generis (See Note 3)	Theatres, houses in multiple paying occupation, hostels providing no significant element of care, scrap yards. Petrol filling stations and shops selling and/or displaying motor vehicles. Retail warehouse clubs, nightclubs, laundrettes, dry cleaners, taxi businesses, amusement centres Casinos	No permitted change	
Agricultural buildings		Permitted Change - Sui Generis to D2 Agricultural buildings up to 500sq m permitted change to A1, A2, A3, B1, B8, C1 or D2.	Residential (C3), state funded school, or registered nursery (D1)
Temporary use	Uses within A1, A2, A3, A4, A5 and B1a, D1, D2	Permitted change to A1, A2, A3, B1 for a single period of two years from 30 May 2013.	

1. The Town and Country Planning (Use Classes) Order 1987 is the principal order which has been subject to a number of subsequent amendments. Changes within a specific class do not require planning permission provided that the use subsists, the planning permission exists and no restrictive condition is attached. The 2006 amendments moved casinos from D2 to Sui Generis, introduced C2A for secure residential institutions and law court as a D1 specified use. The 2010 amendments alter C3 and introduce a C4 use class. The Town and Country Planning (General Permitted Development) (Amendment) (No2) (England) Order 2010 (SI No 2134) introduced a permitted change from C3 to C4.
2. Any operational development, such as effecting external appearance would, requires consent. Ground floor rooms with a shop window would need consent to change the whole or part of the ground floor for use as a single flat. For a further explanation see Town and Country Planning (General Permitted Development) Order 1995.
3. Sui Generis is a use not within a specific class.
4. Definition of a House in Multiple Occupation is as in Section 254 of the Housing Act 2004. Broadly this is when tenanted living accommodation is occupied as an only or main residence, where the occupiers are not related and share one or more basic amenity.
5. The Town and Country Planning (General Permitted Development) (Amendment) (England) Order 2013 No 1101 allows the change of use of all buildings to a state funded school for a temporary period of one academic year.

## Annex 2: Summary of annual applications, costs and benefits over the ten year appraisal period

	Year		2		3		4		5		6		7	
	1.4%	2.4%	2.4%	2.6%	2.2%	2.6%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%
<b>A</b>														
Applications	341	350	357	367	357	367	377	387	397	397	397	397	397	397
Admin Saving (+ Developers)	£427,000	£437,000	£447,000	£458,000	£447,000	£458,000	£471,000	£483,000	£496,000	£471,000	£483,000	£496,000	£496,000	£496,000
Fee Loss (Transfer LPA)	£114,000	£117,000	£120,000	£123,000	£120,000	£123,000	£126,000	£130,000	£133,000	£126,000	£130,000	£133,000	£133,000	£133,000
Prior Approval Admin (- Developers)	£187,000	£192,000	£196,000	£201,000	£196,000	£201,000	£207,000	£212,000	£218,000	£207,000	£212,000	£218,000	£218,000	£218,000
Prior Approval Fee (- Developers)	£59,000	£60,000	£61,000	£63,000	£61,000	£63,000	£65,000	£67,000	£68,000	£65,000	£67,000	£68,000	£68,000	£68,000
Applications	677	694	709	727	709	727	747	767	788	747	767	788	788	788
Admin Saving (+ Developers)	£847,000	£867,000	£886,000	£909,000	£886,000	£909,000	£934,000	£959,000	£985,000	£934,000	£959,000	£985,000	£985,000	£985,000
Fee Loss (Transfer LPA)	£227,000	£232,000	£237,000	£244,000	£237,000	£244,000	£250,000	£257,000	£264,000	£250,000	£257,000	£264,000	£264,000	£264,000
Prior Approval Admin (- Developers)	£372,000	£381,000	£389,000	£399,000	£389,000	£399,000	£410,000	£421,000	£432,000	£410,000	£421,000	£432,000	£432,000	£432,000
Prior Approval Fee (- Developers)	£116,000	£119,000	£122,000	£125,000	£122,000	£125,000	£128,000	£132,000	£135,000	£128,000	£132,000	£135,000	£135,000	£135,000
<b>C</b>														

Central assumptions: Admin saving = £1,250; Fee loss = £335; Admin saving = £549; and Prior Approval Fee (where charged, A and C) = £172