

<b>Title:</b> Extension of the permission in principle consent regime: introduction of applications process  <b>RPC Reference No:</b> RPC-4352(1)-MHCLG <b>Lead department or agency:</b> Ministry of Housing, Communities and Local Government <b>Other departments or agencies:</b>	<b>Impact Assessment (IA)</b>			
	<b>Date:</b> 26/04/2019			
	<b>Stage:</b> Final			
	<b>Source of intervention:</b> Domestic			
	<b>Type of measure:</b> Secondary legislation			
<b>Contact for enquiries:</b> Sean O'Byrne <a href="mailto:sean.o'byrne@communities.gov.uk">sean.o'byrne@communities.gov.uk</a> Tel 0303 444 1974				

<b>Summary: Intervention and Options</b>	<b>RPC Opinion:</b> GREEN
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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 (EANDCB in 2016 prices)	One-In, Three-Out	Business Impact Target Status
£114m	£109m	-£12.7m	N/A	Qualifying provision

**What is the problem under consideration? Why is government intervention necessary?**

Most developers need a level of certainty about whether a site is suitable for development before they are willing to take a proposal forward. Sites included on brownfield land registers are currently eligible for a grant of permission in principle, which means developers of those sites can resolve the question of suitability without incurring the costs of preparing a full planning application. To be included on a brownfield land register, sites must be an area of at least 0.25 hectares or capable of supporting at least 5 dwellings. This can have the effect of excluding small developer businesses from accessing the benefits of the policy so we wanted to extend this regime and give developers of sites not on brownfield registers the opportunity to apply for permission in principle so they can benefit from the policy in a greater number of cases. This measure is primarily targeted at SME housing developers. The measure will support their growth and promote competition in the development industry.

**What are the policy objectives and the intended effects?**

The permission in principle application process enables applicants to establish upfront, and at minimal cost, whether sites they identify are suitable for residential development. Under the existing system, applicants typically will pay the much higher cost of preparing and submitting a full planning application in order to settle the question of site suitability. Small developer businesses have told us that they often don't have the finance at this early stage to support the preparation of a full planning application which discourages them from going ahead. This new consent route enables applicants to avoid most of the costs associated with making a full planning application, and then having it refused on a matter of principle. The new consent is permissive in the sense that developers will remain free to submit a full application without seeking permission in principle in advance. Developers will have more certainty over sites and in turn will decrease the time and money spent on sites that are not acceptable in planning terms.

**What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)**

If we did nothing it will not achieve the Government's aims to give early certainty to developers and increase the supply of permissioned land for housing development. It is not possible to take a non-regulatory approach to streamlining regulation. The Government's preferred approach, therefore, is to extend the permission in principle regime to enable permission in principle to be granted following an application. This option introduces the secondary legislation to enable local planning authorities to grant permission in principle for housing-led development following an application. This policy sits alongside other policies targeted at small developers such as the advance construction fund and changes in planning policy aimed at diversification of supply.

<b>Will the policy be reviewed?</b> It will be reviewed. <b>If applicable, set review date:</b> April/2022				
Does implementation go beyond minimum EU requirements?			N/A	
Are any of these organisations in scope?			<b>Micro</b> Yes	<b>Small</b> Yes
			<b>Medium</b> Yes	<b>Large</b> Yes
What is the CO <sub>2</sub> equivalent change in greenhouse gas emissions? (Million tonnes CO <sub>2</sub> equivalent)			<b>Traded:</b> N/A	<b>Non-traded:</b> N/A

***I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) that the benefits justify the costs.***

Signed by the responsible  
SELECT SIGNATORY:

Kit Malthouse MP : Date 24 January 2019

# Summary: Analysis & Evidence

# Policy Option 1

## Description:

### FULL ECONOMIC ASSESSMENT

Price Base Year 2016	PV Base Year 2017	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: 57.1	High: 229.1	Best Estimate: 114.4

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	0.2	Optional	Optional
High	0.2	Optional	Optional
Best Estimate	0.2	0.0	0.2

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

The affected group is professional developers that build small housing developments and decide to apply for permission in principle. We anticipate that there may be some one-off familiarisation costs for these businesses associated with gaining awareness of, and understanding, the new application process.

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

None.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional	7.2	57.3
High	Optional	28.6	229.3
Best Estimate	0.0	14.3	114.6m

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

The affected group is professional developers that build small housing developments and decide to apply for permission in principle. The permission in principle application route will enable applicants to avoid the full costs associated with making a detailed planning application, and then having it refused in principle. The benefits to business are estimated to be £114.6m over 10 years, largely driven by a reduction in nugatory planning applications.

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

There may be some change in hope value for sites eligible for permission in principle. There may also be some additional sites brought forward as a result of this policy, and an increase in the competitiveness of the developer market. As this impact is indirect, the policy is assumed not to increase net supply, but the benefits arise from a substantial cost and time saving in the planning system.

#### Key assumptions/sensitivities/risks

#### Discount rate

3.5%

We assume take-up among potential users will be gradual as it will take time for all of them to become fully aware of the new application process and understand how it could benefit them. Due to a lack of data on take up we have to assume what the take up rate will be.

There is a lack of data on planning applications for sites below 10 units, which means there is inherent uncertainty on the numbers of small and micro developers.

### BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			Score for Business Impact Target (qualifying provisions only) £m: -59.1
Costs: 0.0	Benefits: 12.7	Net: -12.7	

## **Evidence Base (for summary sheets)**

### **Problem under consideration and rationale for intervention**

Identifying a suitable site is one of the first steps in the development process. Developers often need a level of upfront certainty about whether a site is viable and suitable before they are willing to take a development proposal forward. Currently, local planning authorities can provide upfront certainty to some developers by granting permission in principle to sites entered on local brownfield land registers. Where sites are eligible for inclusion on a brownfield land register there is an expectation that local authorities will grant permission in principle to them unless they already have planning permission. Many sites, however, are not eligible for inclusion on a brownfield land register and therefore cannot be granted permission in principle. This means that a significant number of developer businesses do not currently benefit from the policy: developers of small sites (typically small developer businesses) which are not capable of supporting 5 or more dwellings or are below 0.25 hectares in area, which is the threshold for inclusion on a brownfield land register.

The permission in principle application process enables applicants to establish upfront, and at minimal cost, whether sites they choose are suitable for residential development. The remaining technical details (e.g. design of buildings) are then considered at the second (technical details consent) stage. Once a technical details consent is secured, the developer can then get on and build. Under the existing system, applicants typically will pay the much higher cost of preparing and submitting a full planning application in order to settle the question of site suitability. Small developer businesses have told us that they often don't have the finance at this early stage to support the preparation of a full planning application which discourages them from going ahead. This new consent enables applicants to avoid most of the costs associated with making a full planning application, and then having it refused in principle. The new consent is permissive in the sense that developers will remain free to submit a full application without seeking permission in principle in advance. The permission in principle application route will benefit SME more and could help to support the growth of small developer businesses and promote competition in the industry overall.

### **Policy objective**

The intended impact of this policy is to give developer businesses more upfront certainty on the suitability of sites for housing-led development in principle on a greater number of sites. It is expected that this will improve efficiency by reducing duplication of effort in the system, reduce risk in the process and either encourage developers to bring forward proposals for sites or save them the cost of filing full planning applications which are subsequently turned down due to site unsuitability for housing-led development.

The Government has previously legislated to enable local planning authorities to grant permission in principle for housing-led development sites entered on brownfield land registers. We want to enable permission in principle to be granted following an application for minor housing-led development (i.e. development of 1-9 dwellings). It is targeted at small scale development to enable a greater number of developers of small sites to benefit from permission in principle. Some small sites may not be eligible for permission in principle through brownfield land registers either because they are not capable of supporting 5 dwellings or are under 0.25 hectares in size or because they do not meet the definition of brownfield land. This Impact Assessment considers permission in principle following an application only and relates to secondary legislation necessary to implement the policy.

### **Description of options considered**

#### ***Do nothing***

This will not achieve the Government's aims to streamline the planning process, provide earlier certainty to developers on a greater number of sites and increase the supply of permissioned land for housing-led development.

#### ***Alternatives to regulation***

We do not consider that it is possible to take a non-regulatory approach to addressing these issues as they are the result of the current regulatory framework that governs the planning process.

**Preferred approach: Grant permission in principle to housing-led development following an application**

This option introduces new secondary legislation to enable local planning authorities to grant permission in principle for housing-led development on sites proposed by developers. A grant of full planning permission would be obtained from the later approval of certain technical details through a Technical Details Consent.

**Impact on developers**

Through engagement with a broad range of key industry stakeholders we have identified the likely impact on users of the planning system including the main affected group, which is professional developers that build small scale housing developments and choose to apply for a grant of permission in principle.

The proposal will provide developers with the option to apply for permission in principle on sites they choose. The developer then has certainty over the principle of development, ahead of being asked to sink the costs of preparing and submitting a planning application. The main impacts of permission in principle following an application will be to reduce duplication of work in the system for all parties and provide certainty on the principle of development for developers encouraging them to bring forward proposals in a greater number of cases and/or saving them the cost of filing applications which are turned down due to unsuitability of sites for housing-led development. The new consent is permissive in the sense that developers will remain free to submit a full application without seeking permission in principle in advance.

**How many applications will be made for permission in principle?**

Our assessment is that it will be mostly small and medium sized enterprises that will use this new consent, because it is limited to minor residential development (defined as development of 1 to 9 dwellings). The existing policy of granting permission in principle to sites in brownfield land registers means that applications for brownfield sites of 5 units or above are already covered, but applications for greenfield sites of any size are not. The extension of permission in principle will therefore only affect applications for sites of 1-4 units on brownfield land, and applications for sites of 1-9 units on greenfield land.

The most recent annual data on planning applications that can be analysed at this level cover applications in the year to March 2016. From this data, we estimate that there was a total of 21,950 applications for minor residential sites in that period. We estimate that there were 13,544 residential developments of less than 1-4 units, and 2,697 of 5-9 units, permitted over this period<sup>1</sup>. In the same period, 74% of all minor residential planning applications were granted by district planning authorities<sup>2</sup>. This implies a total of 18,305 applications annually for sites of 1-4 units (13,544 divided by 74%), and 3,645 for sites of 5-9 units (2,697 divided by 74%); or 21,950 in total.

Looking at other year applications, the 2016 figures seem to be in line with both figures from 2017 and 2018. As LPA frequently revise applications more recent years data is revised, we use the 2016 figures. Land Use Change Statistics for 2013-16 suggest that 49% of all net additions created are on greenfield sites<sup>3</sup>. If we assume that the rate is not different for sites of this size, we can apply this rate to the above figures to estimate the number of greenfield and brownfield applications of each size. This implies the following:

**Table 1: Number of applications**

	<i>1-4 units</i>	<i>5-9 units</i>	<b>Total<sup>4</sup></b>
Number of applications	18,305	3,645	21,950
<i>of which greenfield</i>	<b>9,043</b>	<b>1,801</b>	<b>10,843</b>

<sup>1</sup> Based on MHCLG analysis of Glenigan data.

<sup>2</sup> <https://www.gov.uk/government/statistical-data-sets/live-tables-on-planning-application-statistics>, table P120A. This includes instances where multiple applications are made regarding the same site – these additional applications are not relevant for permission in principle.

<sup>3</sup> <https://www.gov.uk/government/statistical-data-sets/live-tables-on-land-use-change-statistics>, table P300.

<sup>4</sup> Differences due to rounding.

<i>of which brownfield</i>	<b>9,262</b>	1,844	11,106
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The applications we are concerned with are those for greenfield sites of 1-4 units, greenfield sites of 5-9 units, and brownfield sites of 1-4 units, as outlined above. This gives a total of 20,105 applications eligible for this extension of permission in principle (9,043 plus 1,801 plus 9,262)<sup>5,6</sup>.

*How many will be approved?*

No central data source exists to provide estimates on how many applications are likely to be approved or rejected. Analysis commissioned by the Department for the Impact Assessment on permission in principle focused on planning decisions made between March and September 2015 in three local planning authority areas in geographically distinct parts of England. Further information about the sample can be found in Impact Assessment (RPC-3069(2)-CLG).

Of these 20,105 applications, we expect that 14,876 (74%) will be approved. Of the remainder which are refused, a small sample of planning decisions suggests that 62%, or 3,258, are refused on in-principle issues, with the remaining 1,971 refused on technical matters<sup>7</sup>.

We expect take-up among potential users will be gradual, as it will take time for all of them to become fully aware of the new consent route and understand how it could benefit them. We have assumed that take-up will gradually increase, from 3% in the first year to 50% by the tenth year. We expect take-up will peak at 50% because, in cases where developers have sufficient certainty about whether sites can be developed for housing, they will continue to apply for full planning permission instead of permission in principle. We also expect higher jumps in later years because developers will become increasingly aware that the new consent route exists and therefore take-up will accelerate. We have tested this assumption below in table 5. The full trajectory we have assumed is as follows:

**Table 2: Assumed take-up trajectory**

<i>Year</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>	<i>10</i>
Take-up	3%	5%	7%	10%	15%	20%	25%	30%	40%	50%

Feedback from representatives and consultation from the main affected group suggests this is a reasonable assumption. There is a degree of uncertainty over the rate of uptake, nor does this rate account for sites dropping out.

## **Monetised and non-monetised benefits**

### ***Avoiding costs associated with planning refusals***

It is possible to estimate the savings developers will make by avoiding the costs associated with making a full planning application, and then having it refused in principle. Applying for permission in principle allows them to receive the same information (i.e. that the site is suitable for housing-led development in principle) at much lower cost. This is because the applicant is required to provide much less information in support of an application than for a full planning application. Applicants for permission in principle only need to complete a short application form and provide a map identifying the site. By comparison, applicants for full planning permission must complete a longer application form, provide detailed drawings and maps of the proposal and its context and often other supplementary reports e.g. impact assessments.

We therefore estimate that preparing and submitting a permission in principle application will require 5% of the resources associated with preparing and submitting a full application; and that the subsequent technical details consent application will require the other 95% of resources. Feedback from representatives from the main affected group suggests this is a reasonable assumption.

<sup>5</sup> Difference due to rounding.

<sup>6</sup> This approach is consistent with the approach taken in the impact assessment Permission in principle for brownfield registers, RPC-3069(2)-CLG.

<sup>7</sup> Any differences between the figures implied by the calculations and the figures presented here are due to rounding.

The typical cost of preparing and submitting a full planning application is estimated to be £24,052 for a minor site<sup>8</sup>. The average application fee for a full application on a minor site is £1,507<sup>9</sup>. This implies a non-fee cost of £22,545 per application. The corresponding fee for a permission in principle application is £402<sup>10</sup>, and £1,507 for a technical detail consent application<sup>11</sup>.

Applying the 5% estimate to the non-fee application cost implies that the non-fee cost of a permission in principle application is £1,127 (5% of £22,545), and for a technical detail consent £21,418 (95% of £22,545). These estimates can be summarised as follows:

**Table 3: Cost of an application (2016 prices)**

<i>Cost of application</i>	<i>Permission in principle</i>	<i>Technical details consent</i>	<i>Full planning permission</i>
Total	£1,529	£22,925	£24,052
<i>of which fee cost</i>	£402	£1,507	£1,507
<i>of which non-fee cost</i>	£1,127	£21,418	£22,545

Applicants whose application for permission in principle are refused are therefore expected to save an average of £22,523, by avoiding the costs of making a full planning application (the cost of a full application less the cost of a permission in principle application: £24,052 less £1,529). Applicants who are granted permission in principle but have their applications for technical details consent refused will face a slightly higher cost of £24,454 (£1,529 plus £22,925) compared to the £24,052 for a full application. This modest difference in cost is entirely due to the £402 permission in principle application fee. The total costs in each scenario can be summarised as follows:

**Table 4: Cost to applicant in each scenario (2016 prices)**

<i>Cost to applicant</i>	<i>Accepted</i>	<i>Refused in principle</i>	<i>Refused on technical grounds</i>
Cost with a full planning application	£24,052	£24,052	£24,052
Cost with permission in principle	£24,454	£1,529	£24,454
Change in cost	£402	-£22,523	£402

To estimate the net change in the cost of applications in each year, we can simply multiply the change in cost in each scenario by the estimated number of applications for that scenario.

For example, in year one, we expect 14,876 applications to be accepted, 3,258 to be refused in principle, and 1,971 to be refused on technical grounds, as above (See section: *How many will be approved?*) The assumed take-up in year one is 3%, as per Table 2. We therefore assume that, in year one, 446 applications will be accepted, 98 refused in principle, and 59 refused on technical grounds (3% of 14,876, 3,258 and 1,971 respectively). The 98 applicants who are refused in principle will each save £22,523, while the other 505 (446 plus 59) will see their costs rise by £402 each. The estimated net saving in year one is therefore £2.00m (98 by £22,523 less 505 by £402). A summary of the estimated net change in costs for each year can be found in the Annex, in table 5.

The estimated savings rise over the ten-year appraisal period in line with our assumed take-up trajectory. The total expected saving to business over the ten-year appraisal period is £136m, leading to a benefit to business of £109m in present value terms. For total net present social values please see below for the treatment of planning fees.

<sup>8</sup> Benchmark costs, Arup 2009 for DCLG, inflated to 2016 prices

<https://webarchive.nationalarchives.gov.uk/20120919182728/http://www.communities.gov.uk/documents/planningandbuilding/pdf/benchmarkingcostsapplication.pdf>

<sup>9</sup> For a full planning application, a fee of £462 per new dwelling is charged

([http://ecab.planningportal.co.uk/uploads/english\\_application\\_fees.pdf](http://ecab.planningportal.co.uk/uploads/english_application_fees.pdf)). This is combined with the average number of units per minor project – 3.26 (from Barbour planning pipeline data, 2016-17) – to give an estimated average fee of £1,507 per application.

<sup>10</sup> For an application for permission in principle, a fee of £402 per 0.1 hectare (or part thereof) is charged. The average number of units per project – 3.26 – and the average number of dwellings per hectare – 42 (Land Use Change Statistics, 2008-11) are combined to give an estimate of 0.08 hectare per project. The fee for sites of 0.1 hectare is therefore used.

<sup>11</sup> The fee charged for a technical details consent application is the same as the fee charged for a full planning application.

### ***Hope values***

An increase in land value occurs at the point at which planning permission is granted. Hope value refers to this expected increase, dependent on the perceived probability of obtaining planning permission. If we assume that developers have a preference to receive such gains sooner rather than later, then any change that brings forward the time at which permission is granted will increase the present value of the hope value, and conversely any change that brings forward the time at which permission is refused will reduce it.

Since the policy has not yet been introduced, no data is yet available on the time taken for an application for permission in principle to proceed to approval or refusal<sup>12</sup>. We know that the time limit for authorities to make a decision on an application for permission in principle will be five weeks, compared to eight weeks for a full planning application. However, we have no reason to expect that the time to approval will fall by more or less than the time taken to refusal.

Moreover, we have no data on how the expected probability of obtaining planning permission varies between different sites. We only have data concerning the outcomes – i.e. the eventual number of approvals and refusals.

From the data that we have, we have no reason to believe that the increase in hope value resulting from bringing forward the time at which permission is granted will be greater or smaller than the reduction in hope value resulting from also bringing forward the time at which permission is refused. We have therefore been unable to arrive at a non-zero estimate of a change in hope value resulting from this policy.

### ***Additional sites brought forward and market competition***

The process of applying for planning permission using permission in principle is less risky for developers than the process of applying for full planning permission, as developers do not face the risk of investing the time and resources needed to prepare a full planning application, and then having it rejected in principle. This means that it may be easier for developers, particularly smaller firms, to access the finance needed to support the initial investment of preparing a planning application under permission in principle. After securing a grant of permission in principle, small developers have told us that they will find it much easier to secure the finance needed to fund a technical detail consent application than having to fund the cost of a full planning application without the certainty afforded by a grant of permission in principle.

This means that it may now be possible to bring forward some sites which previously it would not have been profitable to bring forward. We would also expect to see an increase in competition in the developer industry, as a requirement to access to finance represents a barrier to entry. We have not attempted to monetise these benefits, as data on which sites at present cannot be brought forward, or firms which cannot at present compete in the market, are not readily available. We do not consider this proportionate to monetise given the small impact of this measure.

### **Monetised and non-monetised costs**

We anticipate that there will be some familiarisation costs associated with this consent route. We expect that this will typically take very little time because the process is easier than applying for full planning permission because the applicant only needs to submit a completed application form and a site map. Given the similarity to the existing process for applying for full planning permission, a proportionate estimate is that it will take half an hour for each firm to familiarise themselves with the new option when they are preparing a permission in principle application on a site for the first time. This estimate is naturally sensitive to assumptions on time required for someone to familiarise themselves. In the Impact Assessment accompanying the National Planning Policy Framework, we assumed three to four hours of familiarisation time for 65 pages of guidance. We expect that these costs will relate to

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<sup>12</sup> This differs from the introduction of permission in principle for sites on brownfield registers. Here no application for permission in principle was required – it was simply granted by default to all sites listed on the register. This meant that the time to “permission” or “refusal” (i.e. inclusion or exclusion from the register) fell to zero in all cases following the publication of the register.



learning how to apply for permission in principle including how to complete the application form and identifying the correct fee.

Assuming an hourly time cost of £28.74, this implies a familiarisation cost per firm of £14.37<sup>13</sup>. We have also assumed that each application and that each application is by a new firm and therefore will incur a familiarisation cost. This means that the estimated familiarisation cost increases each year in line with the number of applications up to year seven, at which point the total stock of firms is exhausted.

This gives a total familiarisation cost of £0.2m over the ten-year appraisal period. This is consistent with the approach taken in the impact assessment covering the introduction of permission in principle for brownfield land registers, RPC-3069(2)-CLG, which was previously validated by the RPC. This methodology is also consistent with the approach we used in previous validated impact assessments including on deemed discharge for planning conditions (RPC13-FT-CLG-1942(2)) and changes to Environmental Impact Assessment regulations (RPC13-FT-CLG-1822(2)).

### **Sensitivity testing**

We have tested below the impact of different rates of take up rate of permission in principle. To test the impacts of the different rates of take up in the industry. Our scenarios here are purely illustrative, to show the range of take up and the benefits that may occur due to this policy. Estimating take up is difficult to evidence base given the nature of policy. We have used the take up trajectory below purely to test the upper bounds of the impact the policy could have.

Year	1	2	3	4	5	6	7	8	9	10
High take up	6%	10%	14%	20%	30%	40%	50%	60%	80%	100%
Low take up	1.5%	2.5%	3.5%	5%	7.5%	10%	12.5%	15%	20%	25%

Scenario	Total Benefit (present value)
Low take up	£57.3m
High take up	£229.2m

### **Treatment of planning fees**

As planning fees are paid by developers to local planning authorities, we assume this is a transaction between business and government. We can assume the fee is a transfer of purchasing power from one person to another and does not involve the consumption of resources. Therefore, the net social values calculations do not include planning fees, whilst net present values to business do. Our estimate of net present social value is £114.4m which is excluding planning fees. As the measure increases the fee cost of a full application the net value to business is slightly less than the net social value which does not include the change in fees.

The total net benefit to business is £109.2m in present value terms. The EANDCB is -£12.7m (2016 prices, 2017 present value). This includes planning fees. A table showing the breakdown of the costs and benefits of the policy can be found in the Annex.

### **Small and Micro Business Assessment SaMBA**

As explained earlier in the analysis, this measure is targeted specifically at small businesses that may not currently benefit because the sites they typically want to develop do not meet the criteria for inclusion on a brownfield land register, which is currently the only vehicle for granting permission in principle. Volume house builders mainly develop sites capable of supporting at least 50 units. As this consent is

<sup>13</sup> We use wage rates to estimate the monetary costs of familiarisation – this is consistent with standard economic theory and HMT methodology. For developer wages we have used a proxy of ‘activities of head offices; management consultancy activities’ (SIC 70). We update basic gross hourly wage rate taken from the 2016 ONS Annual Survey of Hours and Earnings (£22.11) by 30% (based on HMT Green Book and DCLG appraisal guide) to incorporate non-wage labour costs (arriving at hourly time cost of £28.74). This approach is consistent with the approach taken to estimate familiarisation costs in the Impact Assessment “Permission in principle for brownfield registers” (RPC-3069(2)-CLG).

only available for minor development (i.e. 1-9 units), we therefore expect that it will mostly be small developers that will make permission in principle applications and will benefit from this policy.

In written evidence to the Housing and Planning Bill Commons Committee, which scrutinised the primary powers, Federation of Master Builders, which represents 8,000 small builders, said that they “strongly support” the measure, which they describe as “reasonable and logical”. This measure enables small developer businesses to establish upfront, and at minimal cost, whether a site is suitable for residential development. Under the existing system, small developer businesses typically will pay the much higher cost of preparing and submitting a full planning application in order to settle the question of site suitability. This new consent enables them to avoid most of the costs associated with making a full planning application, and then having it refused in principle. The new consent route is permissive in the sense that developers will remain free to submit a full application without seeking permission in principle in advance.

### ***Estimating the number of small and micro businesses in scope***

Estimating the number of businesses in scope of regulation is difficult, as there is a lack of detailed data on sites below 9 units. Whilst we estimate there are around 21,950 planning applications under 9 units a year, getting data on the developer and the number of businesses undertaking these applications is more difficult. The ONS record there are 33,535<sup>14</sup> ‘micro’ businesses defined as having under 9 employees working in the development of building projects and 990 ‘small’ businesses defined as 10-49 employees. Not all these businesses would be producing an application every year or indeed be a ‘developer’ of a site rather being a sub-contractor or a consultant. The main benefit will be for a developer rather than a subcontractor or planning consultants.

This demonstrates an upper bound of businesses in scope of the regulations. The Home Builders Federation (HBF) estimates there are around 2,500 SME’s based on homes registered with the National House Building Council.<sup>15</sup> This would be an overestimate as it would include medium sized developers not in scope of samba. Using these figures, the range of businesses this could policy could impact on 990-2,500 small businesses and up to 33,535 micro businesses.

### ***Estimating the market share of small and micro businesses***

Our estimate for the market share of micro and small business that will be impacted is 12%-20%. Given the difficulty noted above in estimating the number of small and micro businesses affected, assessing their market share is also challenging. The HBF estimates that 12% of new build housing is constructed by the 2,500 SME’s discussed above. This, however, does not cover the market share of small and micro businesses of sites affected, that is those with under 9 units. We can, however, provide an indicative estimate of their market share all sites below 9 units. Using a highly speculative approach these deliver around 40,000 units<sup>16</sup> which is about 20% of net additions. Assuming these applications for sites below 9 units are just by SME’s, this suggest a slightly higher market share than the HBF figures.

To estimate this figure, we assume the build out rate of each site is 1 year and there is a 10% drop out rate from permission to a site being delivered. This is also based on a simple calculation of the median site size for applications for sites 1-4 and sites 5-9, this estimate of the number of units due to prevalence of single unit sites and self-build projects. This also is likely to double count some permitted developer rights.

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<sup>15</sup> HBF report SME 2017 [https://www.hbf.co.uk/documents/6879/HBF\\_SME\\_Report\\_2017\\_Web.pdf](https://www.hbf.co.uk/documents/6879/HBF_SME_Report_2017_Web.pdf) HBF define SME as builder responsible for less than 1,000 units a year.

<sup>16</sup> This is highly speculative. Not all planning applications will be residential. We assume the build out rate of each site is 1 year and there is a 10% drop out rate from permission to a site being delivered. This is also based on a simple calculation of applications for sites 1-4 and sites 5-9, however this will massively over estimate the number of units due to prevalence of single unit sites or self-build projects. This also is likely to double count some Permitted developer rights.

### **Impact on local planning authorities**

The impact on the public sector is negligible as a fee (£402 per 0.1 hectare) is payable by applicants which will enable authorities to cover the cost of processing permission in principle applications.

### **Review of the policy**

We intend to monitor the take-up of the policy by collecting data on the volume of permission in principle applications determined by local planning authorities. This data will be collected on a quarterly basis. Local planning authorities are already required to provide data on the number of other types of planning application they receive on a quarterly basis. Therefore, a minor adjustment to the data collection process is needed to enable permission in principle applications to be counted. Data collected on the number of permissions in principle applications submitted up to April 2022 will be used to inform the review of the policy.

**Annex**

**Table 5: Change in cost of applications**

<u>Year</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>	<u>Total</u>
<b>Total number of eligible applications</b>	20,105	20,105	20,105	20,105	20,105	20,105	20,105	20,105	20,105	20,105	201,053
<b>Assumed % take-up</b>	3%	5%	7%	10%	15%	20%	25%	30%	40%	50%	
<b>Accepted</b>	446	744	1,041	1,488	2,231	2,975	3,719	4,463	5,951	7,438	30,497
<b>Number of applications</b>											
<b>Change in cost per application</b>	£402	£402	£402	£402	£402	£402	£402	£402	£402	£402	
<b>Total change in cost (m)</b>	£0.18	£0.30	£0.42	£0.60	£0.90	£1.20	£1.50	£1.79	£2.39	£2.99	£12.26
<b>Refused in principle</b>	98	163	228	326	489	652	814	977	1,303	1,629	6,678
<b>Number of applications</b>											
<b>Change in cost per application</b>	-£22,523	-£22,523	-£22,523	-£22,523	-£22,523	-£22,523	-£22,523	-£22,523	-£22,523	-£22,523	
<b>Total change in cost (m)</b>	-£2.20	-£3.67	-£5.14	-£7.34	-£11.01	-£14.67	-£18.34	-£22.01	-£29.35	-£36.69	-£150.41
<b>Refused on technical grounds</b>	59	99	138	197	296	394	493	591	788	986	4,041
<b>Number of applications</b>											
<b>Change in cost per application</b>	£402	£402	£402	£402	£402	£402	£402	£402	£402	£402	
<b>Total change in cost (m)</b>	£0.02	£0.04	£0.06	£0.08	£0.12	£0.16	£0.20	£0.24	£0.32	£0.40	£1.62
<b>Total</b>	603	1,005	1,407	2,011	3,016	4,021	5,026	6,032	8,042	10,053	41,216
<b>Number of applications</b>											
<b>Change in cost per application</b>	-	-	-	-	-	-	-	-	-	-	
<b>Total change in cost (m)</b>	-£2.00	-£3.33	-£4.66	-£6.66	-£9.99	-£13.32	-£16.65	-£19.98	-£26.64	-£33.30	-£136.53

**Table 6: Total costs and benefits (£m)**

Year	1	2	3	4	5	6	7	8	9	10	Total	NPV
Assumed % take-up	3%	5%	7%	10%	15%	20%	25%	30%	40%	50%		
Familiarisation cost	0.01	0.01	0.02	0.03	0.04	0.06	0.04	0.00	0.00	0.00	0.22	0.19
Change in cost of applications	-2.00	-3.33	-4.66	-6.66	-9.99	-13.32	-16.65	-19.98	-26.64	-33.30	-136.53	-109.41
<b>Net cost</b>	-1.99	-3.32	-4.64	-6.63	-9.95	-13.26	-16.61	-19.98	-26.64	-33.30	-136.31	109.22